

**AM2++**  
Rated by PACRA



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

## **NAFA INCOME FUND**

# **ANNUAL REPORT 2016**



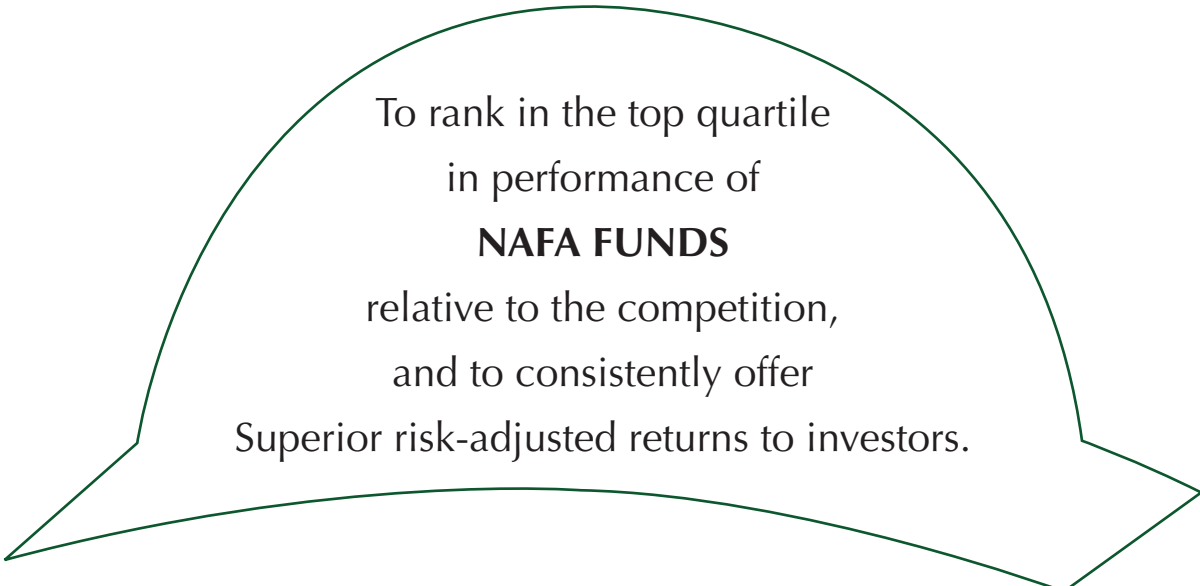
*Your investments & "NAFA" grow together*



**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. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

### Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	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  
Burj Bank Limited  
Sindh Bank Limited  
Silk Bank Limited  
Dubai Islamic Bank Pakistan Limited  
United Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Zarai Taraqiati 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](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

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# Board of Directors



Mr. Nausherwan Adil  
Chairman



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Kamal Amir Chinoy  
Director



Mr. Koh Boon San  
Director



Mr. Aamir Sattar  
Director



Mr. Shehryar Faruque  
Director



Mr. Nigel Poh Cheng  
Director



Mr. Abdul Hadi Palekar  
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



Syed Suleman Akhtar CFA  
Head of Research



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



Mr. Asim Wahab Khan, CFA  
Head of Equity



Mr. Salman Ahmed  
Head of Risk Management



Mr. Raheel Rehman ACA, CICA  
Senior Manager Compliance

# NAFA INCOME FUND

## DIRECTORS' REPORT

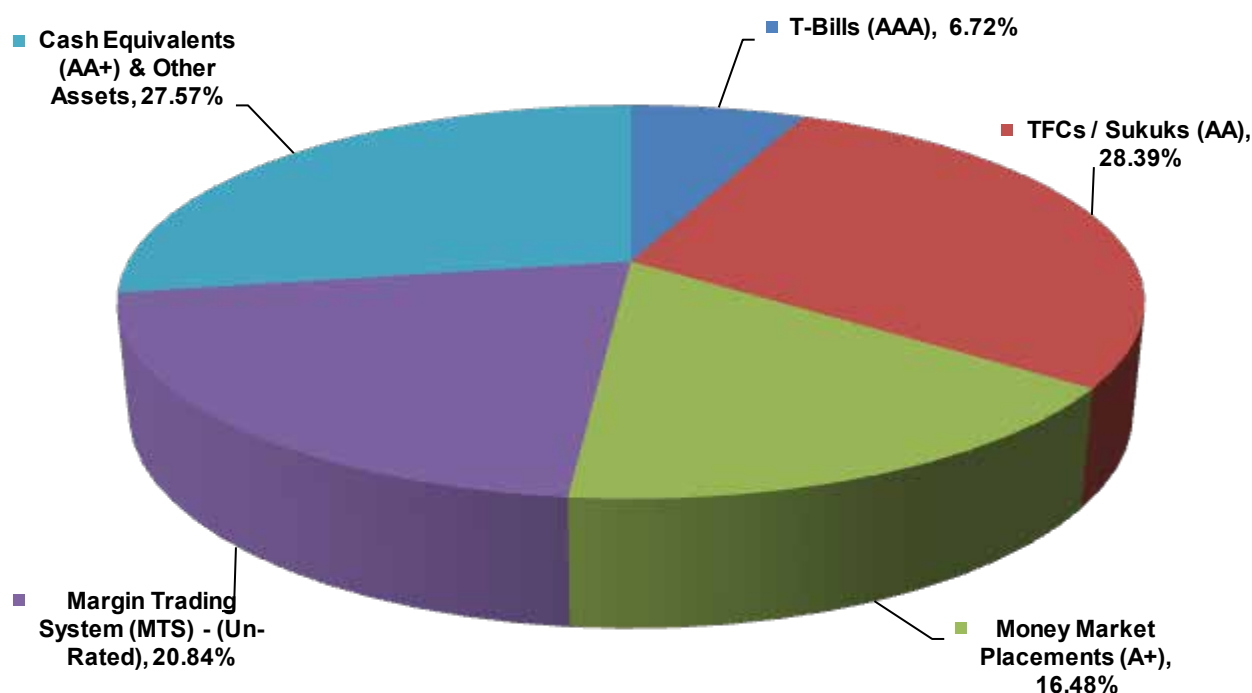
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Ninth Annual Report of NAFA Income Fund for the year ended June 30, 2016.

### Fund's Performance

The size of NAFA Income Fund has increased from Rs. 583 million to Rs. 619 million during the period, i.e. a growth of 6.17%. During the said period, the unit price of NAFA Income Fund has increased from Rs. 9.1067 (Ex-Div) on June 30, 2015 to Rs. 9.7377 on June 30, 2016, thus posting a return of 6.91% as compared to its Benchmark (6-Month KIBOR) return of 6.53% 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. On the corporate debt sphere, trading activity in TFCs/Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. During the period under review (FY16), due to further abatement in inflationary pressures (average inflation of 2.9%), State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps following a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 6% by FY17 year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

The Fund has earned income of Rs.49.63 million during the year. After accounting for expenses of Rs.9.75 million, the net income is Rs.39.88 million. The asset allocation of NAFA Income Fund as on June 30, 2016 is as follows:





# NAFA INCOME FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 6.85% of opening ex-NAV (6.667% 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, M/S Deloitte Yousuf Adil, Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2017.

## 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 six meetings during the current financial year. The attendance of all directors is disclosed in the note 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 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 21 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 23, 2016  
Place: Karachi.

# NAFA INCOME FUND

## ڈائریکٹرز رپورٹ

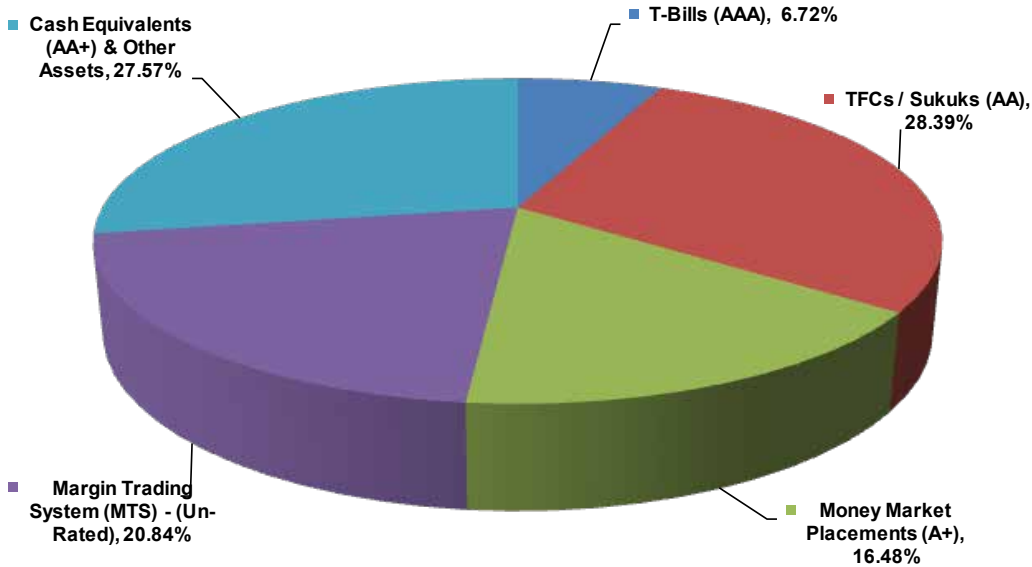
NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز بصد مسرت 30 جون 2016ء کو ختم ہونے والے سال کے لیے NAFA انکم فنڈ کی نویں سالانہ رپورٹ پیش کرتا ہے۔

### فنڈ کی پرفارمنس

NAFA انکم فنڈ کے حجم میں مدت کے دوران 583 ملین روپے سے 619 ملین روپے تک اضافہ ہوا ہے، یعنی 6.17% اضافہ۔ اس مدت کے دوران NAFA انکم فنڈ کے یونٹ کی قیمت 30 جون 2015 کو 9.1067 روپے (Ex-Div) سے 30 جون 2016 کو 9.7377 روپے تک بڑھ چکی ہے، لہذا اسی مدت کے لیے اپنے بیچ مارک منافع (6 ماہی KIBOR) کے 6.53% کے مقابلے میں 6.91% منافع درج کرایا۔ فنڈ کا منافع منجمنٹ فیس اور دیگر 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 اسٹیٹیلٹی ریٹنگ دی گئی ہے۔ کاروباری قرض کے حلقے میں TFCs / سلوک میں تجارتی سرگرمیوں کے اعلیٰ کوالٹی اجرا کی کارروائیوں کی طرف جھکاؤ کے ساتھ مجموعی تجارتی حجم تقریباً 8 ارب روپے کی سطح تک پہنچ گیا ہے۔ لین دین کا اصل ارتکاز بینکاری کے شعبے میں رہا جس کا حصہ 43% بنتا ہے۔ زیر جائزہ مدت (مالی سال 2016) کے دوران، افراط زر کے دباؤ میں مزید کمی کے ساتھ (اوسط افراط زر 2.9%)، اسٹیٹ بینک آف پاکستان نے مالی سال 2015 میں پالیسی ریٹ میں 300 بنیادی پوائنٹس کی مجموعی کمی کے بعد 75 بنیادی پوائنٹ مجموعی طور پر مزید کم کر دیے۔ SBP نے اپنے پالیسی بیان میں درج ذیل کی نشان دہی کی ہے (i) مجموعی معاشی حالات میں بہتری (ii) امن و امان کی بہتر صورت حال اور (iii) چین پاکستان اقتصادی راہداری (CPEC) کے تحت سرمایہ کاری کی بدولت نمو کے مثبت امکانات۔ زیر جائزہ مدت کے دوران آزادانہ منافع جات نے پالیسی ریٹ میں 75 بنیادی پوائنٹس کی کمی کے مطابق ردعمل دکھایا۔ ہم مالی سال 2017 کے آخر تک اشیاء صرف کی قیمتوں کی جزوی بحالی، پاکستانی روپے کی قدر میں محدود کمی اور نجی شعبے کے قرضوں میں اضافے کی وجہ سے افراط زر کو 6% تک بڑھتا دیکھ رہے ہیں۔

فنڈ نے سال کے دوران 49.63 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 9.75 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 39.88 ملین روپے ہے۔ NAFA انکم فنڈ کی ایسیٹ ایلوکیشن 30 جون 2016 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران ابتدائی NAV-ex کا 6.85% (مساوی قیمت کا 6.667%) کیش ڈیویڈنڈ منظور کیا ہے۔

### ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصرف شدہ اور غیر تصرف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس پر سال کے دوران کمائی گئی آمدنی کے 90% سے زائد ہے، انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ 1 کی شق 99 کے تحت فنڈ پر ٹیکس لاگو نہیں ہے۔

# NAFA INCOME FUND

## آڈیٹرز

موجودہ آڈیٹرز میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور برنائے اہلیت، خود کو مختتمہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

## 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 ٹیبیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد 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 چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 25 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 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 21 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

23 ستمبر 2016

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, 2016 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 21, 2016

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

# NAFA INCOME FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

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.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

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, 2016, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
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. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meets 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. No casual vacancy occurred during the year.
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 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Head of Internal Audit 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 19 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 including an independent director and the chairman of the committee is non-executive director.

# NAFA INCOME FUND

18. The Board has set up an effective internal audit function.
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. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim / final results.
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 except the following:
  - As per the Code, 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.

For and behalf of the Board

Karachi  
September 23, 2016

Dr. Amjad Waheed  
Chief Executive Officer

# NAFA INCOME FUND

## FUND MANAGER REPORT

### NAFA Income Fund

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 eighth Annual report since the launch of the Fund on March 28, 2008. The Fund size increased by around 6.17% during FY16 and stands at Rs 619 million as on June 30, 2016. The Fund's return since its inception is 3.86% versus the benchmark return of 10.68%. During FY16, the Fund posted an annualized return of 6.91% as compared to benchmark return of 6.53%. The return of the Fund is net of management fee and all other expenses.

The performance of the Fund during the year was contributed by mark to market gains on PIB holdings and TFCs/Sukuks. The weighted average Yield-to-Maturity of the Fund is around 7.60% 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 0.9 year.

On the corporate debt sphere, trading activity in TFCs/Sukuks remained skewed towards high quality issues with total trade value touching around Rs 8 billion. The trades were mainly concentrated in the Banking sector, making up 43% share. Due to further abatement in inflationary pressures as captured in FY16 average inflation of 2.9%, State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 75 bps in FY16 up on the heels of a cumulative 300 bps reduction in FY15. SBP in its policy statement highlighted (i) improvement in the macroeconomic conditions, (ii) better law and order situation; and (iii) positive growth prospects underpinned by investment under China Pakistan Economic Corridor (CPEC). During the period under review, sovereign yields responded accordingly to policy rate cut of 75 bps. We see pickup in inflation to 5.5% by year-end due to partial recovery in commodity prices, measured PKR devaluation, and uptick in private sector borrowing.

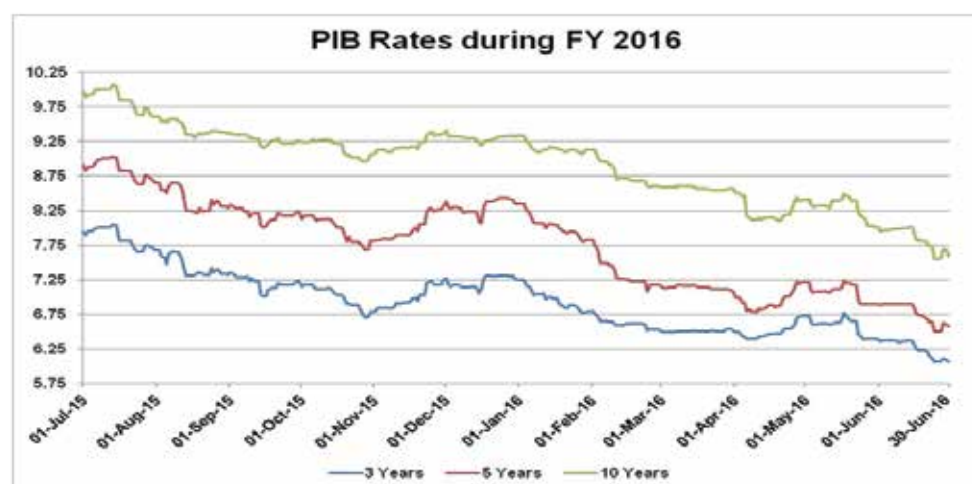
All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. Thus, increase in interest rate will improve the coupon income of the Fund.

### Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-16	30-Jun-15
TFCs/Sukuks	28.39%	22.99%
PIBs / T-Bills	6.72%	19.48%
Money Market Placements	16.48%	-
Margin Trading System (MTS)	20.84%	-
Cash (Cash Equivalents) & Other Assets	27.57%	57.53%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

# NAFA INCOME FUND

PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2016

Interim Period/Quarter	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Final	6.67%	10.3973	9.7306

Details of Non-Compliant Investments

Particulars	Type of Investment	Details of Non-Compliant Investment			% of Net Assets	% of Gross Assets	Yield to Maturity p.a.
		Value of Investments before Provision	Provision held	Value of Investments after Provision			
Agritech Limited II	TFC	149,875,800	149,875,800	-	-	n/a	
Agritech Limited V	TFC	22,180,000	22,180,000	-	-	n/a	
Eden Housing (Sukuk II)	SUKUK	19,687,500	19,687,500	-	-	n/a	
New Allied Electronics (Sukuk II)	SUKUK	49,054,371	49,054,371	-	-	n/a	
Saudi Pak Leasing	TFC	41,321,115	41,321,115	-	-	n/a	
World Call Telecom Limited	TFC	26,881,190	26,881,190	-	-	n/a	
<b>Total</b>		<b>308,999,976</b>	<b>308,999,976</b>	-	-	-	

Unit Holding Pattern of NAFA Income Fund as on 30th June 2016

Starting Range	Ending Range	Unit Holder
1	1000	31
1001	5000	33
5001	10000	8
10001	50000	8
50001	100000	5
100001	500000	4
500001	1000000	1
5000001	10000000	1
10000001	100000000	1
<b>Total:</b>		<b>92</b>

During the period under question:

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.

**Workers' Welfare Fund (WWF)**

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 4,095,302. If the same were not made the NAV per unit/FY16 return of scheme would be higher by Rs 0.0644/0.71%. For details investors are advised to read note 15 of the Financial Statements of the Scheme for the year ended June 30, 2016.

# NAFA INCOME FUND

## REVIEW REPORT TO THE UNIT HOLDERS ON 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 Stock Fund (the Fund) for the year ended June 30, 2016, 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, 2016.

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:

S.No	Reference	Description
i)	Paragraph 21	As per the Code, there should be announcement of 'close period' prior to the announcement of interim / final results, however there was no such 'close period' announced during the year ended June 30, 2016.
ii)	Paragraph 23	A mechanism for an evaluation of the Board's own performance is in place; however, the Management Company is in process for completion of the annual evaluation of the Board.

**Deloitte Yousuf Adil.**  
Chartered Accountants  
Karachi  
Date: September 30, 2016

# 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, 2016, 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, 2016, 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 30, 2016  
**Place:** Karachi



# NAFA INCOME FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	2016 -----Rupees in '000-----	2015
<b>ASSETS</b>			
Balances with banks	4	169,976	483,554
Investments	5	319,277	247,786
Receivable against margin trading system	6	128,990	-
Mark-up accrued	7	5,287	6,396
Advances, deposits, prepayments and other receivables	8	4,508	437
<b>Total assets</b>		<u>628,038</u>	<u>738,173</u>
<b>LIABILITIES</b>			
Payable to the NBP Fullerton Asset Management Limited - Management Company	9	3,632	2,538
Payable to the MCB Financial Services Limited - Trustee	10	62	48
Payable to the Securities and Exchange Commission of Pakistan	11	469	404
Accrued expenses and other liabilities	12	4,968	151,689
<b>Total liabilities</b>		<u>9,131</u>	<u>154,679</u>
<b>NET ASSETS</b>		<u>618,907</u>	<u>583,494</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>618,907</u>	<u>583,494</u>
Contingencies and commitments	13		
<b>-----Number of units-----</b>			
Number of units in issue	19	<u>63,557,779</u>	<u>59,964,777</u>
<b>-----Rupees-----</b>			
Net asset value per unit	20.	<u>9.7377</u>	<u>9.7306</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		-----Rupees in '000-----	
<b>INCOME</b>			
Return / mark-up on:			
- bank balances and term deposits		25,164	13,963
- term finance certificates, sukuks and commercial paper		11,866	25,610
- government securities		6,006	19,825
- margin trading system		8,092	-
Net gain on sale of investments		163	15,499
Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading	5.8	31	3,264
<b>Total income</b>		<u>51,322</u>	<u>78,161</u>
<b>EXPENSES</b>			
Remuneration of the NBP Fullerton Asset Management Limited - Management Company	9.1	5,208	5,387
Sindh Sales Tax on remuneration of the Management Company	9.2	847	937
Federal Excise Duty on remuneration of the Management Company	9.3	833	862
Reimbursement of operational expenses to the Management Company	9.4	383	-
Remuneration of the MCB Financial Services Limited - Trustee	10.1	625	538
Sindh Sales Tax on remuneration of the Trustee		87	-
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	468	404
Securities transaction cost		18	54
Settlement and bank charges		1,681	347
Auditors' remuneration	14	527	449
Fund rating fee		290	272
Legal and professional charges		10	125
Annual listing fee		40	40
Printing charges		11	35
Reversal of impairment in respect of non-performing term finance certificates		(1,277)	(1,824)
<b>Total expenses</b>		<u>9,751</u>	<u>7,626</u>
<b>Net income from operating activities</b>		<u>41,571</u>	<u>70,535</u>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(1,689)	6,237
Provision for Workers' Welfare Fund	15	-	(1,536)
<b>Net income for the year before taxation</b>		<u>39,882</u>	<u>75,236</u>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<u><u>39,882</u></u>	<u><u>75,236</u></u>
<b>Earnings per unit</b>	17		

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Net income for the year after taxation	39,882	75,236
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to income statement	-	-
Items that will not be reclassified subsequently to income statement	-	-
<b>Total comprehensive income for the year</b>	<u>39,882</u>	<u>75,236</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
<b>Accumulated loss brought forward comprising of :</b>		
- realised loss	(7,089)	(52,612)
- unrealised income	3,264	25,309
	(3,825)	(27,303)
Net income for the year	39,882	75,236
Final distribution for the year ended June 30, 2016:		
- cash distribution @ Rs. 0.6667 per unit declared on June 30, 2016 (2015: Rs. 0.8900 per unit declared on June 29, 2015)	(39,431)	(52,173)
Net element of income and capital gains included in prices of units issued less those in units redeemed	-	415
<b>Accumulated loss carried forward</b>	<u>(3,374)</u>	<u>(3,825)</u>
<b>Accumulated loss carried forward comprising of:</b>		
- realised loss	(3,405)	(7,089)
- unrealised income	31	3,264
	<u>(3,374)</u>	<u>(3,825)</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	-----Rupees in '000-----	
Net assets at the beginning of the year	583,494	500,789
Issuance of 19,679,709 units (2015: 21,424,003 units)	196,149	221,115
Redemption of 16,086,707 units (2015: 15,082,118 units)	(162,876)	(155,236)
	33,273	65,879
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - transferred to income statement	1,689	(6,237)
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement	-	(415)
Total comprehensive income for the year	39,882	75,236
<b>Distributions during the year:</b>		
Final distribution for the year ended June 30, 2016:		
- cash distribution @ Rs. 0.6667 per unit declared on June 30, 2016 (2015: Rs. 0.8900 per unit declared on June 29, 2015)	(39,431)	(52,173)
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that forms part of the unit holders fund	-	415
<b>Net assets as at the end of the year</b>	618,907	583,494
<b>Net asset value per unit at the beginning of year</b>	9.7306	9.3391
<b>Net asset value per unit at the end of year</b>	9.7377	9.7306

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
-----Rupees in '000-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		39,882	75,236
<b>Adjustments:</b>			
Return / mark-up on;			
- bank balances and term deposits		(25,164)	(13,963)
- term finance certificates, sukuks and commercial paper		(11,866)	(25,610)
- government securities		(6,006)	(19,825)
- margin trading system		(8,092)	-
Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading		(31)	(3,264)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		1,689	(6,237)
Reversal of impairment in respect of non-performing term finance certificates		(1,277)	(1,824)
		<u>(50,747)</u>	<u>(70,723)</u>
		(10,865)	4,513
<b>(Increase) / decrease in assets</b>			
Investments - net		(70,183)	107,937
Receivable against margin trading system		(128,990)	-
Advances, deposits, prepayments and other receivables		(406)	(6)
		<u>(199,579)</u>	<u>107,931</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		1,094	1,332
Payable to the Trustee		14	7
Payable to The Securities and Exchange Commission of Pakistan		65	24
Accrued expenses and other liabilities		33	1,743
		<u>1,206</u>	<u>3,106</u>
Return on bank balances and term deposits received		23,083	13,602
Return on term finance certificates, sukuks and commercial paper received		11,718	26,342
Return on government securities received		9,909	23,019
Return on margin trading system received		7,527	-
		<u>(157,001)</u>	<u>178,513</u>
<b>Net cash (used in) / generated from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash generated from investing activities		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received from issuance of units		192,484	221,115
Amounts paid on redemption of units		(309,630)	(8,483)
Distributions paid		(39,431)	(52,173)
<b>Net cash used in financing activities</b>		<u>(156,577)</u>	<u>160,459</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		<u>(313,578)</u>	<u>338,972</u>
<b>Cash and cash equivalents at the beginning of the year</b>		483,554	144,582
<b>Cash and cash equivalents at the end of the year</b>	4	<u>169,976</u>	<u>483,554</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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 January 29, 2008 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 and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building Block No. 4, Scheme No.5, Clifton, Karachi. Due to the fire incident at the registered office of the Management Company, its office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

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

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

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

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

#### 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, 2016

The following standards, amendments and improvements are effective for the year ended June 30, 2016. These standards, improvements 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

- IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015
- IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
- IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015
- IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015

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

## IFRS 13 – Fair Value Measurement

In addition to the above standards, IFRS 13 'Fair Value Measurement' also became effective in the current year. IFRS 13 consolidates the guidance on how to measure fair value, which was spread across various IFRSs, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund (refer note 29).

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

The following standards, amendments and improvements are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, improvements 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.

- Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after 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 date is deferred indefinitely. Earlier adoption is permitted.
- 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	Effective from accounting period beginning on or after January 01, 2016
- Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	Effective from accounting period beginning on or after January 01, 2016
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	Effective from accounting period beginning on or after January 01, 2016
- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	Effective from accounting period beginning on or after January 01, 2017
- Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	Effective from accounting period beginning on or after January 01, 2017
- Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
- Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	Effective from accounting period beginning on or after January 01, 2016

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

Other than the aforesaid standards, improvements 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

## 2.5 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 3.11)

## 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 investments are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the stock exchange regulations.

#### 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

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss - held for trading' and 'available for sale' are valued as follows:

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## a) 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.

## b) 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'.

## c) 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.

### 3.4 Derivatives

Derivative instruments are initially recognized at fair value and subsequent to initial measurement each derivative instrument is premeasured to its fair value and the resultant gain or loss is recognized in the 'income statement'.

### 3.5 Securities under Margin Trading System

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the income statement. Transaction costs are expensed in the income statement.

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## 3.6 Securities purchased under resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognized in the statement of assets and liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo transactions. All reverse repo transactions are accounted for on the trade date.

## 3.7 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.

## 3.8 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## 3.9 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.

## 3.10 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 period of available for sale investments and other net assets.

## 3.11 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.

## 3.12 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 period in which they arise.
- Mark-up / return on government securities, term finance certificates, sukuks, commercial papers, clean placements, margin trading system, bank balances and term deposits are recognised on a time apportionment basis using the effective interest method.

## 3.13 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.

## 3.14 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.

## 3.15 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	2016 -----Rupees in '000-----	2015
<b>4 BALANCES WITH BANKS</b>			
Current account		443	423
Saving accounts	4.1	169,533	483,131
		<u>169,976</u>	<u>483,554</u>

4.1 These saving accounts carry mark-up at rates ranging from 4.50% to 9.00% per annum (2015: 4.50% to 10.75% per annum).

	Note	2016 -----Rupees in '000-----	2015
<b>6. INVESTMENTS - NET</b>			
<b>At fair value through profit or loss - held for trading</b>			
Term finance certificates - listed	5.1.1	86,796	70,308
Term finance certificates - unlisted	5.1.3	40,000	14,754
Sukuks	5.2	48,903	49,079
Government securities	5.3	41,578	113,645
		217,277	247,786
<b>Available for sale</b>			
Term finance certificates - listed	5.4	-	-
Sukuks	5.5	-	-
		-	-
<b>Loans and receivables</b>			
Term deposits	5.7	102,000	-
		<u>319,277</u>	<u>247,786</u>

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

### 5.1.1 Term finance certificates - listed

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2016	Investment as a percentage of		
		As at July 1, 2015	Purchases during the year	Sales/ Matured during the year	As at June 30, 2016		Net assets	Market value of total investments	Issue size
(Rs in '000)									
Saudi Pak Leasing Company Limited	5.1.2	15,000	-	-	15,000	-	-	-	10.00%
Allied Bank Limited		2,000	-	2,000	-	-	-	-	-
Bank Alfalah Limited		2,000	-	-	2,000	10,144	1.64%	3.18%	0.20%
Faysal Bank Limited		5,000	-	-	5,000	18,930	3.06%	5.93%	0.83%
Jehangir Siddiqui and Company Limited (April 08, 2014)		5,000	-	-	5,000	20,005	3.23%	6.27%	2.50%
Jehangir Siddiqui and Company Limited (October 30, 2012)		1,000	-	1,000	-	-	-	-	-
Askari Commercial Bank Limited		-	7,400	-	7,400	37,717	6.09%	11.81%	0.93%
<b>Total as at June 30, 2016</b>						<u>86,796</u>	<u>14.02%</u>	<u>27.20%</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	-	-	-	10.00%
Allied Bank Limited		2,000	-	2,000	-	-	-	-	-
Bank Alfalah Limited		2,000	-	-	2,000	10,144	1.64%	3.18%	0.20%
Faysal Bank Limited		5,000	-	-	5,000	18,930	3.06%	5.93%	0.83%
Jehangir Siddiqui and Company Limited (April 08, 2014)		5,000	-	-	5,000	20,005	3.23%	6.27%	2.50%
Jehangir Siddiqui and Company Limited (October 30, 2012)		1,000	-	1,000	-	-	-	-	-
Askari Commercial Bank Limited		-	7,400	-	7,400	37,717	6.09%	11.81%	0.93%

Total as at June 30, 2016

86,796      14.02%      27.20%

Carrying value as at June 30, 2016

127,924

Accumulated impairment

41,321

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 circular.



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## 5.1.3 Term finance certificates - unlisted

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2016	Investment as a percentage of		
		As at July 1, 2015	Purchases during the year	Sales/ Matured during the year	As at June 30, 2016		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.

Jehangir Siddiqui and Company Limited	5.1.4	-	8,000	-	8,000	40,000	6.46%	12.53%	4.00%
Engro Fertilizers Limited PRP I	5.1.5	2,900	-	2,900	-	-	-	-	-
Agritech Limited II		30,000	-	-	30,000	-	-	-	-
Agritech Limited V		4,436	-	-	4,436	-	-	-	-
<b>Total as at June 30, 2016</b>						<b>40,000</b>	<b>6.46%</b>	<b>12.53%</b>	
<b>Carrying value as at June 30, 2016</b>						<b>212,057</b>			
<b>Accumulated impairment</b>						<b>172,057</b>			

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 receivable and mortgage of fixed assets of the issuer.

5.1.7 Term finance certificates held by the Fund carry rate of return ranging from 8.04% to 8.64% (2015: 9.18% to 13.18%) per annum.

## 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, 2016	Investment as a percentage of		
		As at July 1, 2015	Purchases during the year	Sales/ Matured during the year	As at June 30, 2016		Net assets	Market value of total investments	Issue size

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

K-Electric AZM Sukuk		9,800	-	-	9,800	48,903	7.90%	15.32%	1.33%
New Allied Electronics (Private) Limited	5.2.1	10,000	-	-	10,000	-	-	-	0.06%
<b>Total as at June 30, 2016</b>						<b>48,903</b>	<b>7.90%</b>	<b>15.32%</b>	
<b>Carrying value as at June 30, 2016</b>						<b>98,133</b>			
<b>Accumulated impairment</b>						<b>49,054</b>			

5.2.1 This represents investment in privately placed sukuk 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 circular.

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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, 2016	Investment as a percentage of	
			As at July 1, 2015	Purchases during the year	Sales/ Matured during the year	As at June 30, 2016		Net assets	Market value of total investments
------(Rs in '000)-----									
<b>Market Treasury Bills</b>									
September 3, 2015	5.3.1	12 Months	-	90,000	48,000	42,000	41,578	6.72%	13.02%
November 13, 2014		12 Months	-	41,300	41,300	-	-	-	-
<b>Pakistan Investment Bonds</b>									
July 17, 2014		3 Years	50,000	-	50,000	-	-	-	-
March 26, 2015		3 Years	58,500	-	58,500	-	-	-	-
<b>Total as at June 30, 2016</b>							<u>41,578</u>	<u>6.72%</u>	<u>13.02%</u>
Carrying value before mark to market as at June 30, 2016							<u>41,564</u>		

5.3.1 This carry rate of return of 5.9% (2015: 8.75% to 11.25%) per annum.

5.3.2 Investments include treasury bills with market value of Rs. 29.69 million (2015: Nil) 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, 2016	Investment as a percentage of		
		As at July 1, 2015	Purchases during the year	Sales during the year	As at June 30, 2016		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 as at June 30, 2016						<u>26,881</u>			
Accumulated impairment						<u>26,881</u>			

5.4.2 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On April 07, 2012, the issuer defaulted its scheduled principal and profit payment and therefore it was 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 circular.

5.4.3 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivable 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, 2016	Investment as a percentage of		
		As at July 1, 2015	Purchases during the year	Sales during the year	As at June 30, 2016		Net assets	Market value of total investments	Issue size
(Rs in '000)									
Eden House Limited	5.5.1	20,000	-	-	20,000	-	-	-	0.13%
Carrying value as at June 30, 2016						<u>19,688</u>			
Accumulated impairment						<u>19,688</u>			

5.5.1 This represents investment in privately placed sukuk bonds with a term of five years. On May 06, 2011, the issuer defaulted its scheduled principal and profit payment and therefore it was 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 circular.

5.5.2 The sukuks 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, 2016 are as follows:

Name of the investee company	Repayment frequency	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Bank Alfalah Limited	Semi Annualy	4,987	6 Month KIBOR ask rate plus 2.5%	AA-	02-Dec-2009	02-Dec-2017
Faysal Bank Limited	Semi Annualy	3,743	6 Month KIBOR ask rate plus 2.25%	AA-	02-Dec-2010	27-Dec-2017
Askari Bank Limited	Semi Annualy	4,997	6 Month KIBOR ask rate plus 1.20%	AA-	30-Sep-2014	30-Sep-2024
Jehangir Siddiqui and Company Limited (April 08, 2014)	Semi Annualy	4,000	6 Month KIBOR ask rate plus 1.75%	AA+	08-April-2014	08-April-2019
Jahangir Siddiqui and Company Limited IX	Semi Annualy	5,000	6 Month KIBOR ask rate plus 1.65%	AA+	16-May-2016	16-May-2021
K-Electric AZM Sukuk	Quarterly	5,000	3 Month KIBOR ask rate plus 2.25%	AA+	09-Mar-2014	09-Mar-2017
Saudi Pak Leasing Company Limited	Monthly	5,000	6 Month KIBOR ask rate plus 1.50%	Not Rated	13-Mar-2008	13-Mar-2013
Agritech Limited II	Semi Annualy	4,996	6 Month KIBOR ask rate plus 1.75%	Not Rated	14-Jan-2008	14-Jul-2019
Agritech Limited V	Semi Annualy	5,000	11% Fixed rate	Not Rated	01-July-2011	01-Jan-2017
New Allied Electronics (Private) Limited	Semi Annualy	313	6 Month KIBOR ask rate plus 2.2%	Not Rated	03-Dec-2007	03-Dec-2012
Worldcall Telecom Limited	Semi Annualy	2,141	6 Month KIBOR ask rate plus 1.6%	Not Rated	07-Oct-2008	07-Oct-2013
Eden House Limited	Semi Annualy	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 7.75% to 11.1% per annum and have maturity ranging from 3 to 6 months

	Note	2016	2015
		-----Rupees in '000-----	
<b>5.8 Net unrealised gain on re-measurement of investments at fair value through profit or loss - held for trading</b>			
Market value of investments	5.1.1, 5.1.3, 5.2 & 5.3	217,277	247,786
Less: Carrying value of investments		(479,678)	(506,954)
		<u>(262,401)</u>	<u>(259,168)</u>
Add: Provision against non-performing term finance certificates and sukuk	5.1.1, 5.1.3, 5.2 & 5.3	262,432	262,432
		<u>31</u>	<u>3,264</u>
<b>5.8 Net unrealised gain on re-measurement of investments classified as available for sale</b>			
Market value of investments	5.4 & 5.5	-	-
Less: Carrying value of investments		46,569	47,846
		<u>(46,569)</u>	<u>(47,846)</u>
Add: Provision against non-performing term finance certificates and sukuk		46,569	47,846
		<u>-</u>	<u>-</u>
<b>5.9 Movement in provision against non-performing term finance certificates and sukuk</b>			
Opening balance		310,278	312,102
Add: Charge for the year		-	-
Less: Reversal of provision due to recovery		(1,277)	(1,824)
		<u>309,001</u>	<u>310,278</u>
Closing balance			
<b>5.10 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 at available for sale		46,569	47,846
		<u>309,001</u>	<u>310,278</u>
Closing balance			

## 6 RECEIVABLE AGAINST MARGIN TRADING SYSTEM

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

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	Note	2016	2015
<b>7 MARK-UP ACCRUED</b>		-----Rupees in '000-----	
Mark-up accrued on bank balances and term deposits		3,019	938
Mark-up accrued on term finance certificate and sukuks		171,633	121,354
Mark-up accrued on government securities		-	3,903
Mark-up accrued on margin trading system		565	-
Less: Income suspended over non-performing term finance certificates and sukuks	7.1	(169,930)	(119,799)
		<u>2,268</u>	<u>5,458</u>
		<u>5,287</u>	<u>6,396</u>

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

	Note	2016	2015
<b>8 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		-----Rupees in '000-----	
Security deposits with:			
- MCB Financial Services Limited		100	100
- National Clearing Company of Pakistan Limited		250	-
- Central Depository Company of Pakistan Limited		100	100
		450	200
Advance tax		243	98
Prepayments		150	139
Receivable against transfer of units	8.1	3,665	-
		<u>4,508</u>	<u>437</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. These amounts have been received from respective collective investment schemes subsequent to the year ended June 30, 2016.

	Note	2016	2015
<b>9 PAYABLE TO THE NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		-----Rupees in '000-----	
Remuneration of the Management Company	9.1	375	479
Sindh Sales Tax on remuneration of the Management Company	9.2	61	72
Federal Excise Duty on remuneration of the Management Company	9.3	2,808	1,975
Operational expenses	9.4	383	-
Sales load		5	12
		<u>3,632</u>	<u>2,538</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:

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.

# NAFA INCOME FUND

9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 14% (2015: 15%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

9.3 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on management remuneration had been made applicable effective from June 13, 2013. In this regard, demand notices were received by some asset management companies, including the Management Company, for collection of FED on management remuneration. Mutual Fund Association of Pakistan (MUFAP) took up the matter collectively and filed a petition with the Honorable Sindh High Court and was granted stay in this regard.

That time, the Management Company took the view that since the remuneration was already subject to provincial sales tax, further levy of FED may result in double taxation, which did not appear to be the spirit of the law. Therefore, the Management Company also filed a petition against the demand notice in the Honorable Sindh High Court and were granted stay on the basis of the pending constitutional petition from MUFAP in the said court as referred above.

During the current year, the Honorable Sindh High Court, in its judgement dated June 30, 2016, on Constitutional Petition instituted by MUFAP declared that the provisions of Federal Excise Act, 2005, in so far as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from July 1, 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force.

However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, and the petition of the Management Company is still pending in the Court; therefore, as a matter of prudence, the Fund has recorded provision for the year amounting to Rs. 0.833 million and maintained the accumulated provision against FED amounting to Rs. 2.808 million as of June 30, 2016.

9.4 This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, 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 with effect from November 25, 2015.

	Note	2016 -----Rupees in '000-----	2015
<b>10 PAYABLE TO THE MCB FINANCIAL SERVICES LIMITED - TRUSTEE</b>			
Remuneration of the trustee	10.1	54	48
Sindh Sales Tax on remuneration of the trustee	10.2	8	-
		<u>62</u>	<u>48</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, 2016 is as follows:

Net asset value 0.1% per annum of net asset value

10.2 The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015, amended definition of services of shares, securities and derivatives and included the custodianship services within purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 14% is applicable on remuneration of the trustee which is now covered under section 2(79A) of the Sindh Sales Tax Act, 2011.

	Note	2016 -----Rupees in '000-----	2015
<b>11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>469</u>	<u>404</u>

11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities 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 Fund has been categorised as income scheme by the Management Company.

# NAFA INCOME FUND

	Note	2016	2015
-----Rupees in '000-----			
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration	14	390	350
Brokerage charges		6	46
Settlement charges		115	66
Bank charges		19	59
Provision for Workers' Welfare Fund	15	4,095	4,095
Payable against redemption of units	12.1	-	146,754
Printing charges		80	101
Legal and professional charges		13	125
Withholding tax		227	73
Others		23	20
		<u>4,968</u>	<u>151,689</u>

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

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2016 and June 30, 2015 except as disclosed elsewhere in these financial statements.

	2016	2015
-----Rupees in '000-----		
<b>13.2 Commitments</b>		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the released transactions have not been settled	6,567	-

	2016	2015
-----Rupees in '000-----		
<b>14 AUDITORS' REMUNERATION</b>		
Annual audit fee	310	285
Half yearly review fee	124	114
Out of pocket expenses	93	50
	<u>527</u>	<u>449</u>

## 15 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

Furthermore, in 2011 the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act, 2008, declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the Honourable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honourable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.



# NAFA INCOME FUND

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Management Company has decided to record and retain provision of WWF in financial statements till June 30, 2015 which aggregates to Rs. 4.095 million. Had the same not been made, the net asset value per unit of the Fund would have been higher by Rs. 0.064 per unit (2015: Rs. 0.068 per unit).

Further, Sindh Workers Welfare Fund (SWWF) Act 2014 enacted in June 2015 requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on the opinion obtained by MUFAP from its advisor who is of the view that Collective Investment Schemes (CIS) are not financial institutions, believes that SWWF is not applicable on the Fund.

## 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, 2016 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
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)	149,876	(149,876)	-	-	-
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)	-	-	-



# NAFA INCOME FUND

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

	2016	2015
	-----No of Units-----	
<b>19 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	59,964,777	53,622,892
Add: units issued during the year	19,679,709	21,424,003
Less: units redeemed during the year	<u>(16,086,707)</u>	<u>(15,082,118)</u>
<b>Total units in issue at the end of the year</b>	<u><u>63,557,779</u></u>	<u><u>59,964,777</u></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. TRANSACTIONS WITH CONNECTED PERSONS

21.1 Connected persons 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 sponsors. It also includes associated companies of Management Company due to common directorship, post employment benefit funds of the Management Company, subsidiaries, associated companies and post employment benefit funds of the sponsors, other Collective Investment Schemes (CIS) managed by the Management Company and directors and key management personnel of the Management Company.

21.2 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.

21.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

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

21.5 Details of transactions with connected persons are as follows:

	2016	2015
	-----Rupees in '000-----	
<b>NBP Fullerton Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	5,208	5,387
Sindh Sales Tax on remuneration of the Management Company	847	937
Federal Excise Duty on remuneration of the Management Company	833	862
Operational expenses	383	-
Sales load	14	12
<b>MCB Financial Service Limited (Trustee)</b>		
Remuneration of the Trustee	625	538
Sindh sales tax on remuneration of the Trustee	87	-
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Pakistan Investment Bonds purchased during the year	-	44,101
Market Treasury Bills purchased during the year	131,300	-
<b>Employees of the Management Company</b>		
Units issued / transferred in 46,725 units(2015: 75,337 units)	458	733
Units redeemed / transferred out 43,431 units (2015: 74,531 units)	440	725
<b>NAFA Government Securities Liquid Fund (CIS managed by the Management Company)</b>		
Sale of Market Treasury Bills	-	98,943
<b>NAFA Income Opportunity Fund (CIS managed by the Management Company)</b>		
Sale of Market Treasury Bills	45,738	-
<b>NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)</b>		
Units issued / transferred units 3,563,285 (2015: 4,362,629 units)	34,869	42,437

21.6 Details of amounts outstanding as at year end with connected persons are as follows :

<b>NBP Fullerton Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	375	479
Remuneration of the Trustee	61	72
Federal Excise Duty on remuneration of the Management Company	2,808	1,975
Operational expenses	383	-
Sales load	5	12
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Bank balance	443	423

# NAFA INCOME FUND

	2016	2015
	-----Rupees in '000-----	
<b>Employees of the Management Company</b>		
Investment held in the Fund: 6,338 units (June 30, 2015: 3,045 units)	62	30
<b>MCB Financial Services Limited (Trustee)</b>		
Remuneration of the trustee	54	48
Sindh Sales Tax on remuneration of the trustee	8	-
Security deposit	100	100
<b>NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)</b>		
Investment held in the Fund 55,607,983 units (June 30, 2015: 52,044,698 units)	541,494	506,428
<b>Net amount receivable / (payable) against transfer of units from:</b>		
- NAFA Multi Asset Fund	-	(65,000)
- NAFA Income Opportunity Fund	-	(30,000)
- NAFA Stock Fund	-	(47,935)
- NAFA Money Market Fund	-	(3,597)
- NAFA Islamic Asset Allocation Fund	-	(222)
- NAFA Financial Sector Income Fund	3,665	

## 22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Dr. Amjad Waheed	Chief Executive	Doctorate in Business Administration, MBA & CFA	28
2	Sajjad Anwar	Chief Investment Officer	MBA & CFA	16
3	Syed Sulaiman Akhtar	Head of Research	MBA & CFA	16
4	Muhammad Ali Bhabha	Fund Manager	CFA, FRM, MBA & MS(CS)	21

22.1 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 Active Allocation Riba Free Savings Fund
- NAFA Money Market Fund
- NAFA Riba Free Savings Fund
- NAFA Financial Sector Income Fund

## 23 TRANSACTIONS WITH BROKERS / DEALERS

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%

S.No.	Particulars	Percentage
-------	-------------	------------

List of brokers by percentage of commission charged during the year ended June 30, 2015

1	Invest Capital Markets Limited	63.86%
2	Invest One Markets Limited	28.10%
3	Next Capital Limited	5.96%
4	JS Global Capital Limited	1.38%
5	Vector Capital (Private) Limited	0.70%

# NAFA INCOME FUND

## 24 PATTERN OF UNIT HOLDING

Category	As at June 30, 2016		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	87	18,667	3.02%
Associated Companies	1	541,494	87.49%
Retirement Funds	2	57,969	9.37%
Others	2	777	0.13%
	92	618,907	100%

Category	As at June 30, 2015		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	85	15,205	2.61%
Associated Companies	1	506,426	86.79%
Retirement Funds	3	61,847	10.60%
Others	2	16	0.00%
	91	583,494	100%

## 25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-

## 26 FINANCIAL INSTRUMENTS BY CATEGORY

	-----As at June 30, 2016-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
<b>Financial Assets</b>			
Balances with banks	169,976	-	169,976
Investments	102,000	217,277	319,277
Mark-up accrued	5,287	-	5,287
Advances, deposits, prepayments and other receivables	4,115	-	4,115
	281,378	217,277	498,655
	-----As at June 30, 2016-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
<b>Financial Liabilities</b>			
Payable to the Management Company	-	3,632	3,632
Payable to Trustee	-	62	62
Accrued expenses and other liabilities	-	646	646
Net assets attributable to redeemable units	-	618,907	618,907
	-	623,247	623,247

# NAFA INCOME FUND

	-----As at June 30, 2015-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
<b>Financial Assets</b>			
Balances with banks	483,554	-	483,554
Investments	-	247,786	247,786
Profit receivable	6,396	-	6,396
Advances, deposits, prepayments and other receivables	200	-	200
	<u>490,150</u>	<u>247,786</u>	<u>737,936</u>
	-----As at June 30, 2015-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
<b>Financial Liabilities</b>			
Payable to the Management Company	-	2,538	2,538
Payable to Trustee	-	48	48
Accrued expenses and other liabilities	-	147,501	147,501
Net assets attributable to redeemable units	-	583,494	583,494
	<u>-</u>	<u>733,581</u>	<u>733,581</u>

## 27. FINANCIAL RISK MANAGEMENT

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

### 27.1 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 internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan and Investment Committee.

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

#### 27.1.1 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.

#### 27.1.2 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.

##### - Sensitivity analysis for variable rate instruments

As at June 30, 2016, the Fund holds KIBOR based interest bearing term finance certificates and sukuks exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2016 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. 1.349 / 2.705 million (net of WWF) (2015: Rs. 1.802 / 1.475 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, 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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:

# NAFA INCOME FUND

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

Yield / Interest rate	Total	Exposed to Yield / Interest 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	175,699	-	41,578
Profit receivable		5,287	-	-	-	5,287
Advances, deposits, prepayments and other receivables		4,115	-	-	-	4,115
		498,655	271,533	175,699	-	51,423

### Financial liabilities

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
		623,224	-	-	-	623,224
<b>On-balance sheet gap</b>		<b>(124,569)</b>	<b>271,533</b>	<b>175,699</b>	<b>-</b>	<b>(571,801)</b>

## Off-balance sheet financial instruments

### Off-balance sheet gap

	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

-----As at June 30, 2015-----

Yield / Interest rate	Total	Exposed to Yield / Interest 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 - 10.75	483,554	483,131	-	-	423
Investments	8.75 - 13.18	247,786	-	134,141	-	113,645
Profit receivable		6,396	-	-	-	6,396
Advances, deposits, prepayments and other receivables		200	-	-	-	200
		737,936	483,131	134,141	-	120,664

### Financial liabilities

Payable to the Management Company		2,538	-	-	-	2,538
Payable to the Trustee		48	-	-	-	48
Accrued expenses and other liabilities		147,501	-	-	-	147,501
Net assets attributable to redeemable units		583,494	-	-	-	583,494
		733,581	-	-	-	733,581
<b>On-balance sheet gap</b>		<b>4,355</b>	<b>483,131</b>	<b>134,141</b>	<b>-</b>	<b>(612,917)</b>

## Off-balance sheet financial instruments

### Off-balance sheet gap

	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NAFA INCOME FUND

## 27.1.3 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 equity price risk as the Fund does not hold any equity securities as at June 30, 2016.

## 27.2 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, profit receivable, 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. In addition, the Fund's policy is to enter into financial instrument contracts following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

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

### Bank balances by rating category

AA+	81.02%
AA	17.44%
AAA	0.91%
AA-	0.49%
A	0.06%
A+	0.02%
A-	0.01%
BBB+	0.05%

### Term finance certificates and sukuks by rating category

AA, AA-,AA+	36.25%
A,A-,A+	0.00%
Non-performing	63.75%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is as follows :

	June 30, 2016		June 30, 2015	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
Balances with banks	169,976	169,976	483,554	483,554
Investments	319,277	277,699	247,786	134,141
Receivable against margin trading system	128,990	128,990	-	-
Mark-up accrued	5,287	5,287	6,396	6,396
Advances, deposits, prepayments and other receivables	4,115	4,115	200	200
	<b>627,645</b>	<b>586,067</b>	737,936	624,291

### 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.

## 27.3 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.

# NAFA INCOME FUND

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.

As at June 30, 2016

Total	Upto three months	Over three months and upto one year	Over one year
-------	-------------------	-------------------------------------	---------------

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

## Financial Liabilities

Payable to the Management Company	3,632	3,632	-	-
Payable to the MCB Financial Services Limited - Trustee	62	62	-	-
Accrued expenses and other liabilities	623	623	-	-
Net assets attributable to redeemable units	618,907	618,907	-	-
	623,224	623,224	-	-

As at June 30, 2015

Total	Upto three months	Over three months and upto one year	Over one year
-------	-------------------	-------------------------------------	---------------

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

## Financial Liabilities

Payable to the Management Company	2,538	2,538	-	-
Payable to MCB Financial Services Limited - Trustee	48	48	-	-
Accrued expenses and other liabilities	147,501	147,501	-	-
Net assets attributable to redeemable units	583,494	583,494	-	-
	733,581	733,581	-	-

## 28 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 27, the Fund endeavours 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.

## 29 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)



# NAFA INCOME FUND

Assets	----- As at June 30, 2016-----			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
<b>At fair value through profit or loss - held for trading</b>				
Government securities	-	41,578	-	41,578
Term finance certificates	-	86,796	-	86,796
Sukuks	-	48,903	-	48,903
	<u>-</u>	<u>48,903</u>	<u>-</u>	<u>48,903</u>

Assets	----- As at June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
<b>At fair value through profit or loss - held for trading</b>				
Government securities	-	113,645	-	113,645
Term finance certificates	-	85,062	-	85,062
Sukuks	-	49,079	-	49,079
	<u>-</u>	<u>49,079</u>	<u>-</u>	<u>49,079</u>

There were no transfers between Level 1 and 2 during the year.

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 carrying values of all financial instruments reflected in the financial statements approximate their fair values except for investment in the term finance certificates of Jahangir Siddiqui and Company Limited which are reflected at cost as in the opinion of management, the fair value of these financial instruments are not significantly different from their carrying values.

## 30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016.

## 31. GENERAL

31.1 Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## PERFORMANCE TABLE

Particulars	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	For the year ended June 30, 2011
Net assets (Rs. '000')	618,907	583,494	500,789	489,840	417,156	460,934
Net Income / (loss) (Rs. '000')	39,882	75,236	11,343	30,313	(35,764)	(20,181)
Net Asset Value per units (Rs.)	9.7377	9.7306	9.3391	9.6652	9.0407	9.7109
Offer price per unit	9.8665	9.8604	9.4648	9.7619	9.1311	9.8080
Redemption price per unit	9.7377	9.7306	9.3391	9.6652	9.0407	9.7109
Highest offer price per unit (Rs.)	9.8665	9.8604	10.0013	9.7619	9.8339	10.6810
Lowest offer price per unit (Rs.)	9.2329	8.6723	9.2529	9.1327	9.5804	9.6993
Highest redemption price per unit (Rs.)	9.7377	9.7306	9.8685	9.6652	9.7365	10.5752
Lowest redemption price per unit (Rs.)	9.1090	8.5581	9.1300	9.0423	9.4855	9.6033
Fiscal Year Opening Ex NAV	9.1067	8.5561	9.1284	9.0407	9.7109	10.1408
Total return of the fund	6.93%	13.73%	2.31%	6.91%	-6.90%	-4.24%
Capital growth	0.08%	3.33%	2.31%	0.96%	-6.90%	-7.34%
Income distribution as % of Ex-NAV	6.85%	10.40%	-	5.95%	0.00%	3.10%
Income distribution as % of Par Value	6.67%	8.90%	-	5.38%	-	3.14%
Interim distribution per unit	0.6667	0.89	-	-	-	0.3140
Final distribution per unit	-	-	-	0.5379	-	-
Distribution dates						
Interim	29-Jun-16	29-Jun-15	-	-	-	19-Apr-11
Final	-	-	-	11-Jul-13	-	-
Average annual return (launch date 28-03-08)						
(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)						3.09%
(Since inception to June 30, 2010)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	332	171	222	79	136	83








*"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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