

**AM1**  
Rated by PACRA



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

## NAFA INCOME FUND

**HALF YEARLY**  
**REPORT**  
**December 31, 2017**



*Your investments & "NAFA" grow together*




**NBP**

**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

# NAFA INCOME FUND

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# 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
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Ms. Anupama Sawhney*	Director

*\* SECP's approval is in process*

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Ms. Anupama Sawhney*	Member

### Trustee

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

# NAFA INCOME FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

# NAFA INCOME FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Income Fund (NIF)** for the half year ended December 31, 2017

### **Fund's Performance**

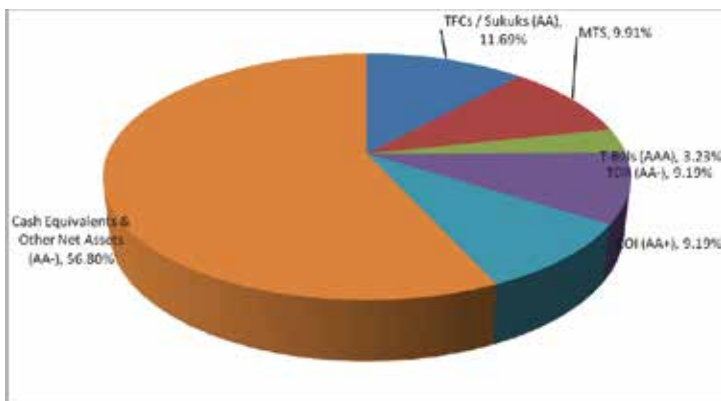
The size of NAFA Income Fund has increased from Rs. 922 million to Rs. 925 million during the period. The unit price of NAFA Income Fund has increased from Rs. 9.7548 on June 30, 2017 to Rs. 10.0161 on December 31, 2017, thus showing a return of 5.3% as compared to the benchmark return of 6.2% for the same period. The performance 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.

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

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

The Fund has earned total income of Rs.30.152 million during the period. After accounting for expenses of Rs.6.390 million, the net income is Rs.23.762 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIF.



# NAFA INCOME FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 22, 2018  
Place: Karachi.

# NAFA INCOME FUND

## ڈائریکٹرز رپورٹ

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

### فنڈ کی کارکردگی

NAFA انکم فنڈ (NIF) کا فنڈ سائز، اس ششماہی کے دوران 922 ملین روپے سے بڑھ کر 925 ملین روپے تک پہنچ گیا۔ اس مدت کے دوران NAFA انکم فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 9.7548 روپے سے بڑھ کر 31 دسمبر 2017 کو 10.0161 روپے ہو چکی ہے اور اس طرح اسی مدت کے دوران اپنے بیچ مارک منافع 6.2% کے مقابلے میں 5.3% کا منافع دکھایا ہے۔

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

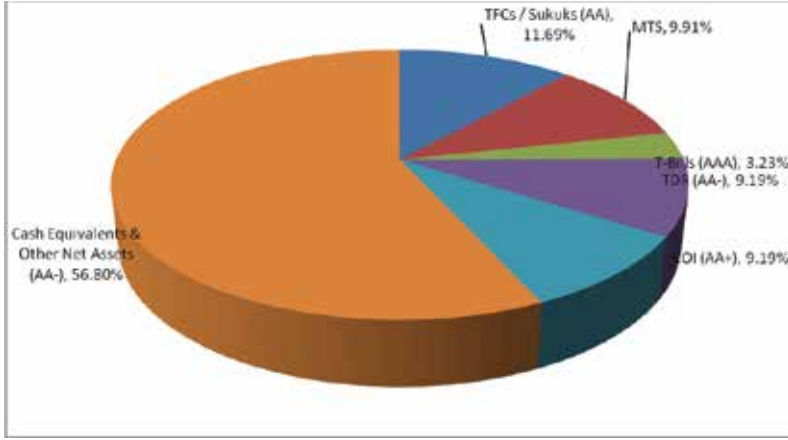
نجی شعبہ میں سرمایہ کاری کی سرگرمیوں کے فروغ سے اس مدت میں کارپوریٹ قرضہ کی سیکورٹیز (خاص طور پر بینکنگ اور مالیاتی شعبہ جات کے TFCs) کے اجراء میں اضافہ دیکھے میں آیا۔ کارپوریٹ Sukuks/TFCs کی تجارتی سرگرمیوں میں اضافے کے سبب تقریباً 8.7 ملین روپے کی مجموعی تجارتی قدر میں اضافہ ہوا جب کہ گزشتہ سال اسی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

فنڈ نے اس مدت کے دوران 30.152 ملین روپے آمدنی کمائی ہے۔ 6.390 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 23.762 ملین روپے ہے۔



# NAFA INCOME FUND

درج ذیل چارٹ NIF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:-



## اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرین ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

22 فروری 2018

مقام: کراچی

# NAFA INCOME FUND

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS NAFA INCOME FUND

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

NAFA Income Fund, an open-end Scheme established under a Trust Deed dated January 03, 2008 executed between NBP Fullerton Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on January 29, 2008.

CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee with effect from November 22, 2011.

1. NBP Fullerton Asset Management Limited, the Management Company of NAFA Income Fund has in all material respects managed NAFA Income Fund during the period ended 31st December 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: February 15, 2018

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

# NAFA INCOME FUND

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

### *Introduction*

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

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

### *Other matter*

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

The interim financial information of the Fund for the six months period ended 31 December 2016 and financial statements for the year ended 30 June 2017 were reviewed and audited by another firm of auditors whose reports dated 28 February 2017 and 22 September 2017 expressed an unmodified conclusion and opinion thereon respectively.

Date: February 22, 2018

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem

# NAFA INCOME FUND

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

	Note	(Un-audited) December 31, 2017	(Audited) June 30, 2017
(Rupees in '000)			
<b>Assets</b>			
Bank balances	7	529,511	494,759
Investments	8	307,990	223,040
Receivable against Margin Trading System	9	91,690	210,045
Profit and other receivables	10	2,063	1,674
Deposits, prepayment and other receivable		1,067	1,086
<b>Total assets</b>		932,321	930,604
<b>Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	11	989	1,522
Payable to MCB Financial Services Limited - Trustee	12	84	110
Payable to Securities and Exchange Commission of Pakistan		340	606
Accrued expenses and other liabilities	13	5,679	6,309
<b>Total liabilities</b>		7,092	8,547
<b>Net assets</b>		<u>925,229</u>	<u>922,057</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>925,229</u>	<u>922,057</u>
<b>Contingency and commitment</b>	14		
-----Number of units-----			
<b>Number of units in issue</b>		<u>92,373,878</u>	<u>94,523,767</u>
-----Rupees-----			
<b>Net assets value per unit</b>		<u>10.0161</u>	<u>9.7548</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

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

		Half year ended		Quarter ended		
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	
Note		Rupees in '000				
<b>Income</b>						
		957	1,019	466	458	
	Income from government securities	4,709	7,178	2,322	3,396	
	Income from term deposit receipts	21,807	14,350	11,029	7,845	
	Profit on bank deposits	3,478	3,618	986	1,919	
	Income from Margin Trading System	76	-	76	-	
	Income on certificate of investment	(42)	-	(42)	-	
	Loss on sale of investments - net					
	Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	8.10	(833)	1,496	(406)	(573)
	<b>Total income</b>	30,152	27,661	14,431	13,045	
<b>Expenses</b>						
	Remuneration to NBP Fullerton Asset Management Limited - Management Company	11.1	2,824	2,336	1,367	1,207
	Sindh Sales Tax on remuneration of Management Company	11.2	367	304	178	157
	Remuneration to MCB Financial Services Limited - Trustee		453	345	223	187
	Sindh Sales Tax on remuneration of Trustee	12.1	59	45	29	24
	Annual fee - Securities and Exchange Commission of Pakistan		340	259	167	140
	Allocation of expenses related to registrar services, accounting, operation and valuation services	11.3	453	345	223	187
	Settlement and bank charges		889	888	266	451
	Annual listing fee		14	28	7	18
	Auditors' remuneration		296	323	170	185
	Professional charges		13	-	7	-
	Fund rating fee		157	150	74	58
	Printing charges		40	50	30	37
	<b>Total expenses</b>		5,905	5,073	2,741	2,651
	<b>Net income from operating activities</b>		24,247	22,588	11,690	10,394
	Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	3.2	-	5,121	-	5,099
	Provision for Sindh Workers' Welfare Fund	13.1	(485)	-	(234)	-
	<b>Net income for the period before taxation</b>		23,762	27,709	11,456	15,493
	Taxation	15	-	-	-	-
	<b>Net income for the period</b>		23,762	27,709	11,456	15,493
	<b>Allocation of net income for the period</b>					
	Net income for the period		23,762		11,456	
	Income already paid on units redeemed		(2,857)		(3,360)	
			20,905		8,096	
	<b>Accounting income available for distribution:</b>					
	-Relating to capital gains		-		-	
	-Excluding capital gains		20,905		8,096	
			20,905		8,096	

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

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

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- Rupees in '000 -----			
Net income for the period	23,762	27,709	11,456	15,493
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>23,762</u>	<u>27,709</u>	<u>11,456</u>	<u>15,493</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA INCOME FUND

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

Note	Six months period ended					
	2017			2016		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the period	923,819	(1,762)	922,057	622,281	(3,374)	618,907
Issuance of 30,454,682 units (2016: 33,556,588 units)						
- Capital value	297,078	-	297,078			
- Element of income	3,989	-	3,989			
Total proceeds on issuance of units	301,067	-	301,067	326,765	8,620	335,385
Redemption of 32,604,570 units (2016: 13,459,909 units)						
- Capital value	(318,050)	-	(318,050)			
- Element of loss	(750)	(2,857)	(3,607)			
Total payments on redemption of units	(318,800)	(2,857)	(321,657)	(131,069)	(3,499)	(134,568)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net 3.2	-	-	-	-	(5,121)	(5,121)
Total comprehensive income for the period	-	23,762	23,762	-	27,709	27,709
<b>Net assets at end of the period</b>	<b>906,086</b>	<b>19,143</b>	<b>925,229</b>	<b>817,977</b>	<b>24,335</b>	<b>842,312</b>
Undistributed loss brought forward						
- Realised		(2,511)			(3,405)	
- Unrealised		749			31	
		(1,762)			(3,374)	
Accounting income available for distribution:						
- Relating to capital gains		-				
- Excluding capital gains		20,905				
		20,905			27,709	
Undistributed income carried forward		19,143			24,335	
Undistributed income carried forward						
- Realised		19,976			22,839	
- Unrealised		(833)			1,496	
		19,143			24,335	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the period		9.7548			9.7377	
Net assets value per unit at end of the period		10.0161			10.0689	

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

# NAFA INCOME FUND

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

		Half year ended	
	Note	December 31, 2017	December 31, 2016
		-----Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period before taxation		23,762	27,709
<b>Adjustments:</b>			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		833	(1,496)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		-	(5,121)
Loss on sale of investments - net		42	-
		<u>24,637</u>	<u>21,092</u>
<b>Decrease / (increase) in assets</b>			
Investments - net		(85,825)	75,735
Receivable against Margin Trading System		118,355	(148,717)
Profit and other receivables		(389)	(478)
Deposits, prepayment and other receivables		19	(73)
		<u>32,160</u>	<u>(73,533)</u>
<b>(Decrease) in liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company		(533)	15
Payable to MCB Financial Services Limited - Trustee		(26)	13
Payable to Securities and Exchange Commission of Pakistan		(266)	(210)
Accrued expenses and other liabilities		(630)	(57)
		<u>(1,455)</u>	<u>(239)</u>
<b>Net cash generated / (used in) from operating activities</b>		<u>55,342</u>	<u>(52,680)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts from issue of units		301,067	339,050
Net payments against redemption of units		(321,657)	(134,568)
<b>Net cash (used in) / generated from financing activities</b>		<u>(20,590)</u>	<u>204,482</u>
<b>Net increase in cash and cash equivalents during the period</b>		34,752	151,802
Cash and cash equivalents at beginning of the period		494,759	169,976
<b>Cash and cash equivalents at end of the period</b>	7	<u>529,511</u>	<u>321,778</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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

**Chief Financial Officer**

**Chief Executive Officer**

**Director**



# NAFA INCOME FUND

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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFI 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 03 January 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 14 December 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 22 November 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of the CDC on 15 November 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 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.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of 'A(f)' to the Fund and an asset manager rating of 'AM1' to the Management Company.
- 1.6 Title of the assets of the Fund is held in the name of MCBFSL as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail (Refer 4.2.2).

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

#### 2.2 Functional and presentation currency

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

# NAFA INCOME FUND

## 3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for the changes in accounting policies as explained in notes 3.2.

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

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

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

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

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 0.374 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been lower by Rs. 0.0001.

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

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

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on 01 July 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

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

4.2.1 During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from 1 July 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after 1 July 2018. The Fund is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the other impact on adoption of the Standards. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

4.2.2 The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Hence, the provision of the Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after 31 December 2017. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.

## 5 USE OF JUDGEMENTS AND ESTIMATES

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

# NAFA INCOME FUND

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

## 6 FINANCIAL RISK MANAGEMENT

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

	Note	(Un-audited) December 31, 2017	Audited June 30, 2017
		----- Rupees in '000 -----	
<b>7 BANK BALANCES</b>			
In current accounts		443	443
In saving accounts	7.1	529,068	494,316
		<u>529,511</u>	<u>494,759</u>

7.1 These carry rate of return ranging from 3.50% to 7.50% (30 June 2017: 5.30% to 7.50%) per annum.

## 8 INVESTMENTS

Investments by category		31 December 2017 Unaudited (Rupees in '000)	2017 Audited
<b>At fair value through profit or loss - held for trading</b>			
Term finance certificates - listed	8.1	72,702	62,375
Term finance certificates - unlisted	8.2	35,446	41,035
Sukuks	8.3	-	-
Government securities - Market Treasury Bills	8.4	29,842	29,630
<b>Available for sale</b>			
Term finance certificates - listed	8.5	-	-
Sukuks	8.6	-	-
<b>Loans and receivables</b>			
Term deposit receipt	8.8	85,000	90,000
Certificate of Investment	8.9	85,000	-
		<u>307,990</u>	<u>223,040</u>

### 8.1 Term finance certificates - listed

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017	Market value/ Carrying value as at 31 December 2017	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
		(Number of certificates)				(Rupees in '000)	------(%)-----	
Saudi Pak Leasing Company Limited (Note 8.1.1)	5 years	15,000	-	-	15,000	-	-	-
JS Bank Limited	5 years	-	4,660	-	4,660	23,738	2.57	7.71
Bank Alfalah Limited	8 years	2,000	-	2,000	-	-	-	-
Faysal Bank Limited	7 years	5,000	-	5,000	-	-	-	-
Jehangir Siddiqui and Company Limited (08 April 2014)	5 years	5,000	-	-	5,000	11,922	1.29	3.87
Askari Commercial Bank Limited	10 years	7,400	-	-	7,400	37,042	4.00	12.03
		<u>34,400</u>	<u>4,660</u>	<u>7,000</u>	<u>32,060</u>	<u>72,702</u>	<u>7.86</u>	<u>23.61</u>
Carrying value before fair value adjustments as at 31 December 2017.						<u>114,259</u>		
Accumulated impairment						<u>41,321</u>		

# NAFA INCOME FUND

**8.1.1** This represents investment in listed term finance certificates with original term of five years. On 13 October 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its terms on 26 December 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 30 April 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.

## 8.2 Term finance certificates - Unlisted

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017	Market value/ Carrying value as at 31 December 2017	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
-----Number of certificates-----					(Rupees in '000)	(%)	(%)	
Agritech Limited II (Note 8.2.1)	12 years	30,000	-	-	30,000	-	-	-
Agritech Limited V (Note 8.2.2)	6 years	4,436	-	-	4,436	-	-	-
Jahangir Siddiqui and Company Limited (24 June 2011)	5 years	8,000	-	-	8,000	35,446	3.83	11.51
		<b>42,436</b>	<b>-</b>	<b>-</b>	<b>42,436</b>	<b>35,446</b>	<b>3.83</b>	<b>11.51</b>

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

**208,092**

Accumulated impairment

**172,057**

**8.2.1** This represents investment in Privately Placed unlisted Term Finance Certificates (PPTFCs) with a term of seven years. On 14 July 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 02 August 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.

**8.2.2** 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 17 January 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.

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

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017	Market value/ Carrying value as at 31 December 2017	Market value / Carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
-----Number of certificates-----					(Rupees in '000)	(%)	(%)	
New Allied Electronics (Private) Limited (Note 8.3.1)	11 years	10,000	-	-	10,000	-	-	-
		<b>10,000</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Carrying value before fair value adjustments as at 31 December 2017.						<b>49,054</b>		
Accumulated impairment						<b>49,054</b>		

**8.3.1** 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 09 January 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.

# NAFA INCOME FUND

## 8.4 Investments in government securities - 'at fair value through profit or loss'

Issue date	Tenor	Face value				Market value / Carrying value as at 31 December 2017	Market value / Carrying value as a percentage of net assets	Market value / Carrying value as a percentage of total investments
		As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017			
		----- (Rupees in '000) -----						
Market Treasury Bills								
22 June 2017	03	30,000	-	30,000	-	-	-	-
31 August 2017	03	-	30,000	30,000	-	-	-	-
09 November 2017	03	-	30,000	-	30,000	29,842	0.03	0.10
Total		30,000	60,000	60,000	30,000	29,842	0.03	0.10

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

**29,850**

8.4.1 Investments include market treasury bills with market value of Rs 29.842 million (30 June 2017: Rs 29.63 million) which have been pledged with National Clearing Company of Pakistan for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

## 8.5 Term finance certificates - Listed - available for sale

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017	Market value / Carrying value as at 31 December 2017	Market value / Carrying value as a percentage of net assets	Market value / Carrying value as a percentage of total investments
		(Number of certificates)				(Rupees in '000)	(%)	(%)
Worldcall Telecom Limited	13 years	14,000	-	-	14,000	-	-	-
Carrying value before fair value adjustments as at 31 December 2017.						26,881		
Accumulated impairment						26,881		

8.5.1 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On 07 April 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.

## 8.6 Sukuks - available for sale

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

Name of the investee company	Tenor	As at 01 July 2017	Purchases during the period	Sales / matured during the period	As at 31 December 2017	Market value / Carrying value as at 31 December 2017	Market value / Carrying value as a percentage of net assets	Market value / Carrying value as a percentage of total investments
		(Number of certificates)				(Rupees in '000)	(%)	(%)
Eden Housing Limited	12 years	20,000	-	-	20,000	-	-	-
Carrying value before fair value adjustments as at 31 December 2017.						19,688		
Accumulated impairment						19,688		

8.6.1 This represents investment in privately placed sukuk with a term of five years. On 06 May 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.

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

# NAFA INCOME FUND

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

Name of securities	Tenor	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Rating	Secured / unsecured
Jehangir Siddiqui and Company Limited (18 July 2017)	5 years	4,660	5,000	6 Month KIBOR ask rate plus 2.5%	18-Jul-2017	AA+	Secured
Askari Bank Limited	10 years	7,400	4,994	6 Month KIBOR ask rate plus 1.20%	30-Sep-2014	AA-	Secured
Jehangir Siddiqui and Company Limited (08 April 2014)	5 years	5,000	2,375	6 Month KIBOR ask rate plus 1.75%	08-April-2014	AA+	Secured
Jehangir Siddiqui and Company Limited (24 June 2016)	5 years	8,000	4,375	6 Month KIBOR ask rate plus 1.65%	24-June-2016	AA+	Secured
Saudi Pak Leasing Company Limited	5 years	15,000	2,755	6 Month KIBOR ask rate plus 1.50%	13-Mar-2008	Not Rated	Secured
AgriTech Limited II	12 years	30,000	4,996	6 Month KIBOR ask rate plus 1.75%	14-Jan-2008	Not Rated	Secured
AgriTech Limited V	6 years	4,436	5,000	11% Fixed rate	01-July-2011	Not Rated	Secured
New Allied Electronics (Private) Limited	11 years	10,000	4,905	6 Month KIBOR ask rate plus 2.2%	03-Dec-2007	Not Rated	Secured
Worldcall Telecom Limited	13 years	14,000	1,920	6 Month KIBOR ask rate plus 1.6%	07-Oct-2008	Not Rated	Secured
Eden House Limited	12 years	20,000	984	6 Month KIBOR ask rate plus 2.5%	31-Mar-2008	Not Rated	Secured

8.8 This represents term deposits receipts placed with JS Bank Limited carrying markup rate of 6.60%, having maturity of 28 March 2018 respectively .

## 8.9 Certificate of Investment

Name of Issuer		Face value				Carrying value as at 31 Dec 2017	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
		Maturity Date	As at 01 July 2017	Purchases during the period	Sales / matured during the period			
(Rupees in '000)								
Pak Brunei Investment Company Limited	28-Mar-18	-	85,000	-	85,000	85,000	0.09	0.28

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

## 8.10 Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'

31 December 2017      31 December 2016  
Unaudited  
(Rupees in '000)

Market value / carrying value of investments  
Less: carrying cost of investments

137,990	195,038
(401,255)	(455,974)
<u>(263,265)</u>	<u>(260,936)</u>

Add: Provision against non-performing term finance certificates and sukuk

262,432	262,432
<u>(833)</u>	<u>1,496</u>

## 8.11 Net unrealised (diminution) / appreciation on re-measurement of investments classified as Available for Sale

Market value / carrying value of investments  
Less: carrying cost 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>

# NAFA INCOME FUND

		31 December 2017	31 December 2016
		Unaudited (Rupees in '000)	
<b>8.12</b>	<b>Movement in provision against non-performing term finance certificates and sukus</b>		
	Opening balance	309,001	309,001
	Add: charge for the period	-	-
	Less: reversal of provision due to recovery	-	-
		<u>309,001</u>	<u>309,001</u>
<b>8.13</b>	<b>Details of provision</b>		
	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
		<u>309,001</u>	<u>309,001</u>
<b>9</b>	<b>RECEIVABLE AGAINST MARGIN TRADING SYSTEM</b>		
	This carry average profit rate of 7.71% (30 June 2017: 8.26%) and are matured at the option of finance subject to maximum period of 60 days.		
<b>10</b>	<b>PROFIT AND OTHER RECEIVABLES</b>		
	Savings and Term deposits	109	32
	Profit Receivable on Debt Securities	197,664	196,933
	Margin Trading System	101	596
	Certificate of Investment	76	-
	Less: Income suspended over non-performing term finance certificates and sukus	(195,887)	(195,887)
		1,954	1,642
		<u>2,063</u>	<u>1,674</u>
<b>10.1</b>	This represents total income suspended to date in relation to non-performing term finance certificates and sukus as disclosed in note 8.		
<b>11</b>	<b>PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>	31 December 2017	31 December 2016
		Unaudited (Rupees in '000)	
	Management Remuneration	11.1 442	612
	Sindh Sales Tax on management remuneration	11.2 57	80
	Allocation of expenses related to registrar services, accounting, operation and valuation services	11.3 453	808
	Sales and transfer load	34	20
	Sindh Sales Tax on sales load	3	2
		<u>989</u>	<u>1,522</u>

# NAFA INCOME FUND

11.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. Effective from 7 December 2015, the Management Company has charged its remuneration at the rate of 10% of net income subject to minimum of 0.5% of average net assets and maximum of 1% of average net assets of the Fund.

11.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration and sales load.

11.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.

## 12 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE

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

Trustee remuneration		75	97
Sindh Sales Tax on Trustee remuneration	12.1	9	13
		<b>84</b>	<b>110</b>

12.1 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the period, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on trustee remuneration.

## 13 ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund	13.1	2,308	1,823
Federal Excise Duty	13.2	2,808	2,808
Auditors' remuneration		335	395
Printing charges		49	80
Brokerage		5	5
Bank charges		100	89
Settlement charges		25	73
Withholding tax		2	108
Capital gains tax		7	650
Legal and professional charges		21	8
Payable against redemption of units		-	201
Others		19	69
		<b>5,679</b>	<b>6,309</b>

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



# NAFA INCOME FUND

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

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

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and

- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, reversal of provision for WWF amounting to Rs. 4.095 million has been reversed in the previous year. Furthermore, recording of provision for SWWF of Rs. 1.645 million upto 12 January 2017 has been made. Thereafter the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0250 (30 June 2017: 0.0193).

- 13.2 The status of Federal Excise Duty (FED) is same as disclosed in annual financial statements for the year ended 30 June 2017. Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 2.808 million. Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0304 (30 June 2017: Rs. 0.0297) per unit.

## 14 CONTINGENCY AND COMMITMENT

There was no contingency and commitment outstanding as at 31 December 2017.

## 15 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending 30 June 2018 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

## 16 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 1.41% per annum. Total expense ratio (excluding government levies) is 1.13% per annum.

## 17 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 17.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), MCB Financial Services Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding ten percent or more units of the Fund.

# NAFA INCOME FUND

- 17.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 17.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 17.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:
- 17.5 Details of the transactions with connected persons are as follows:

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

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

Management remuneration	2,824	2,336
Sindh Sales Tax on remuneration of Management Company	367	304
Sales and transfer load	-	99
Allocation of expenses related to registrar services, accounting, operation and valuation services	453	345

**MCB Financial Services Limited (Trustee)**

Remuneration to the Trustee	453	345
Sindh Sales Tax on remuneration of Trustee	59	45

**Employees of the Management Company**

Nil units issued (31 December 2016: 681 units)	-	7
26,890 units redeemed (31 December 2016: nil units)	263	-

**Sindh Insurance Limited (Unit holder of 10% or more of units of the CIS)**

Nil units issued (31 December 2016: 14,433,318 units)	-	145,000
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**17.6 Amounts outstanding as at period / year end:**

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

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

Management remuneration payable	442	612
Sindh Sales Tax payable	57	80
Allocation of expenses related to registrar services, accounting, operation and valuation services	453	808
Sales and transfer load	34	20
Sindh Sales Tax payable on sales load	3	2

# NAFA INCOME FUND

	31 December 2017 Unaudited (Rupees in '000)	30 June 2017 Audited
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	75	97
Sindh Sales Tax on Trustee remuneration payable	9	13
Security deposit	100	100
<b>National Bank of Pakistan Limited- Sponsor</b>		
Balances in bank accounts	443	443
<b>NBP Employees pension fund</b>		
Units held: 59,128,906 units (June 2017: 59,128,906 units)	592,241	576,791
<b>Employees of the Management Company</b>		
Units held: 6,680 units (June 2017: 33,570 units)	67	327
<b>Summit Bank Limited</b>		
Bank Balances	16	1,001
<b>Suraj Cotton Mills Limited (Unit holder of 10% or more units of the CIS)</b>		
Units held: Nil (June 2017: 33,570 units)	-	100,541
<b>NAFA Government Securities Savings Fund</b>		
Net receivable against conversion of units	-	2,103
<b>NAFA Asset Allocation Fund</b>		
Net payable against conversion of units	-	1
<b>NAFA Government Securities Liquid Fund</b>		
Net receivable against conversion of units	-	14,778
<b>NAFA Income Opportunity Fund</b>		
Net receivable against conversion of units	-	1,530

## 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

# NAFA INCOME FUND

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

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

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

31 December 2017									
Carrying amount					Fair Value				
At fair value through profit and loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total		
----- Unaudited -----									
----- (Rupees in '000) -----									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investment									
- Market Treasury Bills	29,842	-	-	29,842	-	29,842	-	29,842	
-Term finance certificates - listed	72,702	-	-	72,702	-	72,702	-	72,702	
-Term finance certificates - unlisted	35,446	-	-	35,446	-	35,446	-	35,446	
	137,990	-	-	137,990	-	137,990	-	137,990	
<b>Financial assets not measured at fair value</b>									
18.1									
Bank balances	-	529,511	-	529,511	-	-	-	-	
Investments - term deposit receipts	-	85,000	-	85,000	-	-	-	-	
Investments - Certificate of Investment	-	85,000	-	85,000	-	-	-	-	
Receivable against Marginal Trading System	-	91,690	-	91,690	-	-	-	-	
Profit and other receivables	-	2,063	-	2,063	-	-	-	-	
Security deposits	-	450	-	450	-	-	-	-	
	-	793,714	-	793,714	-	-	-	-	
<b>Financial liabilities not measured at fair value</b>									
18.1									
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	989	989	-	-	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	84	84	-	-	-	-	
Accrued expenses and other liabilities	-	-	554	554	-	-	-	-	
	-	-	1,627	1,627	-	-	-	-	

# NAFA INCOME FUND

30 June 2017							
At fair value through profit and loss	Carrying amount			Fair Value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Audited -----							
----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments							
- Market Treasury Bills	29,630	-	29,630	-	29,630	-	29,630
-Term finance certificates - listed	62,375	-	62,375	-	62,375	-	62,375
-Term finance certificates - unlisted	41,035	-	41,035	-	41,035	-	41,035
	133,040	-	133,040	-	133,040	-	133,040
<b>Financial assets not measured at fair value</b>							
Bank balances	-	494,759	494,759	-	-	-	-
Investments - Term Deposit Receipt	-	90,000	90,000	-	-	-	-
Receivable against Margin Trading System	-	210,045	210,045	-	-	-	-
Profit receivables	-	1,674	1,674	-	-	-	-
Security deposits	-	450	450	-	-	-	-
	-	796,928	796,928	-	-	-	-
<b>Financial liabilities not measured at fair value</b>							
Payable to NBP Fullerton Asset Management Limited - Management Company	-	1,522	1,522	-	-	-	-
Payable to MCB Financial Services Limited - Trustee	-	110	110	-	-	-	-
Accrued expenses and other liabilities	-	920	920	-	-	-	-
	-	2,552	2,552	-	-	-	-

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

## 19 DATE OF AUTHORISATION FOR ISSUE

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

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

**Chief Financial Officer**

**Chief Executive Officer**

**Director**



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

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