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

NAFA INCOME FUND

ANNUAL REPORT 2017



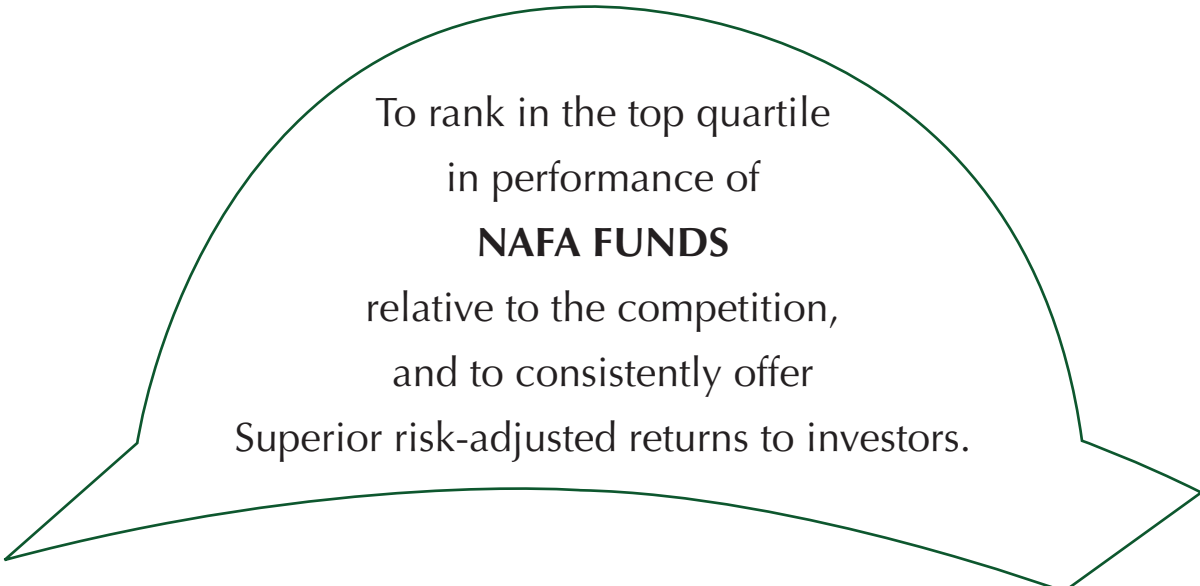
Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT



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

NAFA INCOME FUND

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
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Lui Mang Yin (Martin Lui)	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Lui Mang Yin (Martin Lui)	Member
Mr. Abdul Hadi Palekar	Member

Trustee

MCB Financial Service Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road Karachi - 7400

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
Al Barakah Bank Limited
Sindh Bank Limited
Silk Bank Limited
United Bank Limited
JS Bank Limited
Khushhali Bank Limited
Zarai Taraqiati Bank Limited
Summit Bank Limited
Tameer Microfinance Bank Limited

NAFA INCOME FUND

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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 INCOME FUND

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Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Mudassir Husain Khan
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Lui Mang Yin (Martin Lui)
Director



Mr. Tariq Jamali
Director



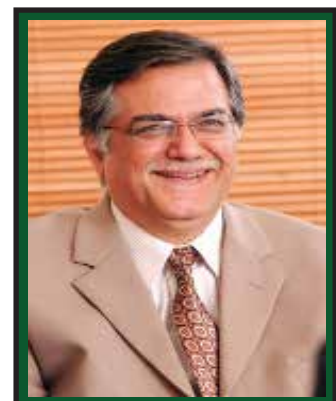
Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director



Mr. Abdul Hadi Palekar
Director



Mr. Humayun Bashir
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Hassan Raza, CFA
Head of Research



Mr. Muhammad Ali, CFA, FRM
Head of Fixed Income



Mr. Taha Khan Javed, CFA
Head of Equity



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman, ACA
Senior Manager Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

NAFA INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Tenth Annual Report of **NAFA Income Fund** for the year ended June 30, 2017.

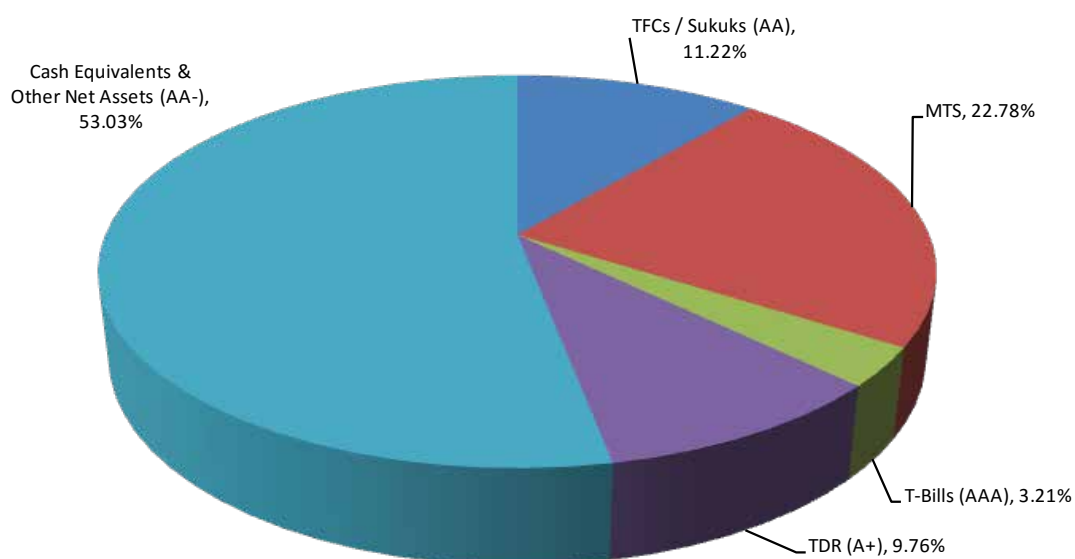
Fund's Performance

The size of NAFA Income Fund has increased from Rs. 619 million to Rs. 922 million during the period, i.e. a growth of around 49%. During the said period, the unit price of NAFA Income Fund has increased from Rs. 9.1577 (Ex-Div) on June 30, 2016 to Rs. 9.7548 on June 30, 2017, thus posting a return of 6.52% as compared to its Benchmark return of 6.10% for the same period. The return of the Fund is net of management fee and all other expenses.

NIF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA. Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as the short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

Trading activity in corporate TFCs / Sukuks slightly improved with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades remained skewed towards high quality debt issues, mainly concentrated towards the Banking sector with 71% contribution. Dearth of primary issuance and rising demand kept the yield spread tightened in the secondary market.

The Fund has earned income of Rs.53.74 million during the year. After accounting for expenses of Rs.13.26 million, the net income is Rs.40.48 million. The asset allocation of NAFA Income Fund as on June 30, 2017 is as follows:



NAFA INCOME FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 6.33% of opening ex-NAV (6.17% of the par value) during the year.

Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors Messrs Deloitte Yousuf Adil & Co. Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountant, for the year ending June 30, 2018.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the current financial year. The attendance of all directors is disclosed in the note 26 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 22 to these financial statements.

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 Trustees.

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 15, 2017
Place: Karachi.

NAFA INCOME FUND

ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA انکم فنڈ (NIF) کی ساتویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

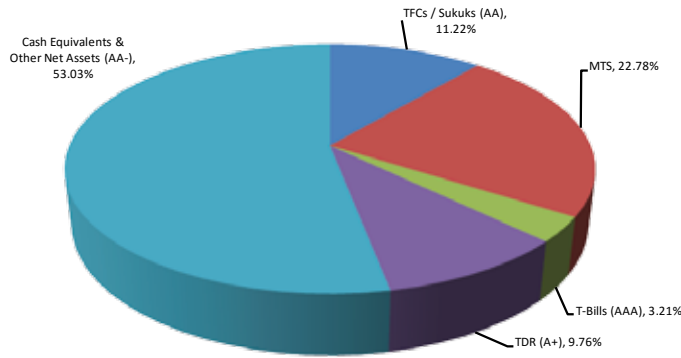
NAFA انکم فنڈ (NIF) کا سائز اس مدت کے دوران 619 ملین روپے سے بڑھ کر 922 ملین روپے ہو گیا ہے، یعنی تقریباً 49% کا اضافہ۔ زیر جائز مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2016 کو 9.15777 روپے (Ex-Div) سے بڑھ کر 30 جون 2017 کو 9.75488 روپے ہو چکی ہے، اور اس طرح فنڈ نے اپنے بیچ مارک منافع 6.10% کے مقابلے میں 6.52% کا اضافہ دکھایا ہے۔ فنڈ کی یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIF کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے A(f) کی مستحکم ریٹنگ دی گئی ہے۔

اشیائے خورد و نوش کی قیمتوں میں کمی کے سبب CPI کے مطابق مالی سال 2017 میں افراط زر اوسطاً 4.2% رہا۔ سال کے دوران اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی کی شرح 5.75% برقرار رکھی۔ SBP نے چین پاکستان اقتصادی راہداری (CPEC) کے تناظر میں منصوبوں کیلئے سرمایہ کاری کی کارروائیوں میں تیزی آنے کو معاشی صورتحال میں بہتری کا سبب قرار دیا؛ تاہم درآمدات میں اضافہ پر اپنے تحفظات کا اظہار کیا، جس کے ساتھ برآمدات میں بیرون ملک سے رقوم کی ترسیل میں کمی سے کرنٹ اکاؤنٹ کا خسارہ بڑھ گیا۔ SBP کی دانشمندانہ مانیٹری پالیسی کے نتیجے میں شرح سود میں استحکام اور کمی دیکھنے میں آئی؛ جس سے نجی شعبہ کو اپنی گنجائش بڑھانے میں حوصلہ افزائی ہوئی۔ قلیل حکومتی منافع میں 10-5 بنیادی پوائنٹس کے ساتھ بہتری آئی۔ جب کہ طویل مدت کے منافع میں 60-40 بنیادی پوائنٹس کا اضافہ ہوا۔

کارپوریٹ TFCs/Sukuks کی تجارتی سرگرمیوں میں کچھ بہتری آئی اور مالی سال 17 میں ان کی مجموعی تجارتی قدر 9.1 بلین روپے رہی جو کہ گزشتہ سال 7.7 بلین روپے تھی۔ تجارت کا جھکاؤ اعلیٰ سطح کے قرضہ جات کی جانب رہا جس میں خاص طور پر بینکنگ کے شعبہ کا حصہ 71% تھا۔ ابتدائی اجراء کی قلت اور طلب میں اضافہ سے ثانوی مارکیٹ میں منافع کی صورتحال محدود رہی۔

فنڈ نے اس سال کے دوران 53.74 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 13.26 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 13.26 ملین روپے ہے۔ NAFA انکم فنڈ (NIF) کی ایسیٹ ایلوکیشن 30 جون 2017 کو برعکس ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے اس سال کے دوران میں اوپننگ ex-NAV کے 6.33% (بنیادی قدر کا 6.17%) نقد ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کپیٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سیکشن 201 کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز ڈی لوائٹ یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز کی حیثیت سے اپنے پانچ سال کی مدت مکمل کر لی ہے۔ نان بینکنگ فنانس کمپنیز ریگولیشن 38(i) اور Entities ریگولیشن 2008 کے نوٹیفکیشن کی شرط کے مطابق ان کو تبدیل کیا جانا لازمی ہے۔ اس لئے بورڈ نے میسرز کے پی ایم جی تاخیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو 30 جون 2018 کو ختم ہونے والے سال میں تقرر کی منظوری دے دی ہے۔

NAFA INCOME FUND

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 25 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کی گئی ہے۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہارِ تشکر کرتا ہے۔

بورڈ اپنے اسٹاف اور ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

15 ستمبر 2017ء

مقام: کراچی

NAFA INCOME FUND

TRUSTEE REPORT 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.

Subsequently, 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 year ended June 30, 2017 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;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Karachi: September 14, 2017

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

NAFA INCOME FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE NAFA INCOME FUND FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Income Fund** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, the Management Company, is not listed and hence, the CCG is not applicable to it. However, the Fund being listed on Pakistan Stock Exchange comes under the ambit of the CCG. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and appoints the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2017, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Lui Mang Yin 5. Dr. Kelvin Foo

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies were occurred on the board on November 21, 2016 and March 17, 2017 which were filled up on the same dates.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

NAFA INCOME FUND

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2017, four directors of the Company had acquired the director's training certificate as required under the CCG. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Head of Internal Audit of the Company with remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Chief Financial Officer (CFO) during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 22 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is an independent director.

NAFA INCOME FUND

18. The Board has set up an effective internal audit function headed by the Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions was determined and intimated to directors, employees and stock exchange except for 60th and 61st meeting of the Board of Directors.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with expect the following:
 - the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.
 - the Company has not complied with the requirements relating to maintenance of register of persons employed having access to inside information nor any senior management officer has been designated by the Company responsible for maintaining proper record including basis for inclusion or exclusion of names of persons from the said list.

For and behalf of the Board

September 15, 2017
Karachi

Dr. Amjad Waheed
Chief Executive Officer

NAFA INCOME FUND

FUND MANAGER REPORT

NAFA Income Fund (NIF) is an open-end Income Scheme.

Investment Objective of the Fund

The objective of NIF is to earn a competitive rate of return while preserving capital to the extent possible by investing in liquid assets.

Benchmark

6 Month – KIBOR.

Fund Performance Review

This is the ninth Annual report since the launch of the Fund on March 28, 2008. The Fund size increased by around 49% during FY17 and stands at Rs 922 million as on June 30, 2017. The Fund's return since its inception is 4.10% versus the benchmark return of 10.20%. During FY17, the Fund posted an annualized return of 6.52% as compared to benchmark return of 6.10%. The return of the Fund is net of management fee and all other expenses.

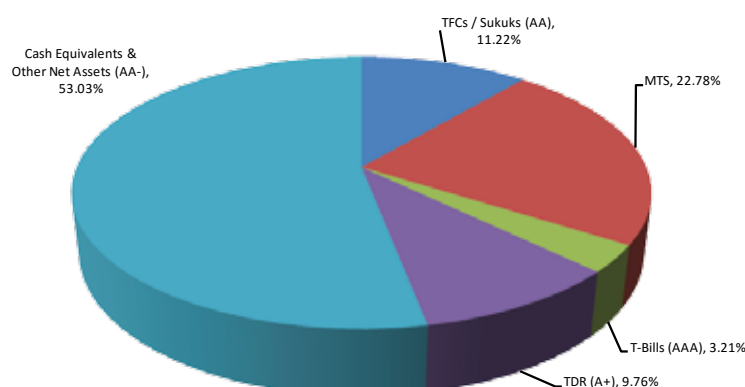
The weighted average Yield-to-Maturity of the Fund is around 7.10% p.a. while the yield does not include potential recovery in fully provided TFCs/Sukuks (Face Value of Rs 309 million), which is a potential upside for the Fund. Weighted average time to maturity of the Fund is 0.5 year.

The trading activity in TFCs/Sukuks remained skewed towards high quality debt issues with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades were mainly concentrated towards banking sector debt securities with 71% contribution. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. Thus, increase in interest rate will improve the coupon income of the Fund.

During the year, State Bank of Pakistan (SBP) held six (06) monetary policies and maintained the policy rate at 5.75%. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraged the private sector to undertake capacity expansions. Amid comfortable liquidity conditions, SBP kept the weighted average overnight repo rate close to the policy rate. SBP successfully concluded 03-Year Fixed Rental Rate GOP Ijara Sukuk (GIS-FRR) auction during the year for an amount of Rs. 71 billion and realized in line with the maturity amount at a yield of 5.24%.

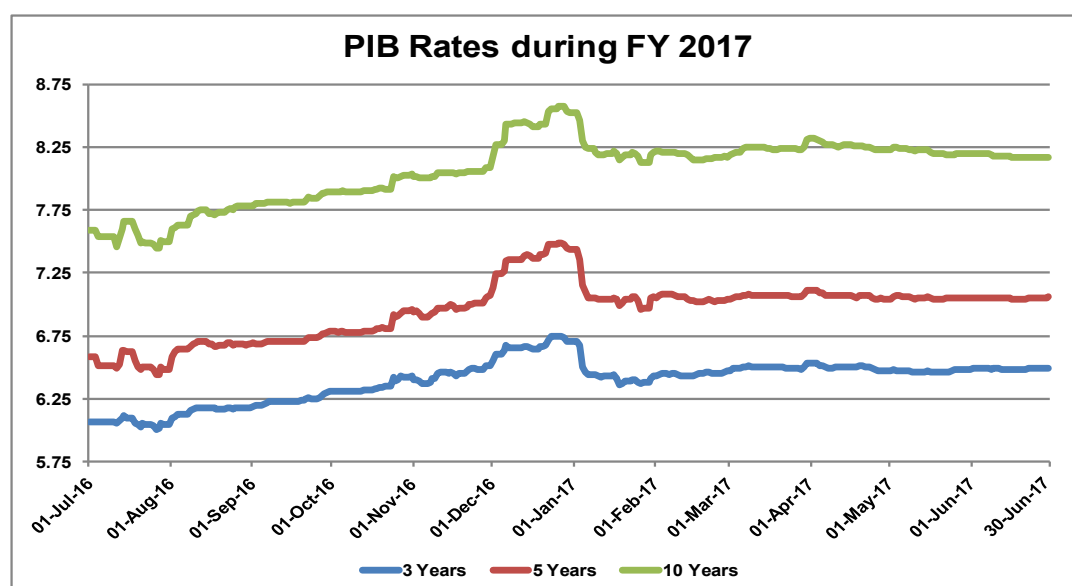
Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-17	30-Jun-16
TFCs/Sukuks	11.22%	28.39%
T-Bills	3.21%	6.72%
PIBs	-	-
Money Market Placements	9.76%	16.48%
Margin Trading System (MTS)	22.78%	20.84%
Cash (Cash Equivalents) & Other Assets	53.03%	27.57%
Total	100%	100%



NAFA INCOME FUND

PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2017

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	6.17	10.3544	9.7377

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
AgriTech Limited II - Revised II 14-JAN-08 14-JUL-19	TFC	149,875,800	149,875,800	-	-	-
AgriTech Limited V 01-JUL-11 01-JAN-18	TFC	22,180,000	22,180,000	-	-	-
Eden House Limited - Sukuk Revised 29-MAR-08 29-SEP-17	SUKUK	19,687,500	19,687,500	-	-	-
New Allied Electronics Limited II - Sukuk 03-DEC-07 03-DEC-17	SUKUK	49,054,371	49,054,371	-	-	-
Saudi Pak Leasing Company Limited - Revised II 13-MAR-08 13-MAR-19	TFC	41,321,115	41,321,115	-	-	-
Worldcall Telecom Limited - Revised 07-OCT-08 07-OCT-21	TFC	26,881,190	26,881,190	-	-	-
Total		308,999,976	308,999,976	-	-	-

Unit Holding Pattern of NAFA Income Fund as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
1-1000	36
1001-5000	31
5001-10000	11
10001-50000	7
50001-100000	3
100001-500000	6
500001-1000000	2
1000001-5000000	1
5000001-10000000	3
10000001-100000000	2
Total	102

During the period under question:

During the year, the provision for Workers' Welfare Fund held by the fund till June 30, 2015 has been reversed on January 12, 2017. Further, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from May 21, 2015. For further details, refer note 15 to the financial statements.

There has been no other significant change in the state of affairs of the Fund. NAFA Income Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 1.823 million. If the same were not made the NAV per unit/FY17 return of scheme would be higher by Rs. 0.0193/0.21%. For details investors are advised to read note 15 of the Financial Statement of the Scheme for the year ended June 30, 2017.

NAFA INCOME FUND

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the NBP Fullerton Asset Management Limited, the Management Company of **NAFA Income Fund** (the Fund) for the year ended June 30, 2017, to comply with the requirement of the Pakistan Stock Exchange Limited, where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions of the Fund distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2017.

Further, we highlight below instances of non-compliances with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

Paragraph reference	Description
21	As per the Code, there should be announcement of 'closed period' prior to the announcement of interim / final results and any business decisions, however a 'closed period' was not announced before 60th and 61st board meeting.
23	No register is maintained enlisting persons employed under contract or otherwise who have access to inside information.
23	A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.

Deloitte Yousuf Adil
Chartered Accountants
Date: September 22, 2017
Place: Karachi

NAFA INCOME FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **NAFA Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, cash flow statement, distribution statement and statement of movements in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's Responsibility for the Financial Statements

NBP Fullerton Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2017, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non- Banking Finance Companies and Notified Entities Regulations, 2008.

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner:
Naresh Kumar

Date: September 22, 2017

Place: Karachi

NAFA INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2017

	Note	2017 -----Rupees in '000-----	2016
ASSETS			
Balance with banks	4	494,759	169,976
Investments	5	223,040	319,277
Receivable against margin trading system	6	210,045	128,990
Mark-up accrued	7	1,674	5,287
Deposits, prepayments and other receivables	8	1,086	4,508
Total assets		<u>930,604</u>	<u>628,038</u>
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	1,522	824
Payable to MCB Financial Services Limited - Trustee	10	110	62
Payable to the Securities and Exchange Commission of Pakistan	11	606	469
Accrued expenses and other liabilities	12	6,309	7,776
Total liabilities		<u>8,547</u>	<u>9,131</u>
NET ASSETS		<u>922,057</u>	<u>618,907</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>922,057</u>	<u>618,907</u>
Contingencies and commitments	13	-----Number of units-----	
Number of units in issue	19	<u>94,523,767</u>	<u>63,557,779</u>
-----Rupees-----			
Net asset value per unit	20	<u>9.7548</u>	<u>9.7377</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
-----Rupees in '000-----			
INCOME			
Return / mark-up on:			
- bank balances and term deposits		34,836	25,164
- term finance certificates and sukus		12,336	11,866
- government securities		2,063	6,006
- margin trading system		8,881	8,092
Net gain on sale of investments		97	163
Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading	5.8	749	31
Reversal of provision in respect of non-performing investments		-	1,277
Total income		<u>58,962</u>	<u>52,599</u>
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	5,275	5,208
Sindh Sales Tax on remuneration of the Management Company	9.2	686	847
Federal Excise Duty on remuneration of the Management Company	12.1	-	833
Reimbursement of operational expenses to the Management Company	9.3	808	383
Remuneration of MCB Financial Services Limited - Trustee	10.1	808	625
Sindh Sales Tax on remuneration of the Trustee	10.2	105	87
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	606	468
Securities transaction cost		-	18
Settlement and bank charges		2,177	1,681
Auditors' remuneration	14	506	527
Fund rating fee		322	290
Legal and professional charges		13	10
Annual listing fee		55	40
Printing charges		75	11
Total expenses		<u>11,436</u>	<u>11,028</u>
Net income from operating activities		<u>47,526</u>	<u>41,571</u>
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(9,321)	(1,689)
Reversal of provision of Workers' Welfare Fund	15	4,095	-
Provision for Sindh Workers' Welfare Fund	15	(1,823)	-
Net income for the year before taxation		<u>40,477</u>	<u>39,882</u>
Taxation	16	-	-
Net income for the year after taxation		<u>40,477</u>	<u>39,882</u>
Earnings per unit	17		

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Net income for the year after taxation	40,477	39,882
Other comprehensive income	-	-
Total comprehensive income for the year	<u>40,477</u>	<u>39,882</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Accumulated loss brought forward comprising of:		
- realised loss	(3,405)	(7,089)
- unrealised income	31	3,264
	(3,374)	(3,825)
Net income for the year	40,477	39,882
Final distribution for the year ended June 30, 2017:		
- cash distribution @ Rs. 0.6167 per unit declared on June 19, 2017 (2016: Rs. 0.6667 per unit declared on June 30, 2016)	(38,865)	(39,431)
Accumulated loss carried forward	<u>(1,762)</u>	<u>(3,374)</u>
Accumulated loss carried forward comprising of:		
- realised loss	(2,511)	(3,405)
- unrealised income	749	31
	<u>(1,762)</u>	<u>(3,374)</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	-----Rupees in '000-----	
Net assets at the beginning of the year	618,907	583,494
Issuance of 280,020,412 units (2016: 19,679,709 units)	2,756,786	196,149
Redemption of 249,054,424 units (2016: 16,086,707 units)	(2,464,569)	(162,876)
	292,217	33,273
Net element of loss and capital losses included in prices of units issued less those in units redeemed	9,321	1,689
Total comprehensive income for the year	40,477	39,882
Distributions during the year:		
Final distribution for the year ended June 30, 2017:		
- cash distribution @ Rs. 0.6167 per unit declared on June 19, 2017 (2016: Rs. 0.6667 per unit declared on June 30, 2016)	(38,865)	(39,431)
Net assets as at the end of the year	922,057	618,907
Net asset value per unit at the beginning of year	9.7377	9.7306
Net asset value per unit at the end of year	9.7548	9.7377

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

Note	2017	2016
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	40,477	39,882
Adjustments:		
Return / mark-up on;		
- bank balances and term deposits	(34,836)	(25,164)
- term finance certificates and sukuks	(12,336)	(11,866)
- government securities	(2,063)	(6,006)
- margin trading system	(8,881)	(8,092)
Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading	(749)	(31)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	9,321	1,689
Reversal of provision in respect of non-performing investments	-	(1,277)
Reversal of provision of Workers' Welfare Fund	(4,095)	-
Provision for Sindh Workers' Welfare Fund	1,823	-
	<u>(51,816)</u>	<u>(50,747)</u>
	(11,339)	(10,865)
(Increase) / decrease in assets		
Investments - net	186,986	(70,183)
Receivable against margin trading system	(81,055)	(128,990)
Deposits, prepayments and other receivables	(243)	(406)
	105,688	(199,579)
Increase / (decrease) in liabilities		
Payable to the Management Company	698	261
Payable to the Trustee	48	14
Payable to the Securities and Exchange Commission of Pakistan	137	65
Accrued expenses and other liabilities	604	866
	1,487	1,206
Return on bank balances and term deposits received	37,823	23,083
Return on term finance certificates and sukuks received	12,993	11,718
Return on government securities received	2,063	9,909
Return on margin trading system received	8,850	7,527
	<u>157,565</u>	<u>(157,001)</u>
Net cash generated / (used in) from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash generated from investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	2,760,451	192,484
Amounts paid on redemption of units	(2,464,368)	(309,630)
Distributions paid	(38,865)	(39,431)
Net cash generated / (used in) financing activities	<u>257,218</u>	<u>(156,577)</u>
Net increase / (decrease) in cash and cash equivalents during the year	414,783	(313,578)
Cash and cash equivalents at the beginning of the year	169,976	483,554
Cash and cash equivalents at the end of the year	<u>584,759</u>	<u>169,976</u>

4.3

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Trust Deed was executed on January 03, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 14, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). Subsequently, 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 the CDC on 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 Fund is an open-ended mutual fund categorised as income scheme and its units are listed on Pakistan Stock Exchange Limited. Units of the Fund are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

The investment 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 'AM1' to the Management Company and a stability rating of 'A(f)' to the Fund.

Title of the assets of the Fund is held in the name of MCBFSL as a trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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, provisions of and directives issued under the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). Whenever the requirements of the NBFC Rules, the NBFC Regulations or provisions of and directives issued under the Companies Ordinance, 1984 differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, SECP has notified through Circular No. 17 of July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

2.4 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

NAFA INCOME FUND

	Effective from accounting period beginning on or after:
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
- Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
- Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of	January 01, 2016
- Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
- Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

2.4.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

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Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 17 – Insurance Contracts

2.5 Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying Fund's accounting policies. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In the process of applying Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:"

- (a) classification of financial assets (Note 3.2.1)
- (b) impairment of financial assets (Note 3.2.5)
- (c) provisions (Note 3.6)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.2 Financial assets

3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

a) Investments at fair value through profit or loss - held-for-trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the assets.

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3.2.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognized at fair value and transaction costs are recognized in the 'income statement'.

3.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss - held for trading' and 'available for sale':

1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of valuation rates, the MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

2) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also recognized in the 'income statement' when financial assets carried at amortized cost are derecognised or impaired, and through the amortization process.

3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the 'income statement'.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.6 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

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3.3 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost.

3.4 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.5 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned and on unrealised appreciation / (diminution) arising during an accounting year on available for sale securities. The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed is apportioned between the income statement and the distribution statement in proportion of the relative change in net assets for the year of available for sale investments and other net assets.

3.6 Provisions

Provisions are recognized when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the income statement in the year in which they arise.
- Mark-up / return on government securities, term finance certificates, sukuks, commercial papers, clean placements, bank balances and term deposits are recognised on a time apportionment basis using the effective interest method.
- Income on MTS transactions is recognized on an accrual basis.

3.8 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.9 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared.

3.10 Earnings per unit

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

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	Note	2017	2016
-----Rupees in '000-----			
4 BALANCES WITH BANKS			
Current account		443	443
Saving accounts	4.1	494,316	169,533
		<u>494,759</u>	<u>169,976</u>

4.1 These saving accounts carry mark-up at rates ranging from 5.30% to 7.50% per annum (2016: 4.50% to 9.00% per annum).

4.2 This includes the impact of cheques amounting to Rs. 5.612 million issued on account of redemption of units and cheques amounting to Rs. 0.064 million received on account of issuance of units as at year end.

	Note	2017	2016
-----Rupees in '000-----			
4.3 Cash and cash equivalents			
Current account		443	443
Saving accounts		494,316	169,533
Term deposit receipt - with original maturity of three months or less		90,000	-
		<u>584,759</u>	<u>169,976</u>

5. INVESTMENTS

At fair value through profit or loss - held for trading

Term finance certificates - listed	5.1.1	62,375	86,796
Term finance certificates - unlisted	5.1.3	41,035	40,000
Sukuks	5.2	-	48,903
Government securities	5.3	29,630	41,578
		<u>133,040</u>	<u>217,277</u>

Available for sale

Term finance certificates - listed	5.4	-	-
Sukuks	5.5	-	-
		<u>-</u>	<u>-</u>

Loans and receivables

Term deposits	5.7	90,000	102,000
		<u>223,040</u>	<u>319,277</u>

5.1 Term finance certificates - at fair value through profit or loss - held for trading

5.1.1 Term finance certificates - listed - at fair value through profit or loss - held for trading

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2017	Investment as a percentage of		
		As at July 1, 2016	Purchases during the year	Sales/ Matured during the year	As at June 30, 2017		Net assets	Market value of total investments	Issue size
(Rs in '000)									
Saudi Pak Leasing Company Limited	5.1.2	15,000	-	-	15,000	-	-	0.00%	10.00%
Bank Alfalah Limited		2,000	-	-	2,000	3,340	0.36%	1.50%	0.20%
Faysal Bank Limited		5,000	-	-	5,000	6,264	0.68%	2.81%	0.83%
Jehangir Siddiqui and Company Limited (April 08, 2014)		5,000	-	-	5,000	15,071	1.63%	6.76%	2.50%
Askari Commercial Bank Limited		7,400	-	-	7,400	37,700	4.09%	16.90%	0.93%
Total as at June 30, 2017						<u>62,375</u>	<u>6.76%</u>	<u>27.97%</u>	
Carrying value before mark to market as at June 30, 2017						<u>103,977</u>			
Accumulated impairment						<u>41,321</u>			

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

Saudi Pak Leasing Company Limited	5.1.2	15,000	-	-	15,000	-	-	0.00%	10.00%
Bank Alfalah Limited		2,000	-	-	2,000	3,340	0.36%	1.50%	0.20%
Faysal Bank Limited		5,000	-	-	5,000	6,264	0.68%	2.81%	0.83%
Jehangir Siddiqui and Company Limited (April 08, 2014)		5,000	-	-	5,000	15,071	1.63%	6.76%	2.50%
Askari Commercial Bank Limited		7,400	-	-	7,400	37,700	4.09%	16.90%	0.93%
Total as at June 30, 2017						<u>62,375</u>	<u>6.76%</u>	<u>27.97%</u>	
Carrying value before mark to market as at June 30, 2017						<u>103,977</u>			
Accumulated impairment						<u>41,321</u>			

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5.1.2 This represents investment in listed term finance certificates with original term of five years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its terms on December 26, 2011 with new maturity in March 2017. The investee company again defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since April 30, 2014. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of said circulars.

5.1.3 Term finance certificates - unlisted - at fair value through profit or loss - held for trading

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2017	Investment as a percentage of		
		As at July 1, 2016	Purchases during the year	Sales/ Matured during the year	As at June 30, 2017		Net assets	Market value of total investments	Issue size
						(Rs in '000)			
All term finance certificates have a face value of Rs. 5,000 each.									
Agritech Limited II	5.1.4	30,000	-	-	30,000	-	-	-	-
Agritech Limited V	5.1.5	4,436	-	-	4,436	-	-	-	-
Jahangir Siddiqui and Company Limited (June 24, 2016)		8,000	-	-	8,000	41,035	4.45%	18.40%	4.00%
						<u>41,035</u>	<u>4.45%</u>	<u>18.40%</u>	
Carrying value before mark to market as at June 30, 2017						<u>212,057</u>			
Accumulated impairment						<u>172,057</u>			

5.1.4 This represents investment in Privately Placed unlisted Term Finance Certificates (PPTFCs) with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing by MUFAP since August 02, 2010. The amount of provision as per circular no.1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.1.5 This represents investment in Privately Placed Term Finance Certificates (PPTFC) of Agritech V received against due markup of Agritech I. The investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 17, 2012 . The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

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.

5.2 Sukuks - at fair value through profit or loss - held for trading

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2017	Investment as a percentage of		
		As at July 1, 2016	Purchases during the year	Sales/ Matured during the year	As at June 30, 2017		Net assets	Market value of total investments	Issue size
						(Rs in '000)			
All sukuks have a face value of Rs. 5,000 each.									
K-Electric AZM Sukuk		9,800	-	9,800	-	-	-	-	-
New Allied Electronics (Private) Limited	5.2.1	10,000	-	-	10,000	-	-	-	6.67%
						<u>-</u>	<u>-</u>	<u>-</u>	
Carrying value before mark to market as at June 30, 2017						<u>49,054</u>			
Accumulated impairment						<u>49,054</u>			

5.2.1 This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 09, 2009. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

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

Issue Date	Note	Tenor	Face Value				Market value as at June 30, 2017	Investment as a percentage of	
			As at July 1, 2016	Purchases during the year	Sales/ Matured during the year	As at June 30, 2017		Net assets	Market value of total investments
------(Rs in '000)-----									
Market treasury bills									
September 3, 2015	5.3.1	12 Months	42,000	-	42,000	-	-	-	-
August 18, 2016		3 Months	-	30,000	30,000	-	-	-	-
October 27, 2016		3 Months	-	30,000	30,000	-	-	-	-
November 10, 2016		3 Months	-	30,000	30,000	-	-	-	-
September 1, 2016		3 Months	-	30,000	30,000	-	-	-	-
February 2, 2017		3 Months	-	30,000	30,000	-	-	-	-
April 13, 2017		3 Months	-	30,000	30,000	-	-	-	-
June 22, 2017		3 Months	-	30,000	-	30,000	29,630	3.21%	13.28%
							29,630	3.21%	13.28%
Carrying value before mark to market as at June 30, 2017							29,635		

5.3.1 The effective yield on market treasury bills is 5.75% per annum (2016: 5.90% per annum).

5.3.2 Investments include treasury bills with market value of Rs. 29.63 million (2016: Rs. 29.69 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no. 11 dated October 23, 2007 issued by the SECP.

5.4 Term finance certificates - available for sale

5.4.1 Term finance certificates - listed

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2017	Investment as a percentage of		
		As at July 1, 2016	Purchases during the year	Sales during the year	As at June 30, 2017		Net assets	Market value of total investments	Issue size
(Rs in '000)									
Worldcall Telecom Limited	5.4.2	14,000	-	-	14,000	-	-	-	1.75%
Carrying value before mark to market as at June 30, 2017						26,881			
Accumulated impairment						26,881			

5.4.2 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 and accordingly has been classified as non performing asset by MUFAP. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.4.3 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	Note	Number of certificates				Market value as at June 30, 2017	Investment as a percentage of		
		As at July 1, 2016	Purchases during the year	Sales during the year	As at June 30, 2017		Net assets	Market value of total investments	Issue size
(Rs in '000)									
Eden House Limited	5.5.1	20,000	-	-	20,000	-	-	-	13.70%
Carrying value as at June 30, 2016						19,688			
Accumulated impairment						19,688			

5.5.1 This represents investment in privately placed sukuk with a term of five years. On May 6, 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

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.

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5.6 Other particulars of term finance certificates and sukuk outstanding as at June 30, 2017 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Bank Alfalah Limited	1,662	6 Month KIBOR ask rate plus 2.5%	AA-	02-Dec-2009	02-Dec-2017
Faysal Bank Limited	1,248	6 Month KIBOR ask rate plus 2.25%	AA-	24-Dec-2010	27-Dec-2017
Askari Bank Limited	4,995	6 Month KIBOR ask rate plus 1.20%	AA-	30-Sep-2014	30-Sep-2024
Jehangir Siddiqui and Company Limited (April 08, 2014)	3,000	6 Month KIBOR ask rate plus 1.75%	AA+	08-April-2014	08-April-2019
Jahangir Siddiqui and Company Limited (June 24, 2016)	5,000	6 Month KIBOR ask rate plus 1.65%	AA+	24-June-2016	24-June-2021
Saudi Pak Leasing Company Limited	2,755	6 Month KIBOR ask rate plus 1.50%	Not Rated	13-Mar-2008	13-Mar-2013
Agritech Limited II	4,996	6 Month KIBOR ask rate plus 1.75%	Not Rated	14-Jan-2008	14-Jul-2019
Agritech Limited V	5,000	11% Fixed rate	Not Rated	01-July-2011	01-Jan-2017
New Allied Electronics (Private) Limited	4,905	6 Month KIBOR ask rate plus 2.2%	Not Rated	03-Dec-2007	03-Dec-2012
Worldcall Telecom Limited	1,920	6 Month KIBOR ask rate plus 1.6%	Not Rated	07-Oct-2008	07-Oct-2013
Eden House Limited	984	6 Month KIBOR ask rate plus 2.5%	Not Rated	31-Mar-2008	31-Mar-2013

5.7 These carry profit at rates ranging from per annum 6.75% to 11.3% per annum (2016: 7.75% to 11.1% per annum) and have maturity of 3 months.

	Note	2017	2016
		-----Rupees in '000-----	
5.8 Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading			
Market value of investments	5.1.1, 5.1.3, 5.2 and 5.3	133,040	217,277
Less: Carrying value of investments		(394,723)	(479,678)
		<u>(261,683)</u>	<u>(262,401)</u>
Add: Provision against non-performing term finance certificates and sukuk	5.1.1, 5.1.3 and 5.2	262,432	262,432
		<u>749</u>	<u>31</u>
5.9 Net unrealised gain on re-measurement of investments classified as available for sale			
Market value of investments	5.4 and 5.5	-	-
Less: Carrying value of investments		46,569	46,569
		<u>(46,569)</u>	<u>(46,569)</u>
Add: Provision against non-performing term finance certificates and sukuk		46,569	46,569
		<u>-</u>	<u>-</u>
5.10 Movement in provision against non-performing term finance certificates and sukuk			
Opening balance		309,001	310,278
Add: charge for the year		-	-
Less: reversal of provision due to recovery		-	(1,277)
Closing balance		<u>309,001</u>	<u>309,001</u>
5.11 Details of provision			
Provision related to investments classified at fair value through profit or loss - held for trading		262,432	262,432
Provision related to investments classified as available for sale		46,569	46,569
Closing balance		<u>309,001</u>	<u>309,001</u>

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6 RECEIVABLE AGAINST MARGIN TRADING SYSTEM

This carry average mark-up at the rate of 8.26% (2016: 8.20%) and are matured at the option of financee subject to maximum period of 60 days.

	Note	2017	2016
-----Rupees in '000-----			
7 MARK-UP ACCRUED			
Mark-up accrued on bank balances and term deposits		32	3,019
Mark-up accrued on term finance certificate and sukuk		196,933	171,633
Mark-up accrued on Margin trading system		596	565
Less: Income suspended over non-performing term finance certificates and sukuk	7.1	(195,887)	(169,930)
		<u>1,642</u>	<u>2,268</u>
		<u>1,674</u>	<u>5,287</u>

7.1 This represents total income suspended to date in relation to non-performing term finance certificates and sukuk as disclosed in note 5.

	Note	2017	2016
-----Rupees in '000-----			
8 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits with:			
- MCB Financial Services Limited		100	100
- National Clearing Company of Pakistan Limited		250	250
- Central Depository Company of Pakistan Limited		100	100
Advance tax		450	450
Prepayments		479	243
Receivable against transfer of units	8.1	157	150
		<u>-</u>	<u>3,665</u>
		<u>1,086</u>	<u>4,508</u>

8.1 This represents amounts receivable from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units issued to various unit holders based on their request for transfer of units from other collective investment schemes to the Fund.

	Note	2017	2016
-----Rupees in '000-----			
9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	612	375
Sindh Sales Tax on remuneration of the Management Company	9.2	80	61
Operational expenses	9.3	808	383
Sales load		20	5
Sindh Sales Tax and Federal Excise Duty on sales load		2	-
		<u>1,522</u>	<u>824</u>

9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulation), the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets provided that the Management Company may charge performance based or fixed fee or the combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015 SECP has made certain amendments in the NBFC Regulations 2008 through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations 2008, the applicable rate has been changed from 2% to 1.5%.

The Management Company has charged management remuneration at the rate of 1% per annum until December 06, 2015. Thereafter from December 07, 2015, the Management Company has revised their policy for charging management remuneration as per table given below:

NAFA INCOME FUND

Management remuneration as % of net income*	Minimum management remuneration (as % of average net asset value)	Maximum management remuneration (as % of average net asset value)
--	--	--

10.00%

0.50%

1.00%

* Net income = Gross income - all expenses of the fund excluding Management remuneration and related Sales Tax and Federal Excise Duty thereon.

Management remuneration is paid on a monthly basis in arrears.

9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

9.3 This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.

	Note	2017	2016
-----Rupees in '000-----			
10 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE			
Remuneration of the Trustee	10.1	97	54
Sindh Sales Tax on remuneration of the Trustee	10.2	13	8
		<u>110</u>	<u>62</u>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein based on the daily net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

Tariff structure applicable to the Fund as at June 30, 2017 is as follows:

Net asset value 0.1% per annum of net asset value

10.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (2016: 14%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

11.1 Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the daily net assets of the scheme. The fee is paid annually in arrears.

	Note	2017	2016
-----Rupees in '000-----			
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		395	390
Provision for Workers' Welfare Fund	15	-	4,095
Provision for Sindh Workers' Welfare Fund	15	1,823	-
Federal Excise Duty on remuneration of the Management Company	12.1 and	2,808	2,808
Brokerage charges	12.2	5	6
Settlement charges		73	115
Withholding tax		108	132
Capital gain tax		650	95
Legal and professional charges		8	13
Bank charges		89	19
Printing charges		80	80
Payable against redemption of units		201	-
Others		69	23
		<u>6,309</u>	<u>7,776</u>

NAFA INCOME FUND

12.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC).

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 2.808 million as at June 30, 2017.

Had the provision not been made, the net asset value per unit as at June 30, 2017 would have been higher by Rs.0.0297 per unit (June 30, 2016: Rs. 0.0442 per unit).

12.2 The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the Taxation authority, if required.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There were no contingencies outstanding as at June 30, 2017 and June 30, 2016.

13.2 Commitments

Margin trading system (MTS) transactions entered into by the Fund in respect of which the released transactions have not been settled

2017 2016
-----Rupees in '000-----

49,478 6,567

14 AUDITORS' REMUNERATION

Annual audit fee
Half yearly review fee
Out of pocket expenses

	310	310
	124	124
	72	93
	506	527

15 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund 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 Honorable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that Workers' Welfare Fund (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 led Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 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 December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. The MUFAP wrote to the 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. The 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 mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

- the entire provision against WWF held by the mutual funds till June 30, 2015, to be reversed on January 12, 2017; and

- the provision in respect of SWWF should be made on a prudent basis on January 12, 2017 with effect from the date of enactment of the Sindh Workers' Welfare Fund Act, 2014 (i.e. starting from May 21, 2015).

NAFA INCOME FUND

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 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 mutual funds.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF and recognized provision for SWWF from May 21, 2015.

Had the provision of SWWF not being made, the net asset value per unit as at June 30, 2017 would have been higher by Rs. 0.0193 per unit.

16. 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 ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2017 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

17. EARNINGS PER UNIT

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

18. DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to categorize funds under their management on the basis of criteria laid down in the circular. The Board has approved the category of the fund as 'income scheme'.

The SECP vide circular no. 16 dated July 07, 2010, prescribed specific disclosures for the scheme holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with investment requirements of their constitutive documents.

Following is the detail of non-compliant investments :

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets	% of gross assets
			-----Rs in '000-----		-----%-----		
Worldcall Telecom Limited	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Term finance certificates (18.1)	26,881	(26,881)	-	-	-
Saudi Pak Leasing Company Limited	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Term finance certificates (18.1)	41,321	(41,321)	-	-	-
*Eden House Limited	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Sukuks (18.1)	19,688	(19,688)	-	-	-
Agritech Limited II	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Term finance certificates (18.1)	149,877	(149,877)	-	-	-
Agritech Limited V	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Term finance certificates (18.1)	22,180	(22,180)	-	-	-
New Allied Electronics (Private) Limited	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Sukuks (18.1)	49,054	(49,054)	-	-	-
Total carrying value and accumulated impairment as at June 30, 2017			309,001	(309,001)			

NAFA INCOME FUND

* The above exposure is in excess of the limit prescribed by the NBFC Regulations and disclosure for breach of exposure limit is made as required by the Circular No.16 of 2010 dated July 07, 2010 by SECP.

18.1 At the time of purchase, these term finance certificates and sukuk were in compliance with the aforementioned circular. However, they either subsequently defaulted or were downgraded to non investment grade.

	2017	2016
	-----No of Units-----	
19 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	63,557,779	59,964,777
Add: units issued during the year	280,020,412	19,679,709
Less: units redeemed during the year	<u>(249,054,424)</u>	<u>(16,086,707)</u>
Total units in issue at the end of the year	<u>94,523,767</u>	<u>63,557,779</u>

20. NET ASSET VALUE PER UNIT

The net asset value per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

21. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the year) is 1.64% per annum including 0.40% representing government levies on Collective Investment Scheme such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

22. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

22.1 Connected persons and related parties include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Alexandra Fund Management Pte. Limited being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

22.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

22.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

22.5 Details of transactions with connected persons and related parties are as follows:

	2017	2016
	-----Rupees in '000-----	
NBP Fullerton Asset Management Limited (Management Company)		
Remuneration of the Management Company	5,275	5,208
Sindh Sales Tax on remuneration of the Management Company	686	847
Operational expenses	808	383
Sales load and related Sindh Sales Tax and Federal Excise Duty	17	14
MCB Financial Services Limited (Trustee)		
Remuneration of the Trustee	808	625
Sindh sales tax on remuneration of the Trustee	105	87
National Bank of Pakistan (Parent of the Management Company)		
Purchase of market treasury bills	29,837	131,300
Employees of the Management Company		
Units issued / transferred in 214,876 units (2016: 46,725 units)	2,093	458
Units redeemed / transferred out 187,986 units (2016: 43,431 units)	1,832	440
Dividend re-invest 341 units (2016: Nil)	3	
NAFA Government Securities Liquid Fund (CIS managed by the Management Company)		
Sale of market treasury bills	29,952	-
NAFA Income Opportunity Fund (CIS managed by the Management Company)		
Sale of market treasury bills	-	45,738

21.6

NAFA INCOME FUND

	2017	2016
	-----Rupees in '000-----	
NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)		
Units issued / transferred in Nil units (2016: 3,563,285 units)	-	34,869
Dividend re-invest 3,520,924 units (2016: Nil)	34,293	-
Suraj Cotton Mills Limited (Unit holder of 10% or more units of the CIS)		
Units issued / transferred in 20,020,280 units (2016: Nil)	200,387	-
Units redeemed / transferred out 9,713,264 units (2016: Nil)	100,524	-
22.6 Details of amounts outstanding as at year end with connected persons and related parties are as follows :		
NBP Fullerton Asset Management Limited (Management Company)		
Remuneration of the Management Company	612	375
Sindh Sales Tax on remuneration of the Management Company	80	61
Operational expenses	808	383
Sales load	20	5
Sindh Sales Tax and Federal Excise Duty on sales load	2	-
National Bank of Pakistan (Parent of the Management Company)		
Bank balance	443	443
*Summit Bank Limited (Common Directorship with the Management Company)		
Bank balance	15	-
Employees of the Management Company		
Investment held in the Fund 33,570 units (2016: 6,338 units)	327	62
MCB Financial Services Limited (Trustee)		
Remuneration of the Trustee	97	54
Sindh Sales Tax on remuneration of the Trustee	13	8
Security deposit	100	100
NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)		
Investment held in the Fund 59,128,907 units (2016: 55,607,983 units)	576,791	541,494
Suraj Cotton Mills Limited (Unit holder of 10% or more units of the CIS)		
Investment held in the Fund 10,306,816 units (2016: Nil)	100,541	-
Net amount receivable / (payable) against transfer of units from:		
- NAFA Financial Sector Income Fund	-	3,665

* Comparative balance with this party has not been disclosed as it was not a related party last year.

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	29
2	Sajjad Anwar	CFA and MBA	17
3	Hassan Raza	CFA and MBA	6
4	Muhammad Ali Bhabha	CFA, FRM, MBA and MS(CS)	22

23.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NAFA Government Securities Liquid Fund
- NAFA Savings Plus Fund
- NAFA Money Market Fund
- NAFA Riba Free Savings Fund
- NAFA Financial Sector Income Fund
- NAFA Income Opportunity Fund
- NAFA Islamic Income Fund
- NAFA Active Allocation Riba Free Savings Fund
- NAFA Government Securities Savings Fund

NAFA INCOME FUND

24 TRANSACTIONS WITH BROKERS / DEALERS

There has been no brokerage expense during the year ended June 30, 2017.

List of brokers by percentage of commission charged during the year ended June 30, 2016.

S. No.	Particulars	Percentage
1	Vector Capital (Private) Limited	38.06%
2	Next Capital Limited	61.94%

25 PATTERN OF UNIT HOLDING

----- As at June 30, 2017-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals	90	17,467	1.89%
Associated companies	1	576,791	62.55%
Retirement funds	2	61,748	6.70%
Insurance companies	4	114,017	12.37%
Public Limited companies	2	100,541	10.90%
Others	3	51,493	5.58%
	102	922,057	100%

----- As at June 30, 2016-----

Category	Number of unit holders	Investment amount	Percentage of investment
Rupees in '000			
Individuals	87	18,667	3.01%
Associated companies	1	541,494	87.49%
Retirement funds	2	57,969	9.37%
Others	2	777	0.13%
	92	618,907	100%

26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 60th, 61st, 62nd, 63rd Board meetings were held on September 23, 2016, October 28, 2016, February 28, 2017, April 28, 2017, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Note	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
Mr. Nausherwan Adil		4	4	-	-
Mr. Aamir Sattar		4	4	-	-
Mr. Abdul Hadi Palekar		4	3	1	61st Meeting
Mr. Koh Boon San	26.1	2*	3	-	-
Mr. Lui Mang Yin (Martin Lui)		4	4	-	-
Dr. Foo Chiah Shiung (Kelvin Foo)	26.2	2*	-	1	63rd Meeting
Mr. Kamal Amir Chinoy		4	4	-	-
Mr. Shehryar Faruque		4	3	1	62nd Meeting
Mr. Saiyed Hashim Ishaque	26.3	3*	3	-	-
Mr. Humayun Bashir	26.4	1*	1	-	-
Dr. Amjad Waheed		4	4	-	-

26.1 Mr. Koh Boon San retired in Extra Ordinary General Meeting held on November 21, 2016.

26.2 Dr. Foo Chiah Shiung (Kelvin Foo) was appointed as director on the Board with effect from November 21, 2016.

26.3 Mr. Saiyed Hashim Ishaque was appointed as director on Board with effect from August 05, 2016 and resigned in Extra Ordinary General Meeting held on March 17, 2017.

26.4 Mr. Humayun Bashir opted as director on the Board with effect from March 17, 2017.

* These directors were appointed and retired during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

NAFA INCOME FUND

27 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30, 2017-----

Particulars	Loans and receivables	At fair value through profit or loss - held for trading	Total
-------------	-----------------------	---	-------

Financial assets

-----Rupees in '000-----

Balance with banks	494,759	-	494,759
Investments	90,000	133,040	223,040
Receivable against margin trading system	210,045	-	210,045
Mark-up accrued	1,674	-	1,674
Deposits, prepayments and other receivables	450	-	450
	<u>796,928</u>	<u>133,040</u>	<u>929,968</u>

-----June 30, 2017-----

Particulars	At fair value through profit or loss	At amortised cost	Total
-------------	--------------------------------------	-------------------	-------

Financial liabilities

-----Rupees in '000-----

Payable to the Management Company	-	1,522	1,522
Payable to the Trustee	-	110	110
Accrued expenses and other liabilities	-	3,728	3,728
Net assets attributable to redeemable units	-	922,057	922,057
	<u>-</u>	<u>927,417</u>	<u>927,417</u>

-----June 30, 2016-----

Particulars	Loans and receivables	At fair value through profit or loss	Total
-------------	-----------------------	--------------------------------------	-------

Financial assets

-----Rupees in '000-----

Balance with banks	169,976	-	169,976
Investments	102,000	217,277	319,277
Receivable against margin trading system	128,990	-	128,990
Mark-up accrued	5,287	-	5,287
Deposits, prepayments and other receivables	4,115	-	4,115
	<u>410,368</u>	<u>217,277</u>	<u>627,645</u>

-----June 30, 2016-----

Particulars	At fair value through profit or loss	At amortised cost	Total
-------------	--------------------------------------	-------------------	-------

Financial liabilities

-----Rupees in '000-----

Payable to the Management Company	-	824	824
Payable to the Trustee	-	62	62
Accrued expenses and other liabilities	-	3,454	3,454
Net assets attributable to redeemable units	-	618,907	618,907
	<u>-</u>	<u>623,247</u>	<u>623,247</u>

NAFA INCOME FUND

28. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

28.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

28.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

28.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2017, the Fund holds KIBOR based interest bearing term finance certificates and balance in saving accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates on June 30, 2017 with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 6.121 million (2016: Rs. 1.377 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

As at June 30, 2017						
Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
	%		------(Rupees in '000)-----			
On-balance sheet financial instruments						
Financial assets						
Balances with banks	5.30 - 7.50	494,759	494,316	-	-	443
Investments	7.33 - 8.66	223,040	90,000	103,410	-	29,630
Receivable against margin trading system	8.36	210,045	210,045	-	-	-
Mark-up accrued		1,674	-	-	-	1,674
Deposits, prepayments and other receivables		450	-	-	-	450
		929,968	794,361	103,410	-	32,197
Financial liabilities						
Payable to the Management Company		1,522	-	-	-	1,522
Payable to the Trustee		110	-	-	-	110
Accrued expenses and other liabilities		3,728	-	-	-	3,728
Net assets attributable to redeemable units		922,057	-	-	-	922,057
		927,417	-	-	-	927,417
On-balance sheet gap		2,551	794,361	103,410	-	(895,220)
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

NAFA INCOME FUND

As at June 30, 2016

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/ Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
% -----(Rupees in '000)-----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	4.5 - 9.0	169,976	169,533		-	443
Investments	8.01 - 11.1	319,277	102,000		-	41,578
Receivable against margin trading system	8.2	128,990	128,990		-	-
Mark-up accrued		5,287	-		-	5,287
Deposits, prepayments and other receivables		4,115	-		-	4,115
		627,645	400,523		-	51,423

As at June 30, 2016

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/ Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
% -----(Rupees in '000)-----						
On-balance sheet financial instruments						
Financial liabilities						
Payable to the Management Company		824	-	-	-	824
Payable to MCB Financial Services Limited - Trustee		62	-	-	-	62
Accrued expenses and other liabilities		3,454	-	-	-	3,454
Net assets attributable to redeemable units		618,907	-	-	-	618,907
		623,247	-	-	-	623,247
On-balance sheet gap		4,398	400,523	175,699	-	(571,824)
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

28.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to any price risk as at June 30, 2017.

28.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on loans and receivables, balances with banks, mark-up accrued, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings.

The analysis below summarises the credit quality of the Fund's financial assets:

Bank balances by rating category

AA-	65.84%
A+	21.80%
AA+	12.15%
AAA	0.12%
AA	0.06%
A	0.03%

Term finance certificates and sukuks by rating category

AA, AA-,AA+	24.94%
Non-performing	75.06%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is as follows :

NAFA INCOME FUND

	June 30, 2017		June 30, 2016	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
-----Rs in '000-----				
Balance with banks	494,759	494,759	169,976	169,976
Investments	223,040	193,410	319,277	277,699
Receivable against margin trading system	210,045	210,045	128,990	128,990
Mark-up accrued	1,674	1,674	5,287	5,287
Deposits, prepayments and other receivables	450	450	4,115	4,115
	929,968	900,338	627,645	586,067

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

28.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	----- June 30, 2017 -----			
	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
Financial liabilities				
Payable to the Management Company	1,522	1,522	-	-
Payable to the Trustee	110	110	-	-
Accrued expenses and other liabilities	3,728	3,728	-	-
Net assets attributable to redeemable units	922,057	922,057	-	-
	927,417	927,417	-	-

NAFA INCOME FUND

June 30, 2016

Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----			
Payable to the Management Company	3,632	3,632	-
Payable to the Trustee	62	62	-
Accrued expenses and other liabilities	623	623	-
Net assets attributable to redeemable units	618,907	618,907	-
	<u>623,224</u>	<u>623,224</u>	<u>-</u>

Financial liabilities

Payable to the Management Company
Payable to the Trustee
Accrued expenses and other liabilities
Net assets attributable to redeemable units

29. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the statement of movement in unit holders' fund.

The Fund has no restrictions on the issuance and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 28, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

30. 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.

Fair value hierarchy

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** 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 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Fund's financial assets which are carried at fair value:

Assets	----- As at June 30, 2017 -----			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
At fair value through profit or loss - held for trading				
Government securities	-	29,630	-	29,630
Term finance certificates	-	62,375	-	62,375
----- As at June 30, 2016 -----				
Assets	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
At fair value through profit or loss - held for trading				
Government securities	-	41,578	-	41,578
Term finance certificates	-	86,796	-	86,796
Sukuks	-	48,903	-	48,903

There were no transfers between above levels during the year.

NAFA INCOME FUND

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 Fund has not disclosed the fair values for other 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.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 15, 2017.

32. GENERAL

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

32.2 Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follows:

<u>Statement</u>	<u>Rupees in '000</u>	<u>Reclassified</u>	
		<u>From</u>	<u>To</u>
Statement of assets and liabilities	2,808	Payable to NBP Fullerton Asset Management Limited - Management Company	Accrued expenses and other liabilities

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

Performance Table

Particulars	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012
Net assets (Rs. '000')	922,057	618,907	583,494	500,789	489,840	417,156
Net Income / (loss) (Rs. '000')	40,477	39,882	75,236	11,343	30,313	(35,764)
Net Asset Value per units (Rs.)	9.7548	9.7377	9.7306	9.3391	9.6652	9.0407
Offer price per unit	9.8650	9.8665	9.8604	9.4648	9.7619	9.1311
Redemption price per unit	9.7548	9.7377	9.7306	9.3391	9.6652	9.0407
Ex - Highest offer price per unit (Rs.)	9.8650	9.8665	9.8604	10.0013	9.7619	9.8339
Ex - Lowest offer price per unit (Rs.)	9.2727	9.2329	8.6723	9.2529	9.1327	9.5804
Ex - Highest redemption price per unit (Rs.)	9.7548	9.7377	9.7306	9.8685	9.6652	9.7365
Ex - Lowest redemption price per unit (Rs.)	9.1576	9.109	8.5581	9.1300	9.0423	9.4855
Fiscal Year Opening Ex NAV	9.1577	9.1067	8.5561	9.1284	9.0407	9.7109
Total return of the fund	6.52%	6.93%	13.73%	2.31%	6.91%	-6.90%
Capital growth	-0.21%	0.08%	3.33%	2.31%	0.96%	-6.90%
Income distribution as % of Ex-NAV	6.73%	6.85%	10.40%	0.00%	5.95%	0.00%
Income distribution as % of Par Value	6.17%	6.67%	8.90%	0.00%	5.38%	0.00%
Interim distribution per unit	0.6167	0.6667	0.89	-	-	-
Final distribution per unit	-	0	-	-	0.5379	-
Distribution dates			8.84			
Interim	19-Jun-17	29-Jun-16	29-Jun-15	-	-	-
Final			-	-	11-Jul-13	-
Average annual return (launch date 28-03-08)						
(Since inception to June 30, 2017)	4.14%					
(Since inception to June 30, 2016)		3.86%				
(Since inception to June 30, 2015)			3.40%			
(Since inception to June 30, 2014)				1.89%		
(Since inception to June 30, 2013)					1.81%	
(Since inception to June 30, 2012)						0.65%
(Since inception to June 30, 2011)						
(Since inception to June 30, 2010)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	40	332	171	222	79	136








"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."



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

Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: NAFA INVEST to 9995

Fax: 021-35825335

Email: info@nafafunds.com

Website: www.nafafunds.com

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