



NBP FUNDS

Managing Your Savings

Islamic Savings

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اسلامک سیونگز

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NAFA ISLAMIC INCOME FUND

**QUARTERLY
REPORT**
March 31, 2018



MISSION STATEMENT

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

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NAFA ISLAMIC INCOME FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Formerly: NBP Fullerton Asset Management Limited (NAFA)

Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

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

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shakra-e-Faisal, Karachi.

Bankers to the Fund

Al-Baraka Bank (Pakistan) Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank Limited
National Bank of Pakistan
Silk Bank Limited
MCB Bank Limited
Meezan Bank Limited
Habib Bank Limited
Bank Islami Pakistan Limited
Sindh Bank Limited
Summit Bank Limited
United Bank Limited
JS Bank Limited
Habib Metropolitan Bank Limited
Soneri Bank Limited
Allied Bank Limited

NAFA ISLAMIC 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: 021(111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpffunds.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
Fax: 091-5703202

Multan Office:

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

NAFA ISLAMIC INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited (Formerly; NBP Fullerton Asset Management Limited) is pleased to present the unaudited financial statements of **NAFA Islamic Income Fund (NIIF)** for the period ended March 31, 2018.

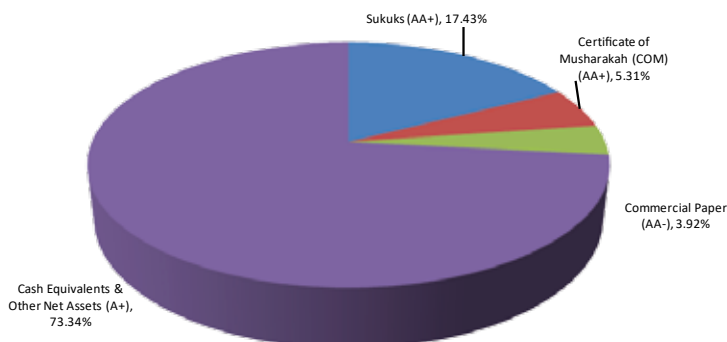
Fund's Performance

The size of NAFA Islamic Income Fund has decreased from Rs. 4,876 million to Rs. 3,768 million during the period (i.e. a decline of 23%). During the period, the unit price of the Fund has increased from Rs. 9.5036 (Ex-Div) on June 30, 2017 to Rs. 9.8528 on March 31, 2018, thus showing return of 4.9% as compared to its benchmark return of 2.5% for the same period. The performance of the Fund is net of management fee and other expenses.

NIIF is categorized as a Shariah Compliant Income Fund and has been awarded stability rating of 'A- (f)' by PACRA. During the period under review, in its bi-monthly monetary policy review in January 2018, State Bank of Pakistan (SBP) increased the policy rate and discount rate by 25 basis points to 6.00% and 6.50%, respectively. After remaining range bound, sovereign yields responded to the recent increase in the policy rates and expectation of more to come in the near future. During the period under review, yields on T-bills for 3-month, 6-month, and 12-month, tenors increased by 41 bps, 57 bps, 71 bps, respectively. Expecting upside risks to inflation and interest rates, investors' preference remained tilted toward short tenors.

The primary market for corporate Sukuks remained under-supplied against the large demand. In the secondary market, the trading activity in the corporate Sukuk remained thin. Prices of GoP Sukuk moved down with corresponding increase in yields by 120-182 basis points for different Ijara issues.

The Fund has earned total income of Rs.193.14 million during the period. After accounting for expenses of Rs.35.62 million, the net income is Rs.157.52 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIIF:



NAFA ISLAMIC INCOME FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited
(Formerly; NBP Fullerton Asset Management Limited)

Chief Executive Officer

Director

Date: April 30, 2018
Place: Karachi.

ڈائریکٹرز رپورٹ

NBPF فنڈ منیجمنٹ لمیٹڈ (سابقہ: NBP فلٹریشن ایسیٹ منیجمنٹ لمیٹڈ) کے بورڈ آف ڈائریکٹرز ایڈمرسٹ 31 مارچ 2018 کو ختم ہونے والی مدت کے لئے NAFA اسلامک انکم فنڈ (NIIF) کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

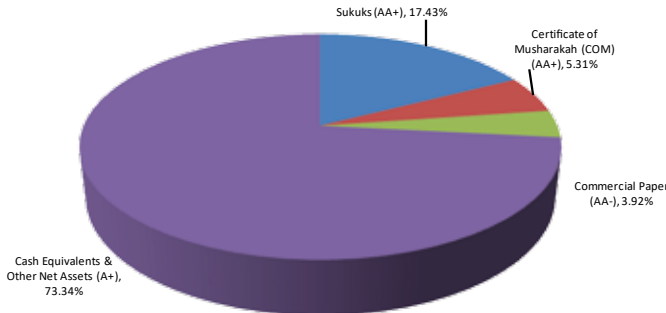
فنڈ کی کارکردگی

NAFA اسلامک انکم فنڈ کا سائز اس مدت کے دوران 4,876 ملین روپے سے کم ہو کر 3,768 ملین روپے ہو گیا، یعنی 23% کی کمی۔ فنڈ کے یونٹ کی قیمت 30 جون 2017ء کو 9.5036 روپے (Ex-Div) سے بڑھ کر 31 مارچ 2018ء کو 9.8528 روپے تک پہنچ چکی ہے، اسی مدت کے لیے دوران 2.5% بیچ مارک منافع کے مقابلے میں 4.9% منافع درج کروایا۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIIF کی درجہ بندی بطور شریعہ مکمل انکم فنڈ کی گئی ہے اور اسے PACRA کی طرف سے A-(f) کی اسٹیبلٹی ریٹنگ دی گئی ہے۔ زیر جائزہ مدت میں اسٹیٹ بینک آف پاکستان (SBP) کی جنوری 2018 میں اپنی دو ماہ کی مانیٹری پالیسی میں پالیسی ریٹ اور ڈسکاؤنٹ ریٹ میں 25 پیس پوائنٹس کے اضافے سے انھیں بالترتیب 6.00% اور 6.50% تک پہنچا دیا ہے۔ بقیہ ریٹ کے محدود ہونے کے بعد (Sovereign) منافع نے حالیہ پالیسی ریٹس میں اضافے اور مستقبل قریب میں مزید اضافے کی توقع کا رد عمل ظاہر کیا۔ زیر جائزہ مدت کے دوران میں 3 ماہ، 6 ماہ اور 12 ماہ کیلئے T-Bills کے منافع میں بالترتیب 41 پیس پوائنٹس، 57 پیس پوائنٹس اور 71 پیس پوائنٹس کا اضافہ ہوا۔ افراط زر اور شرح سود سے متعلقہ بڑھتے ہوئے خدشات کی بنا پر سرمایہ کاروں کی ترجیح کا جھکاؤ مختصر مدت کی طرف رہا۔

کارپوریٹ Sukuks کی ابتدائی مارکیٹ نے بڑی طلب کے مقابلے میں کم فراہمی کا مظاہرہ کیا۔ ثانوی مارکیٹ میں کارپوریٹ Sukuks میں تجارتی سرگرمیاں بھی کم رہیں۔ مختلف اجارہ جات کے اجراء کے باعث نتائج میں 120-182 پیس پوائنٹس اضافہ ہوا اور اس کے مطابق حکومت پاکستان کے Sukuks نیچے آ گئے۔

فنڈ نے اس مدت کے دوران 193.14 ملین روپے آمدنی کمائی ہے۔ 35.62 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 157.52 ملین روپے ہے۔ درج ذیل چارٹ NIIF کی ایسیٹ ایلوکیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:-



اظہارِ تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجمنٹ لمیٹڈ

(سابقہ: NBP فلٹرین ایسیٹ منجمنٹ لمیٹڈ)

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بتاریخ

30 اپریل 2018

بمقام: کراچی

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2018

	Note	(Un- Audited) March 31' 2018	Audited June 30, 2017
(Rupees in '000)			
ASSETS			
Bank Balances		2,764,638	4,210,904
Investments	4	1,004,251	430,906
Profit receivable		26,563	16,556
Receivable against conversion of units		-	262,484
Advances, deposits, prepayments and other receivables		1,299	1,403
Total assets		3,796,751	4,922,253
LIABILITIES			
Payable to the Management Company		6,783	7,173
Payable to the Trustee		412	321
Payable to Securities and Exchange Commission of Pakistan		2,457	2,104
Payable against redemption of units		-	4,081
Payable against conversion of units		-	7,995
Dividend Payable		-	768
Accrued expenses and other liabilities		18,866	23,634
Total liabilities		28,518	46,076
NET ASSETS		3,768,233	4,876,177
Unit holders' funds (As per statement attached)		3,768,233	4,876,177
CONTINGENCIES AND COMMITMENTS			
	6	-----Number of units-----	
NUMBER OF UNITS IN ISSUE		382,451,142	512,725,293
		------(Rupees)-----	
NET ASSET VALUE PER UNIT		9.8528	9.5103

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2018

	Nine months ended		Quarter ended	
Note	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	(Rupees in '000)			
INCOME				
Capital Gain on sale of investments	-	30	-	30
Income from sukuk bonds	24,698	6,708	8,815	2,175
Profit on bank deposits	166,440	118,893	54,886	37,752
Income from certificate of musharaka (COM)	7,275	-	3,119	-
Income from commercial paper	2,749	-	2,660	-
Reversal of provision for Workers' Welfare Fund	-	2,944	-	2,944
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(8,025)	354	(6,578)	(1,429)
Total Income	193,137	128,929	62,902	41,472
EXPENSES				
Remuneration of the Management Company	18,812	11,896	6,419	3,671
Sindh Sales Tax on Management fee	2,446	1,547	835	478
Remuneration of the Trustee	3,423	2,367	1,130	778
Sindh Sales Tax on remuneration of the Trustee	445	308	147	101
Allocation of operational expenses from the Management Company	3,276	2,034	1,083	668
Annual fee - Securities and Exchange Commission of Pakistan	2,456	1,525	811	501
Settlement and bank charges	494	191	169	117
Annual listing fee	20	41	6	13
Auditors' remuneration	307	466	95	120
Rating fee	234	221	79	78
Printing Charges	78	50	38	-
Legal and professional charges	54	21	53	21
Shariah advisor fee	358	242	142	92
Provision for sindh workers' welfare fund - previous years	-	868	-	868
Other Expenses	-	-	-	-
Total Expenses	32,403	21,777	11,007	7,506
Net income from operating activities	160,734	107,152	51,895	33,966
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	12,212	-	16,860
Provision for sindh workers' welfare fund	5 (3,215)	(2,387)	(1,038)	(2,387)
Net income for the period before taxation	157,519	116,977	50,857	48,439
Taxation	8 -	-	-	-
Net income for the period after taxation	157,519	116,977	50,857	48,439
Allocation of net income for the period				
Net income for the period after taxation	157,519		50,857	
Income already paid on units redeemed	(68,208)		(43,119)	
	<u>89,311</u>		<u>7,738</u>	
Accounting income available for distribution:				
- Relating to capital gain	-		-	
- Excluding capital gain	89,311		7,738	
	<u>89,311</u>		<u>7,738</u>	

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTH PERIOD AND QUARTER ENDED MARCH 31, 2018

	Nine months ended		Quarter ended	
	March 31, 2018	March 31, 2017 (Rupees in '000)	March 31, 2018	March 31, 2017
Net income for the period after taxation	157,519	116,977	50,857	48,439
Other comprehensive income / (loss) for the period				
Net unrealised appreciation in market value of investments classified as 'available for sale'	-	-	-	-
Total comprehensive income for the period	<u>157,519</u>	<u>116,977</u>	<u>50,857</u>	<u>48,439</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial information

For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018

	Nine months period ended	
	March 31, 2018	March 31, 2017
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	157,519	116,977
Adjustments		
(Gain) on sale of investments	-	(30)
Impairment loss / (reversal of impairment loss) on investments classified as 'available for sale and held for trading'	-	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	(12,212)
Net unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	8,025	(354)
	165,544	104,381
Decrease / (Increase) in assets		
Investments	(581,370)	15,000
Profit receivable	(10,007)	(533)
Advances, deposits, prepayments and other receivables	104	(3,160)
	(591,273)	11,307
Increase / (decrease) in liabilities		
Payable to the Management Company	(390)	(159)
Payable to the Trustee	91	30
Annual fee payable to Securities and Exchange Commission of Pakistan	353	143
Accrued expenses and other liabilities	(4,768)	(7,457)
	(4,714)	(7,443)
Net cash (used in) / generated from operating activities	(430,443)	108,245
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from issue of units	5,418,995	5,839,593
Net payments on redemption of units	(6,431,035)	(5,320,547)
Distributions paid during the period	(3,783)	(601)
Net cash (used in) / generated from financing activities	(1,015,823)	518,445
Net (decrease) / increase in cash and cash equivalents during the period	(1,446,266)	626,690
Cash and cash equivalents at the beginning of the period	4,210,904	2,345,246
Cash and cash equivalents at the end of the period	2,764,638	2,971,936

The annexed notes 1 to 12 form an integral part of these condensed interim financial information.

**For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC INCOME FUND

Notes to and forming part of the Condensed Interim Financial information (Un-audited) FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund ("the Fund") was established under a Trust Deed executed between NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. With effect from 22 November 2011, the SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated 15 November 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Trust Deed executed between the Management Company, CDC and MCBFSL. Thereafter, on 25 August 2014, CDC was re-appointed as the new Trustee of the Fund, after MCBFSL retired on prior day.

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 SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to provide preservation of capital and earn a reasonable rate of return. The principal activity of the Fund is to make investments in Shariah compliant securities, having a good credit rating and liquidity subject to the guidelines prescribed by SECP.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM1 to the Management Company and a stability rating of A-(f) to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

The disclosures made in this condensed interim financial information have been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2017.

In compliance with schedule V of the NBFC Regulations the directors of the Management Company hereby declared that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2018.

NAFA ISLAMIC INCOME FUND

3 ACCOUNTING POLICIES

The accounting policies, basis of accounting estimates applied and method of computation adopted in the preparation of this condensed interim financial information and financial risk management objectives and policies are the same as those applied in the preparation of the financial statements of the Fund for the year ended June 30, 2017 except as explained in note 3.1.

- 3.1 The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealized appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognized in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as allowed by the SECP vide their email to MUFAP dated February 8, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the profit of the Fund would have been lower by Rs. 23.436 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been higher by Rs. 0.0013. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

4 INVESTMENTS

Available for sale

		(Un-audited) 31 March 2018	(Audited) 30 June 2017
- Sukuk bonds	4.1	-	-
----Rupees in "000"----			
At fair value through profit or loss - held for trading			
Sukuk and Ijara bonds	4.2	656,881	430,906
Loans and Receivable			
Commercial Paper		147,370	-
Certificate of Musharaka		200,000	-
		1,004,251	430,906

NAFA ISLAMIC INCOME FUND

4.1 Sukuk and Ijara bonds - available for sale

Name of the investee company	Number of certificates				Market value as at 31 March 2018	Investment as % of	
	As at 1 July 2017	Purchases during the period	Sales during the period	As at 31 March 2018		Market value of net assets	Market value of total investments
(Rupees in '000) ----- (%) -----							
New Allied Limited-1st issue (note 4.1.1.1)	352,000	-	-	352,000	-	-	-
New Allied Limited-2nd issue (note 4.1.1.1)	1,000		-	1,000	-	-	-
	353,000	-	-	353,000	-	-	-

Carrying value of investments as at 31 March 2018

114,905

Provision held

114,905

4.1.1 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue which have a face value of Rs 312.5.

4.1.1.1 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.

4.2 Sukuk and Ijara bonds - At fair value through profit or loss - held for trading

Name of the investee company	Number of bonds				Market value as at 31 March 2018	Investment as % of	
	As at 1 July 2017	Purchases during the period	Sales / Matured during the period	As at 31 March 2018		Market value of net assets	Market value of total investments
(Rupees in '000) ----- (%) -----							
Dubai Islamic - Sukuk	-	129	-	129	131,348	3.49	13.08
Pak Elektron Limited - Sukuk	-	105	-	105	105,000	2.79	10.46
K Electric AZM Sukuk (5 Years)	5,200	-	-	5,200	26,543	0.70	2.64
GOP Ijara Sukuk XVI	1,000	-	-	1,000	99,990	2.65	9.96
GOP Ijara Sukuk XIX	3,000	-	-	3,000	294,000	7.80	29.28
	9,200	234	-	9,434	656,881	17.43	65.41

Carrying value of investments as at 31 March 2018

664,906

5 PROVISION FOR SINDH WORKERS' WELFARE FUND

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is same as that disclosed in note 16 to the annual audited financial statements of the Fund for the year ended June 30, 2017.

The Fund, being prudent, recognised provision for SWWF amounting to Rs. 5.748 million for the period ended March 31, 2018 in this condensed interim financial information. Had the provision not been made, net assets value per unit at March 31, 2018 would have been higher by Rs. 0.0150 per unit (June 30, 2017: Rs. 0.0049 per unit).

NAFA ISLAMIC INCOME FUND

6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as on March 31, 2018 and June 30, 2017.

7 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.09 % per annum including 0.26 % representing government levies on collective investment scheme such as sales tax, sindh worker's welfare fund and SECP fee for the period.

8 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

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.

9 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 classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as Shariah Compliant 'Income Scheme'.

The Securities and Exchange Commission of Pakistan vide its circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
New Allied Electronics - Sukuk I	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009	Sukuk	110,000	(110,000)	-	-	-
New Allied Electronics - Sukuk II		Sukuk	4,905	(4,905)	-	-	-

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

10 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

- 10.1 Connected persons include NBP Fund Management Limited (Formerly : NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited, MCB Financial Services Limited (MCBFSL) being Ex-Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 10.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 10.3 Remuneration and front end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 10.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA ISLAMIC INCOME FUND

10.5 Details of the transactions with connected persons during the period are as follows:

	Unaudited	
	Nine months period ended	
	March 31, 2018	March 31, 2017
	----- (Rupees in '000) -----	
NBP Fund Management Limited <i>(Formerly: NBP Fullerton Asset Management Limited) - Management Company</i>		
Management fee expense for the period	18,812	11,896
Front end load for the period	1,524	1,401
Sindh Sales tax on management fee	2,446	1,547
Allocation of operational expenses from the Management Company	3,276	2,034
 Central Depository Company of Pakistan- Trustee		
Trustee fee for the period	3,423	2,367
Sindh Sales tax on remuneration of Trustee	445	308
 Employees of Management Company		
Units issued 11,917,248 units (2017: 8,337,528 units)	115,014	80,935
Units redeemed 11,099,478 units (2017: 7,361,405 units)	107,500	71,354
 Alexandra Fund Management PTE. Ltd		
Units redeemed / transferred out 5,969,262 units	56,795	-
 Pakistan Mobile Communication Ltd - Provident Fund		
Units redeemed / transferred out Nil Units(2017: 3,446,682 units)		
 Akhuwat		
Units issued / transferred in 892,309 units (2017: 3,296,716 units)	8,580	32,000
Units redeemed / transferred out 4,144,556 units (2017 : 202,770 units)	40,804	1,973
 Telenor Pakistan (Pvt) Limited - Employees P.F		
Units issued / transferred in Nil units (2017: 5,377,280 units)	-	52,500
Units redeemed / transferred out Nil units (2017: 5,377,280 units)	-	52,995
 Prosperity Weaving Mills		
Units issued / transferred in 12 units	-	-
 Mr. Khalid Mehmood (CFO)		
Units issued / transferred in 312,120 units (2017: 31,502 units)	3,000	300
Units redeemed / transferred out 310,450 units (2017: 47,329 units)	3,002	454
 BankIslami Pakistan Limited (Common Director Ship with Management Company)		
Profit	10,917	-

NAFA ISLAMIC INCOME FUND

10.6 Amounts outstanding as at period / year end

	(Un-Audited) As at 31 March 2018	(Audited) As at 30 June 2017
	Rupees in '000	
NBP Fund Management Limited <i>(Formerly: NBP Fullerton Asset Management Limited) - Management Company</i>		
Management fee payable	2,101	1,624
Sindh sales tax payable on Management Fee	271	209
Sindh sales tax on sales load	212	985
Front end load	923	1,549
Allocation of operational expenses from the Management Company	3,276	2,806
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	365	284
Sindh Sales Tax on remuneration of Trustee	47	37
Security deposits	100	100
National Bank of Pakistan - Sponsor		
Balance in current account	7,388	3,311
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund		
Nil units (30 June 2017: 5,969,262 units)	-	56,770
Employees of Management Company		
Investment held in the Fund 4,631,663 units (30 June, 2017 : 3,813,893 units)	45,635	36,271
Akhawat (Portfolio managed by the Mangement Company)		
Investment held in the Fund Nil units (30 June, 2017: 3,252,247 units)	-	30,930
Mr. Khalid Mehmood (Chief Financial Officer)		
Investment held in the Fund 1,669 units (Nil Units: 30 June, 2017 : Nil units)	16	-
Prosperity Weaving Mills		
Investment held in the Fund 12 units (30 June, 2017 : 12 units)	-	-
Sadia Kamran (Unit holder of 10% or more of units of the CIS)		
Investment held in the Fund (30 June, 2017 : 51,923,866 units)	-	493,812
Bank Islami Pakistan Limited (Common Directorship with the Management Company)		
Balance in savings accounts	93,462	61,832
Profit Receivable	3,888	-
Summit Bank (Common Directorship with the Management Company)		
Balance in savings accounts	4,818	5,931
Net Amount receivable / (payable) against transfer of units from / to:	-	215
NAFA Islamic Asset Allocation Fund	-	248,834
NAFA Islamic Energy Fund	-	10,800
NAFA Riba Free Savings Fund	-	2,439
NAFA Islamic Stock Fund	-	196
NAFA Stock Fund	-	(7,995)
NAFA Islamic Stock Fund	-	

NAFA ISLAMIC INCOME FUND

11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on April 30, 2018.

12 GENERAL

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

12.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure. There have been no significant reclassification during the period except for the impact of change in accounting policy.

**For NBP Fund Management Limited
(Formerly;NBP Fullerton Asset Management Limited)
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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