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

NAFA INCOME FUND

QUARTERLY REPORT SEPTEMBER 30 2015




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

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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

NAFA INCOME FUND

Auditors

M. Yousuf Adil Saleem & Co.
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.
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(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

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

NAFA INCOME FUND

DIRECTORS' REPORT

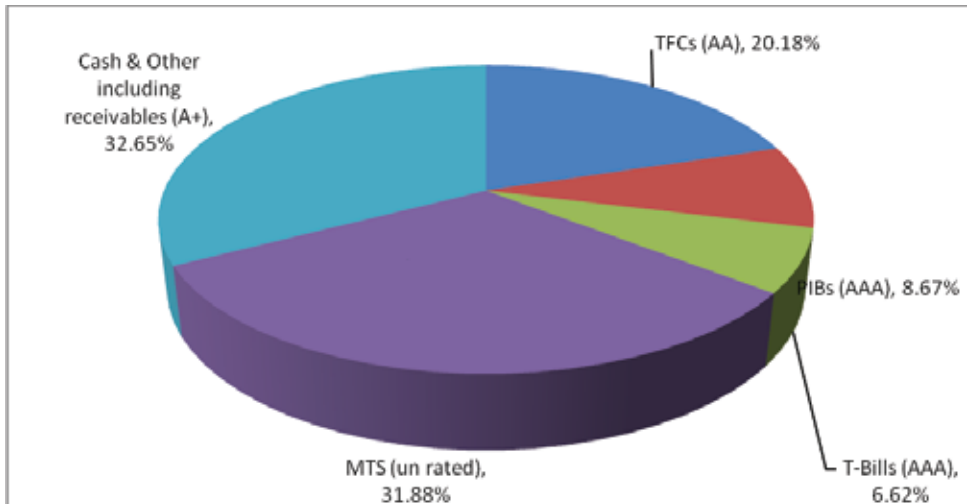
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Income Fund** (NIF) for the quarter ended September 30, 2015.

Fund's Performance

The size of NAFA Income Fund increased from Rs. 583 million to Rs. 619 million during the period, i.e. an increase of 6.2%. During the said quarter, the unit price of NAFA Income Fund increased from Rs. 9.7306 on June 30, 2015 to Rs. 9.9318 on September 30, 2015, thus showing a return of 8.20% as compared to its Benchmark (6-Month KIBOR) return of 6.97%. The performance of the Fund is net of management fee and all other expenses.

NIF is categorized as an Income Scheme and has been awarded stability rating of A-(f) by PACRA. On the corporate debt sphere, trading activity in TFCs remains skewed towards the high quality issues. Dearth of primary issuance versus elevated demand further depressed the yield on the high credit quality corporate bonds. During the quarter under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP alluded to following factors in arriving at its decision i) benign inflation readings and expectation ii) high real lending rates; and iii) comfortable external account position and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy period with yields on the PIBs and T-bills declining. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

The Fund has earned total income of Rs.15.41 million during the period. After deducting expenses of Rs.2.87 million, the net income is Rs.12.54 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIF.



NAFA INCOME FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 21, 2015
Place: Karachi.

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2015

	Note	Un-audited September 30, 2015	Audited June 30, 2015
------(Rupees in '000)-----			
Assets			
Balances with banks		205,574	483,554
Investments	4	219,667	247,786
Profit receivable	5	4,370	6,396
Receivable against Margin Trading System		197,365	-
Advances, deposits, prepayments and other receivables		400	437
Total assets		627,376	738,173
Liabilities			
Payable to Management Company		2,797	2,538
Payable to Trustee		50	48
Payable to Securities and Exchange Commission of Pakistan		112	404
Accrued expenses and other liabilities	6	5,241	151,689
Total liabilities		8,200	154,679
Net Assets		619,176	583,494
Unit Holders' Fund (As per statement attached)		619,176	583,494
Contingencies and Commitments			
-----Number of units-----			
Number of units in issue		62,342,753	59,964,777
-----Rupees-----			
Net asset value per unit		9.9318	9.7306

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Note	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
------(Rupees in '000)-----			
INCOME			
Gain on sale of investments - net		791	120
Income from term finance certificates, sukuk bonds and commercial papers		3,075	8,119
Income from Margin Trading System		1,838	-
Profit on bank deposits		5,728	3,762
Income from Government Securities		2,368	3,681
Unrealised gain on investments at fair value through profit or loss - net		574	301
Total income		14,374	15,983
EXPENSES			
Remuneration of Management Company		1,489	1,280
Sindh sales tax on remuneration of the Management Company		243	238
FED on remuneration of the Management Company		238	205
Remuneration of Trustee		149	128
Sindh sales tax on remuneration of the Trustee Fee		13	-
Annual fee - Securities and Exchange Commission of Pakistan		112	96
Settlement and bank charges		366	90
Annual listing fee		8	7
Auditors' remuneration		150	122
Legal & Professional Charges		-	12
Printing and related cost		25	25
Fund Rating Fee		70	36
(Reversal) / Impairment loss on investments classified as 'Available for sale and Held for trading'		(638)	-
Brokerage		6	14
Total expenses		2,231	2,253
Net income from operating activities		12,143	13,730
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		400	-
Provision for Workers' Welfare Fund		-	(275)
Net income for the period before taxation		12,543	13,455
Taxation	7	-	-
Net income for the period after taxation		12,543	13,455
Earning per unit	9		

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	------(Rupees in '000)-----	
Net income for the year after taxation	12,543	13,455
Other comprehensive income		
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	-	-
Total comprehensive income for the year	<u>12,543</u>	<u>13,455</u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	------(Rupees in '000)-----	
(Accumulated losses) brought forward	(3,825)	(27,303)
Final distribution for the period ended June 30, 2015 : Nil (2014: Nil)		
- Bonus units	-	-
- Cash Distribution	-	-
Net income for the period	12,543	13,455
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' fund	-	(4)
	12,543	13,451
(Accumulated losses) / undistributed income carried forward	8,718	(13,852)

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	------(Rupees in '000)-----	
Net assets at the beginning of the year	583,494	500,789
Issued 5,770,940 units (September 30, 2014 :90,433 units)	57,087	856
Redemption of 3,392,964 units (September 30, 2014: 105,465 units)	(33,548) 23,539	(1,001) (145)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing income that form part of the unit holders' fund		
- transferred to Income Statement	(400)	-
- amount representing income that form part of the unit holders' fund		
- transferred to Distribution Statement	- (400)	(4) (4)
Net unrealised diminution in the market value of investments classified as 'available for sale'	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' fund	-	4
Gain on sale of investments	791	120
Unrealised diminution in the value of investments at fair value through profit or loss - net	574	301
Other net income for the period	11,178	13,034
	12,543	13,459
Net assets as at the end of the period	<u>619,176</u>	<u>514,099</u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	12,543	13,455
Adjustments		
Unrealised loss on investments at fair value through profit or loss - net	(574)	(301)
Element of (income) / loss and capital (gains) / losses included in		
prices of units issued less those in units redeemed	(400)	-
	<u>11,569</u>	<u>13,154</u>
Decrease / (Increase) in assets		
Investments	28,693	(21,969)
Profit receivable	2,026	1,997
Receivable against Margin Trading System	(197,365)	-
Advances, deposits, prepayments and other receivables	37	4
	<u>(166,609)</u>	<u>(19,968)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	259	622
Payable to - Trustee	2	1
Payable to Securities and Exchange Commission of Pakistan	(292)	(284)
Accrued expenses and other liabilities	(146,448)	430
	<u>(146,479)</u>	<u>769</u>
Net cash inflow from / (used in) operating activities	<u>(301,519)</u>	<u>(6,045)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	57,087	856
Payments on redemption of units	(33,548)	(1,001)
Net cash (outflow) / inflow from financing activities	<u>23,539</u>	<u>(145)</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(277,980)</u>	<u>(6,190)</u>
Cash and cash equivalents at the beginning of the period	483,554	144,582
Cash and cash equivalents at the end of the period	<u><u>205,574</u></u>	<u><u>138,392</u></u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015 (Un-audited)

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, a company incorporated under the Companies Ordinance, 1984, as Management Company and Central Depository Company of Pakistan Limited (CDC), also incorporated under the Companies Ordinance, 1984, as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised 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 (NBFC Rules). Subsequently, Central Depository Company of Pakistan Limited (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 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 was situated at 9th Floor, Adamjee House, I.I. Chundrigarh Road, Karachi. From 4 February 2013, the registered office of the Management Company is shifted to 7th Floor, Clifton Diamond Building Block No. 4, Scheme No.5, Clifton, Karachi. The Management Company is also the member of the Mutual Fund Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund categorised as income scheme and its units are listed on the Lahore Stock Exchange. Units of the Fund are offered for public subscription on 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 a long term and short term performance ranking of 'A-(f)' to the Fund.

Title of the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) as trustee of the Fund.

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with 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, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.1 The directors of the asset management company declare that condensed interim financial statements give a true and fair view of the fund

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2015 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2015.

NAFA INCOME FUND

	Note	Un-audited September 30, 2015	Audited June 30, 2015
-----Rupees in '000-----			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	60,906	70,308
Term finance certificates - unlisted	4.1.1	14,877	14,754
Sukuk bonds	4.2	49,190	49,079
Government Securities	4.3	94,694	113,645
		219,667	247,786
Available for sale			
Term finance certificates - listed	4.4	-	-
Sukuk bonds	4.4	-	-
		-	-
		219,667	247,786

4.1 Term finance certificates and sukuk bonds

4.1.1 Term finance certificates - At fair value through profit or loss

Name of the investee company	Number of Certificates				Market value as at September 30, 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sale during the period	As at September 30, 2015		Net assets	Market value of total investments	Issue size
					Rupees in '000	-----%-----		
Term finance certificates - listed								
Saudi Pak Leasing Company Limited (note 4.2.2)	15,000	-	-	15,000	-	-	-	10.00%
Bank Alfalah Limited	2,000	-	-	2,000	10,274	1.66%	4.68%	0.20%
Faysal Bank Limited	5,000	-	-	5,000	25,522	4.12%	11.62%	0.83%
Allied Bank Limited	2,000	-	2,000	-	-	-	-	-
Jahangir Siddiqui and Company Limited (08-04-14)	5,000	-	-	5,000	23,272	3.76%	10.59%	2.50%
Jahangir Siddiqui and Company Limited (30-10-12)	1,000	-	-	1,000	1,838	0.30%	0.84%	0.67%
				28,000	60,906	9.84%	27.73%	
Term finance certificates - unlisted								
Engro Fertilizers Pakistan Limited	2,900	-	-	2,900	14,877	2.40%	6.77%	0.36%
Agritech Limited II (note 4.2.3)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note 4.2.4)	4,436	-	-	4,436	-	-	-	-
				37,336	14,877	2.40%	6.77%	
				65,336	75,783	12.24%	34.50%	

Carrying cost of investments as at September 30, 2015

288,678

Accumulated Impairment

213,377

4.2 Sukuk bonds - At fair value through profit or loss

Name of the investee company	As at July 1, 2015	Purchases during the period	Sale during the period	As at September 30, 2015	Market value as at September 30, 2015	Net assets	Market value of total investments	Issue size
					Rupees in '000	-----%-----		
New Allied Electronics Industries (Private) Limited (note 4.2.5)	10,000	-	-	10,000	-	-	-	-
K-Electric AZM Sukuk	9,800	-	-	9,800	49,190	7.94%	22.39%	1.33%
				19,800	49,190	7.94%	22.39%	

Carrying cost of investments as at September 30, 2015

98,133

Accumulated Impairment

49,054

NAFA INCOME FUND

- 4.2.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.
- 4.2.2 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. During the year, the investee company again defaulted on its obligation on account of principal and profit payment. 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 circular.
- 4.2.3 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.2.4 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 4.2.5 This represents investment in privately placed sukuks with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of profit repayment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.3 Government Securities - at fair value through profit or loss - held for trading

Issue date	Face value					Market Value as at September 30, 2015	Investment as a percentage of	
	Tenor	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at September 30, 2015		Net assets	Market value of total investments
						Rupees in '000	-----%	-----
Market Treasury Bills								
November 13, 2014	12 months	-	41,300	-	41,300	40,985	6.62	18.66
Pakistan Investment Bond								
July 17, 2014	3 Years	50,000	-	-	50,000	53,709	8.67	24.45
March 26, 2015	3 Years	58,500	-	58,500	-			
						94,694		
Carrying cost of investments as at September 30, 2015						94,714		

4.4 Term Finance Certificates and Sukuk Bonds - Available for Sale

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales/ matured during the period	As at September 30, 2015		Net assets	Market value of total investments	Issue size
						Rupees in '000	-----%	-----
Term finance certificate - listed								
Worldcall Telecom Limited (note 4.4.2)	14,000	-	-	14,000	-	-	-	1.75%
						14,000		
Carrying cost of investments as at September 30, 2015						27,520		
Accumulated Impairment						27,520		
Sukuk bonds								
Eden Housing Limited (note 4.4.3)	20,000	-	-	20,000	-	-	-	13.75%
						20,000		
Carrying cost of investments as at September 30, 2015						19,688		
Accumulated Impairment						19,688		

NAFA INCOME FUND

- 4.4.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.
- 4.4.2 This represents investment in listed term finance certificates of Worldcall Telecom Ltd. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. 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.
- 4.5 This represents investment in privately placed sukuks with a term of five years. The issuer defaulted on payment of principal and profit to certain sukuk holders due to which it was rated as 'Defaulter' by the MUFAP. The management of the Fund as a matter of abundant caution has classified the investment as "Non-Performing". The amount of provision required as per SECP circular no. 01 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

	Un-audited September 30, 2015	Audited June 30, 2015
	-----Rupees in '000-----	
5 PROFIT RECEIVABLE		
Profit on savings and term deposit accounts	385	938
Income accrued on term finance certificates and sukuk bonds - net	2,265	1,555
Profit receivable on MTS	549	-
Profit receivable on government securities	1,171	3,903
	<u>4,370</u>	<u>6,396</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditor's remuneration	500	350
Settlement charges payable	215	66
Bank charges payable	134	59
Brokerage	47	46
WWF	4,095	4,095
Printing charges payable	126	101
Legal and professional charges	25	125
Payable against redemption of units	-	146,754
Other Payable	99	93
	<u>5,241</u>	<u>151,689</u>
7 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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

8 PROVISION FOR WORKERS' WELFARE 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. Accordingly no further provision of WWF has been recorded subsequent to June 30, 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 for the quarter ended September 30, 2015 which aggregates to Rs. 4.095 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs.0.0657 per unit respectively.

NAFA INCOME FUND

9 EARNING PER UNIT

Earning per unit (EPU) for the quarter ended September 30, 2015 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

10 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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 'Income Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest at least 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity . Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2015, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rupees in '000-----						
Investment in Debt securities	New Allied Electronics (Pvt) Ltd II	49,054	49,054	-	-	-
	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Eden Housing Ltd.	19,688	19,688	-	-	-
	Saudi Pak Leasing Co.	41,321	41,321	-	-	-
	Worldcall Telecom Limited.	27,520	27,520	-	-	-
		<u>309,639</u>	<u>309,639</u>	-	-	-

10.1 At the time of purchase, the above Term Finance Certificates were in compliance with the circular (i.e. investment grade) and was subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agri Tech Limited and Eden Housing Limited the downgrading has been made due to default in payments of due principal and markup.

11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, National Bank of Pakistan 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.

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

11.3 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.

11.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA INCOME FUND

	(Un-audited)	
	Quarter Ended September 30, 2015	Quarter Ended September 30, 2014
	-----Rupees in '000-----	
11.5 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management company		
Management fee expense for the year / period	1,489	1,280
Sindh Sales Tax on remuneration of the management company	243	238
FED on remuneration of the management company	238	205
National Bank of Pakistan - Sponsor		
Purchased PIB	-	44,101
MCB Financial Services Limited - Trustee		
Remuneration	149	128
CDS charges	69	69
Employees of Management Company		
Issued bonus Nil units (2014: Nil units)	-	-
Units issued / transferred in 41,506 units (2014: 37,583 units)	405	356
Units redeemed / transferred out 1,925 units (2014: 15,802 units)	19	150
NBP Employees Pension Fund		
Issued bonus Nil units (2014: Nil units)	-	-
	Un-audited	Audited
	As at September	As at June
	30, 2015	30, 2015
	-----Rupees in '000-----	
11.6 Amounts outstanding as at year / period end		
NBP Fullerton Asset Management Limited - Management company		
Management fee payable	499	479
Sindh sales tax	71	72
Federal Excise Duty payable on Management Remuneration	2,214	1,975
Front end load	13	12
National Bank of Pakistan - Sponsor		
Balance in current account	423	423
Employees of the Management Company		
Investment held in the fund 42,626 units (June 30, 2015 : 3,045 units)	423	30
MCB Financial Services Limited - Trustee		
Remuneration payable	50	48
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund (52,044,698 units; June 30, 2015: 52,044,698 units)	516,898	506,428
Net amount receivable / (payable) against transfer of units from:		
- 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	-	(221)

NAFA INCOME FUND

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 21, 2015.

13 GENERAL

- 13.1 Corresponding figures have been rearranged wherever necessary, for the purposes of comparison and better presentation.
- 13.2 Figures have been rounded off to the nearest thousand rupees.
- 13.3 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director



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

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