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

NAFA INCOME FUND

ANNUAL REPORT 2015



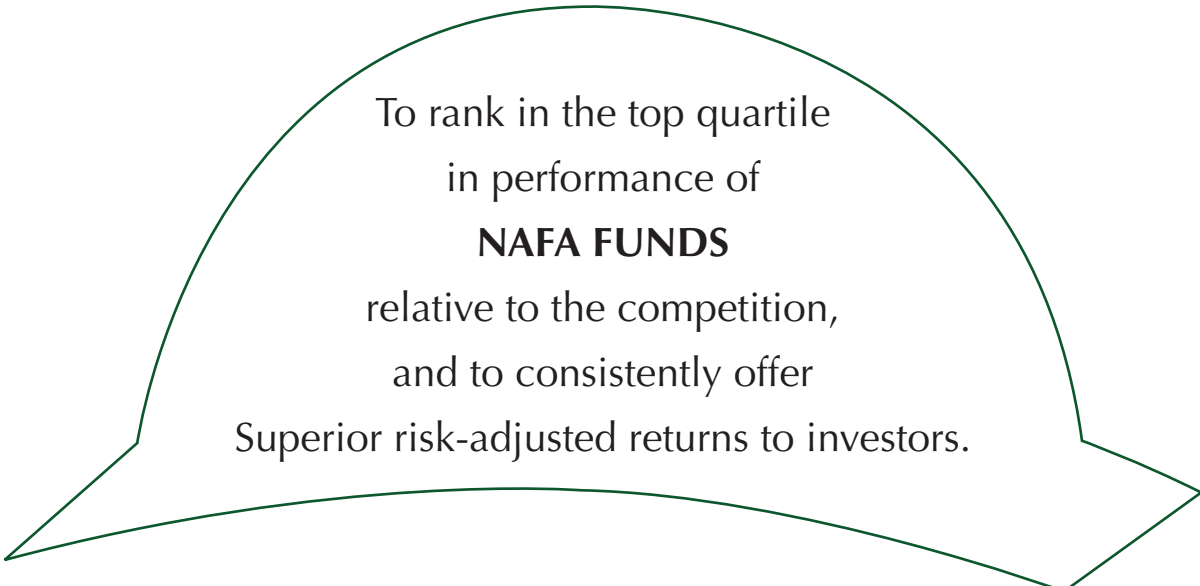
Your investments & "NAFA" grow together



**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

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 & CFO of the Management Company

Mr. Muhammad Murtaza Ali

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 - 74000

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.
UAN: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.com

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

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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. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Mr. Zeeshan
Chief - Strategy &
Business Development



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



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



Syed Suleman Akhtar CFA
Head of Research



Mr. Tahir Lateef
Head of Internal Audit



Mr. Ahmad Nouman CFA, PRM
Head of Risk Management



Mr. Asim Wahab Khan, CFA
Head of Equity

NAFA INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Eighth Annual Report of **NAFA Income Fund** for the year ended June 30, 2015.

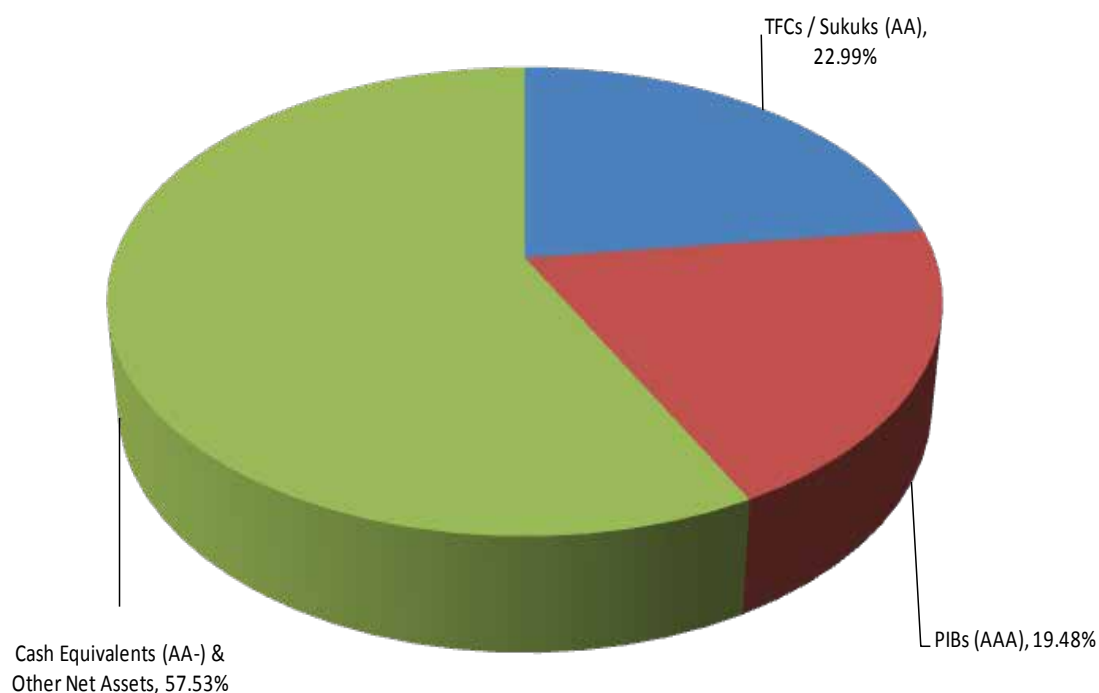
Fund's Performance

The size of NAFA Income Fund has increased from Rs. 501 million to Rs. 583 million during the period, i.e. a growth of 16.52%. During the said period, the unit price of NAFA Income Fund has increased from Rs. 8.5561 (Ex-Div) on June 30, 2014 to Rs. 9.7306 on June 30, 2015, thus posting a return of 13.73% as compared to its Benchmark (6-Month KIBOR) return of 9.01% for the same period. The return of the Fund is net of management fee and all other expenses.

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 period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the PIBs and T-bills declining sharply. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

NIF is categorized as an Income Scheme and has been awarded stability rating of A-(f) by PACRA.

The Fund has earned income of Rs.84.40 million during the year. After accounting for expenses of Rs.9.16 million, the net income is Rs.75.24 million. The asset allocation of NAFA Income Fund as on June 30, 2015 is as follows:



NAFA INCOME FUND

Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 9.53% of opening ex-NAV (8.90% 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. Yousuf Adil Saleem & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2016.

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 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 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 19 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 30, 2015
Place: Karachi.

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, 2015 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 18, 2015

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, 2015

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Income Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

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 of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2015, 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 meet the criteria of independence under clause i (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. One casual vacancy occurred on the board on February 17, 2015 which was filled up on the same date.
5. The Management 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 CEO have been taken by the Board. There is no other executive-director of the Company besides 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. In order to apprise the directors on their duties and responsibilities the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2015 a minimum of three directors should have attended director training program. As at year end, three of the directors have attended the director's training program offered by Pakistan Institute of Corporate Governance. Other directors are also conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO), Company Secretary, or 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 a non-independent 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 contained in the CCG have been complied with. While the Code of Corporate Governance requires that a mechanism shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Management Company has prepared a framework for this purpose and eventual approval by the Board of Directors of the Management Company will be obtained in forthcoming Board of Directors meeting, subsequent to year end.

For and behalf of the board

Karachi
September 30, 2015

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 16.52% during FY15 and stands at Rs 583 million as on June 30, 2015. The Fund's return since its inception is 3.45% versus the benchmark return of 11.25%. During FY15, the Fund posted an annualized return of 13.73% as compared to benchmark return of 9.01%. The return of the Fund is net of management fee and all other expenses.

Superior performance of the Fund during the year was on account of principal and profit payment of a non-performing Telecom Sector TFC and mark to market gains on PIB holdings. The weighted average Yield-to-Maturity of the Fund is around 8.53% p.a. while the yield does not include potential recovery in fully provided TFCs (Face Value of Rs. 310 million), which is a potential upside for the Fund. Weighted average time to maturity of the Fund is 0.89 years.

On the corporate debt sphere, trading activity in TFCs remained skewed towards the high quality issues. Dearth of primary issuance versus elevated demand further depressed the yield on the high credit quality corporate bonds. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. Thus, increase in interest rate will improve the coupon income of the Fund.

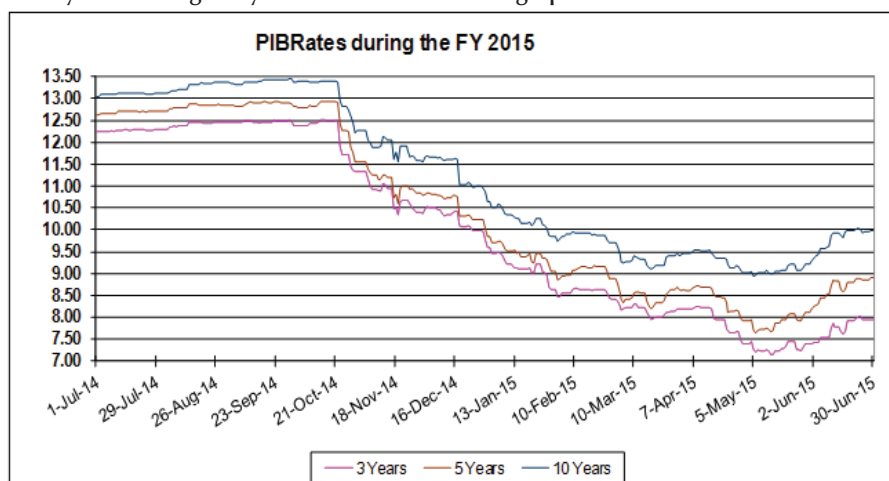
During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored near-term inflation expectation; and iii) continued increase in FX reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the PIBs and T-bills declining sharply.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-15	30-Jun-14
Cash Equivalents & Other Assets	57.53%	29.99%
TFCs / Sukuks	22.99%	34.69%
PIBs	19.48%	27.68%
Money Market Placements	-	7.64%
Total	100.00%	100.00%

NAFA INCOME FUND

PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2015

Interim / Final	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Interim	8.90%	10.6154	9.7254

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross
Worldcall Telecom Limited	TFC	28,157,990	28,157,990	-	-	-
Saudi Pak Leasing	TFC	41,321,115	41,321,115	-	-	-
Eden Housing (Sukuk II)	Sukuk	19,687,500	19,687,500	-	-	-
Agritech Limited (II)	TFC	149,875,800	149,875,800	-	-	-
Agritech Limited (V)	TFC	22,180,000	22,180,000	-	-	-
New Allied Electronics (Sukuk)	Sukuk	49,054,371	49,054,371	-	-	-
Total		310,276,776	310,276,776	-	-	-

Unit Holding Pattern of NAFA Income Fund as on 30th June 2015

Starting Range	Ending Range	Unit Holder
1	1000	32
1001	5000	36
5001	10000	5
10001	50000	8
50001	100000	3
100001	500000	4
500001	1000000	1
5000001	10000000	1
10000001	100000000	1
Total:		91

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. 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/ FY 2015 return of scheme would be higher by Rs. 0.068/0.70%. For details investors are advised to read note 15 of the Financial Statements of the Scheme for the year ended June 30, 2015.

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 Income Fund** (the Fund) for the year ended June 30, 2015, to comply with the requirements of Lahore 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 of the Fund (the Board). 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 requirement 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 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'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 for their review and approval related party transactions 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 upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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, 2015.

Further, we highlight the 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:

- 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, 2015.
- ii) Paragraph 23 As per the Code, a mechanism was required to be put in place for an annual evaluation of the Board's own performance which has been approved by the Board of Directors of Management Company subsequent to year end.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Karachi
Date: October 16, 2015

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, 2015, 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, 2015, 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.

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner:

Naresh Kumar

Date: September 30, 2015

Place: Karachi

NAFA INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2015

	Note	2015 -----Rupees in '000-----	2014
ASSETS			
Balances with banks	5	483,554	144,582
Investments - net	6	247,786	350,635
Profit receivable	7	6,396	9,961
Advances, deposits, prepayments and other receivables	8	437	431
Total assets		<u>738,173</u>	<u>505,609</u>
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	9	2,538	1,206
Payable to MCB Financial Services Limited - Trustee	10	48	41
Payable to The Securities and Exchange Commission of Pakistan	11	404	380
Accrued expenses and other liabilities	12	151,689	3,193
Total liabilities		<u>154,679</u>	<u>4,820</u>
NET ASSETS		<u>583,494</u>	<u>500,789</u>
UNIT HOLDERS' FUND (As Per Statement Attached)		<u>583,494</u>	<u>500,789</u>
Contingencies and commitments			
	13	-----Number of units-----	
Number of units in issue	18	<u>59,964,777</u>	<u>53,622,892</u>
-----Rupees-----			
Net asset value per unit	3.12	<u>9.7306</u>	<u>9.3391</u>

The annexed notes 1 to 29 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, 2015

	Note	2015	2014
		-----Rupees in '000-----	
INCOME			
Return / markup on:			
- bank balances and term deposits		13,963	21,098
- term finance certificates, sukuks and commercial paper		25,610	23,411
- certificate of investment (COI)		-	557
- letter of placements (LOP)		-	226
- government securities		19,825	6,987
Gain on sale of investments-net		15,499	1,101
Unrealised gain on re-measurement of investments 'at fair value through profit or loss - held for trading' - net	6.7	3,264	25,309
Total income		<u>78,161</u>	<u>78,689</u>
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	9.1	5,387	7,794
Sindh sales tax on remuneration of the Management Company	9.2	937	1,458
Federal Excise Duty (FED) on remuneration of the Management Company	9.3	862	1,247
Remuneration of MCB Financial Services Limited - Trustee	10.1	538	506
Annual fee - The Securities and Exchange Commission of Pakistan	11.1	404	380
Annual listing fee		40	30
Securities transaction cost		54	28
Settlement and bank charges		347	367
Auditors' remuneration	14	449	470
Fund rating fee		272	254
Printing charges		35	86
Legal and professional charges		125	101
(Reversal of impairment) / impairment loss on term finance certificates and sukuks		(1,824)	54,394
Total expenses		<u>7,626</u>	<u>67,115</u>
Net income from operating activities		<u>70,535</u>	<u>11,574</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	4	6,237	-
Provision for Workers' Welfare Fund (WWF)	15	(1,536)	(231)
Net income for the year before taxation		<u>75,236</u>	<u>11,343</u>
Taxation	16	-	-
Net income for the year after taxation		<u>75,236</u>	<u>11,343</u>
Earnings per unit	3.13		

The annexed notes 1 to 29 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, 2015

	2015	2014
	-----Rupees in '000-----	
Net income for the year after taxation	75,236	11,343
Other comprehensive income	-	-
Total comprehensive income for the year	<u>75,236</u>	<u>11,343</u>

The annexed notes 1 to 29 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, 2015

	Note	2015 -----Rupees in '000-----	2014
Accumulated loss brought forward		(27,303)	(11,399)
Net income for the year		75,236	11,343
Final distribution for the year ended June 30, 2015: 8.9% (2013: 5.379%) Date of distribution: June 29, 2015 (2013: July 12, 2013)			
- Bonus units		-	(27,093)
- Cash distribution		(52,173)	(169)
Element of income and capital gains included in prices of units issued less those in units redeemed	3.8	415	15
Accumulated loss carried forward		<u>(3,825)</u>	<u>(27,303)</u>

The annexed notes 1 to 29 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, 2015

	Note	2015 -----Rupees in '000-----	2014
Net assets at the beginning of the year		500,789	489,840
Issuance of 21,424,003 units (2014: 3,656,267 units including 2,961,846 bonus units)		221,115	6,537
Redemption of 15,082,118 units (2014: 714,257 units)		(155,236)	(6,762)
		65,879	(225)
Net element of income and capital gains included in prices of units issued less those in units redeemed-transferred to Income Statement	4	(6,237)	-
Net element of income and capital gains included in prices of units issued less those in units redeemed-transferred to Distribution Statement	3.8	(415)	15
Final distribution (bonus) for the year ended June 30, 2014 : Nil units (2013: 2,961,846 units)		-	27,093
Total comprehensive income for the year		75,236	11,343
Final distribution for the year ended June 30, 2015: 8.9% (2013: 5.379%) Date of distribution: June 29, 2015 (2013: July 12, 2013)			
- Bonus distribution		-	(27,093)
- Cash distribution		(52,173)	(169)
Element of income and capital gains included in prices of units issued less those in units redeemed - net		415	(15)
Net assets as at the end of the year		<u>583,494</u>	<u>500,789</u>

The annexed notes 1 to 29 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, 2015

	Note	2015	2014
		-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		75,236	11,343
Adjustments			
Unrealised gain on re-measurement of investments 'at fair value through profit or loss - held for trading' - net		(3,264)	(25,309)
Net element of income and capital gains included in prices of units issued less those in units redeemed		(6,237)	-
(Reversal of impairment) / impairment loss on term finance certificates and sukus		(1,824)	54,394
		(11,325)	29,085
		63,911	40,428
(Increase) / decrease in assets			
Investments		107,937	(76,076)
Profit receivable		3,565	(2,783)
Advances, deposits, prepayments and other receivables		(6)	(12)
		111,496	(78,871)
(Decrease) / increase in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		1,332	192
Payable to MCB Financial Services Limited - Trustee		7	1
Payable to The Securities and Exchange Commission of Pakistan		24	39
Accrued expenses and other liabilities		1,743	381
		3,106	613
Net cash generated from / (used in) operating activities		178,513	(37,830)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received from issuance of units		221,115	6,537
Amounts paid on redemption of units		(8,483)	(6,762)
Distribution paid		(52,173)	(169)
Net cash generated from / (used in) financing activities		160,459	(394)
Net increase / (decrease) in cash and cash equivalents during the year		338,972	(38,224)
Cash and cash equivalents at the beginning of the year		144,582	182,806
Cash and cash equivalents at the end of the year	5	483,554	144,582

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 the 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. 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 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, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain 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, 2015

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

NAFA INCOME FUND

- Amendments to IAS 19 Employee Benefits: Employee contributions	Effective from accounting period beginning on or after July 01, 2014
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014
- IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	Effective from accounting period beginning on or after January 01, 2014
- IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	Effective from accounting period beginning on or after January 01, 2014
- IFRIC 21 - Levies	Effective from accounting period beginning on or after January 01, 2014

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

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

- Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	Effective from accounting period beginning on or after January 01, 2016
- IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015
- IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.
- 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
- IFRS 13 – Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015

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

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

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

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.

NAFA INCOME FUND

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 3.9)

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

All regular purchases / sales of investments are recognised 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 regulations.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised 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 recognised at fair value and transaction costs are recognised 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' and 'available for sale' are valued as follows:

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 categorises 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.

NAFA INCOME FUND

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 derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method. Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation 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 recognised whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised 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 recognised 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 a 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 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 derecognised 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 recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Derivatives

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

3.4 Securities under repurchase / 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 recognised 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 agreement.

All reverse repo transactions are accounted for on the settlement date.

3.5 Financial liabilities

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

3.6 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 amortised 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.

NAFA INCOME FUND

3.7 Issue 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 day. 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. The sales load is payable to the Management Company, investment facilitators or distributors. Transaction costs are recorded as income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours on 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.

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

An equalisation 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 during the period and on unrealised appreciation / (diminution) arising during the year on available for sale securities (AFS). From April 01, 2015, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed is now 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 (Note 4).

3.9 Provisions

Provisions are recognised 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.

3.10 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' 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, bank balances and term deposit receipts are recognised on a time apportionment basis using the effective interest method.

3.11 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 among the unit holders.

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.

3.12 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.

3.13 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.

4. CHANGE IN ACCOUNTING ESTIMATE

From April 1, 2015, the Fund has revised its methodology for recognition of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed. As per the revised methodology, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed is now 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. Previously, full amount of the element was taken directly to the distribution statement.

The revised methodology, in the opinion of management, reflects a more appropriate manner for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate. Had there been no change in estimate, the net income for the year would have been lower by Rs. 6.112 million (net of WWF).

NAFA INCOME FUND

	Note	2015	2014
-----Rupees in '000-----			
5. BALANCES WITH BANKS			
Current account		423	423
Saving accounts	5.1	483,131	144,159
		<u>483,554</u>	<u>144,582</u>

5.1 These carry profits at the rates ranging from 4.5% to 10.75% per annum (2014: 6% to 10.1% per annum).

	Note	2015	2014
-----Rupees in '000-----			
6. INVESTMENTS - NET			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	6.1.1	70,308	108,200
Term finance certificates - unlisted	6.1.3	14,754	14,066
Sukuk certificates	6.2	49,079	51,475
Government Securities	6.3	113,645	138,621
		247,786	312,362
Available for sale			
Term finance certificates - listed	6.4	-	-
Sukuk certificates	6.5	-	-
		-	-
Loans and receivables			
Investment in commercial paper		-	38,273
		<u>247,786</u>	<u>350,635</u>

6.1 Term finance certificates - at fair value through profit and loss - held for trading

6.1.1 Term finance certificates - Listed

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

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2015	Investment as a percentage of		
		As at July 1, 2014	Purchases during the year	Sales/ Matured during the year	As at June 30, 2015		Net assets	Market value of total investments	Issue size
(Rs in '000)									
Saudi Pak Leasing Company Limited	6.1.2	15,000	-	-	15,000	-	0.00%	0.00%	10.00%
Bank Alfalah Limited		2,000	-	-	2,000	10,327	1.77%	4.17%	0.20%
Faysal Bank Limited		5,000	-	-	5,000	25,591	4.39%	10.33%	0.83%
Allied Bank Limited		2,000	-	-	2,000	9,761	1.67%	3.94%	0.33%
Engro Fertilizers Limited (November 30, 2007)		6,404	-	6,404	-	-	-	-	-
Engro Fertilizers Limited (December 17, 2009)		600	-	600	-	-	-	-	-
Jahangir Siddiqui and Company Limited (April 08, 2014)		5,000	-	-	5,000	22,801	3.91%	9.20%	2.50%
Jahangir Siddiqui and Company Limited (October 30, 2012)		1,000	-	-	1,000	1,828	0.31%	0.74%	0.67%
Total as at June 30, 2015						<u>70,308</u>	<u>12.05%</u>	<u>28.38%</u>	
Carrying value as at June 30, 2015						<u>112,399</u>			
Accumulated impairment						<u>41,322</u>			

6.1.2 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. In prior year, the investee company again defaulted on its obligation on account of principal and profit payment and accordingly has been classified as 'Non Performing Asset' (NPA) by MUFAP since April 31, 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.

NAFA INCOME FUND

6.1.3 Term finance certificates- unlisted

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

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2015	Investment as a percentage of		
		As at July 1, 2014	Purchases during the year	Sales/ Matured during the year	As at June 30, 2015		Net assets	Market value of total investments	Issue size
Engro Fertilizers Limited PRP I		2,900	-	-	2,900	14,754	2.53%	5.95%	0.36%
Agritech Limited II	6.1.4	30,000	-	-	30,000	-	-	-	-
Agritech Limited V	6.1.5	4,436	-	-	4,436	-	-	-	-
Hascol Petroleum Limited		-	9,000	9,000	-	-	-	-	-
						<u>14,754</u>	<u>2.53%</u>	<u>5.95%</u>	<u>0.36%</u>
Carrying value as at June 30, 2015						<u>186,122</u>			
Accumulated impairment						<u>172,056</u>			

6.1.4 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 Asset' (NPA) 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.

6.1.5 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' (NPA) 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.

6.1.6 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.

6.1.7 Securities listed below have been classified as non-performing in accordance with SECP circular no. 1 of 2009 and circular no. 33 of 2012 and the Fund's provisioning policy for non-performing exposure.

Name of the investee company	2015			2014		
	Outstanding balance	Provision Held	Net Carrying value	Outstanding balance	Provision Held	Net Carrying value
	------(RS in '000)-----			------(RS in '000)-----		
Saudi Pak Leasing Company Limited	41,321	(41,321)	-	41,321	(41,321)	-
Agritech Limited II	149,876	(149,876)	-	149,876	(149,876)	-
Agritech Limited V	22,180	(22,180)	-	22,180	(22,180)	-

6.1.8 Term finance certificates held by the Fund carry rate of return ranging from 9.18% to 13.18% (2014: 6.87% to 14.54%) per annum.

6.2 Sukuks - at fair value through profit and loss- held for trading

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

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2015	Investment as a percentage of		
		As at July 1, 2014	Purchases during the year	Sales/ Matured during the year	As at June 30, 2015		Net assets	Market value of total investments	Issue size
New Allied Electronics (Private) Limited	6.2.1	10,000	-	-	10,000	-	-	-	
K-Electric AZM Sukuk		10,000	-	200	9,800	49,079	8.41%	19.81%	
						<u>49,079</u>	<u>8.41%</u>	<u>19.81%</u>	
Carrying value as at June 30, 2015						<u>99,500</u>			
Accumulated impairment						<u>49,054</u>			

NAFA INCOME FUND

6.2.1 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' (NPA) 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.

6.2.2 Securities listed below have been classified as non-performing in accordance with SECP circular no. 1 of 2009 and circular no. 33 of 2012 and the Fund's provisioning policy for non-performing exposure.

Name of the investee company	2015			2014		
	Outstanding balance	Provision Held	Net Carrying value	Outstanding balance	Provision Held	Net Carrying value
	------(RS in '000)-----			------(RS in '000)-----		
New Allied Electronics Limited	49,054	(49,054)	-	49,054	(49,054)	-

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

Issue Date	Tenor	Face Value				Market value as at June 30, 2015	Investment as a percentage of	
		As at July 1, 2014	Purchases during the year	Sales/ Matured during the year	As at June 30, 2015		Net assets	Market value of total investments
------(Rs in '000)-----								

Market Treasury Bills (MTBs)

November 13, 2014	03 months	-	100,000	100,000	-	-	-	-
January 22, 2015	12 months	-	15,000	15,000	-	-	-	-
January 8, 2015	03 months	-	125,000	125,000	-	-	-	-
March 5, 2015	12 months	-	55,000	55,000	-	-	-	-
March 19, 2015	12 months	-	14,000	14,000	-	-	-	-
March 19, 2015	03 months	-	125,000	125,000	-	-	-	-

Pakistan Investment Bonds (PIBs)

August 18, 2011	3 Years	500	-	500	-	-	-	-
July 18, 2013	3 Years	140,000	-	140,000	-	-	-	-
July 17, 2014	5 Years	-	22,500	22,500	-	-	-	-
July 17, 2014	3 Years	-	222,500	172,500	50,000	53,738	9.21%	21.69%
March 26, 2015	3 Years	-	58,500	-	58,500	59,907	10.27%	24.18%

113,645 **19.48%** **45.87%**

Carrying value as at June 30, 2015

108,933

6.3.1 These carry rate of return of 8.75 % to 11.25% (2014: 11.25%) per annum.

6.4 Term Finance Certificate - available for sale

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2015	Investment as a percentage of			
		As at July 1, 2014	Purchases during the year	Sales during the year	As at June 30, 2015		Net assets	Market value of total investments	Issue size	
		(Rs in '000)								
Worldcall Telecom Limited	6.4.1	14,000	-	-	14,000	-	-	-	1.75%	
Carrying value as at June 30, 2015						28,158				
Accumulated impairment						28,158				

NAFA INCOME FUND

6.4.1 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. 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.

6.4.2 The term finance certificates held by the Fund are generally secured against hypothecation of stocks and receivable mortgage of fixed assets of the issuer.

6.5 Sukuks- available for sale

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2015	Investment as a percentage of		
		As at July 1, 2014	Purchases during the year	Sales during the year	As at June 30, 2015		Net assets	Market value of total investments	Issue size
(Rs in '000)									
Eden Housing Industries Private Limited	6.5.1	20,000	-	-	20,000	-	0.00%	0.00%	13.75%
Carrying value as at June 30, 2015						19,688			
Accumulated impairment						19,688			

6.5.1 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' (NPA) 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.

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

6.6 Other particulars of Term Finance Certificates and Sukus outstanding as at June 30, 2015 are as follows:

Name of the investee company	Repayment frequency	Face value (unredeemed)	Profit rate per annum	Rating	Maturity Date	Maturity date
Bank Alfalah Limited	Semi Annualy	4,989	6 Month KIBOR ask rate plus 2.5%	AA-	02-Dec-2009	02-Dec-2017
Faysal Bank Limited	Semi Annualy	4,991	6 Month KIBOR ask rate plus 2.25%	AA-	02-Dec-2010	27-Dec-2017
Allied Bank Limited	Semi Annualy	4,989	6 Month KIBOR ask rate plus 0.85%	AA	28-Aug-2009	28-Aug-2019
Jahangir Siddiqui and Company Limited (08-04-14)	Semi Annualy	4,625	6 Month KIBOR ask rate plus 1.75%	AA+	08-April-2014	17-Dec-2016
Jahangir Siddiqui and Company Limited (30-10-12)	Semi Annualy	1,875	6 Month KIBOR ask rate plus 2.4%	AA+	30-Oct-2012	30-Oct-2016
Engro Fertilizers Limited PRP I	Semi Annualy	5,000	6 Month KIBOR ask rate plus 1.7%	A+	18-Mar-2008	18-Mar-2018
K-Electric AZM Sukuk	Quarterly	5,000	3 Month KIBOR ask rate plus 2.25%	AA	13-Aug-2012	13-Aug-2015
Saudi Pak Leasing Company Limited	Monthly	2,755	6.87% Fixed rate	BBB-	13-Mar-2008	13-Mar-2013
Agritech Limited II	Semi Annualy	4,996	6 Month KIBOR ask rate plus 1.75%	BBB-	14-Jan-2008	14-Jul-2019
Agritech Limited V	Semi Annualy	5,000	6 Month KIBOR ask rate plus 1.75%	BBB-	01-July-2011	01-Jan-2017
New Allied Electronics (Private) Limited	Semi Annualy	313	6 Month KIBOR ask rate plus 2.2%	BBB-	03-Dec-2007	03-Dec-2012
Worldcall Telecom Limited	Semi Annualy	2,011	6 Month KIBOR ask rate plus 1.6%	BBB-	07-Oct-2008	07-Oct-2013
Eden Housing Industries Private Limited	Semi Annualy	984	6 Month KIBOR ask rate plus 2.5%	BBB-	31-Mar-2008	31-Mar-2013

Note

2015

2014

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

6.7 Unrealised Gain on re-measurement of investments 'at fair value through profit or loss - held for trading' - net

Market value of investments	6.1.1, 6.1.3, 6.2 & 6.3	247,786	312,362
Less: Carrying value of investments		(506,954)	(572,226)
		(259,168)	(259,864)
Add: Reversal of unrealized loss		-	22,741
Add: Provision against non-performing term finance certificates and sukus		262,432	262,432
		3,264	25,309

NAFA INCOME FUND

	Note	2015	2014
-----Rupees in '000-----			
6.8 Unrealised gain on re-measurement of investments classified as 'available for sale' - net			
Market value of investments	6.4 & 6.5	-	-
Less: Carrying value of investments		47,846	49,670
		(47,846)	(49,670)
Add: Provision against non-performing term finance certificates and sukus		47,846	49,670
		-	-
6.9 Movement in provision against investments			
Opening balance		312,102	257,708
Add: Charge for the year		-	54,394
Less: Reversals during the year		(1,824)	-
Closing balance		310,278	312,102
6.10 Details of provision against investments			
Provisions related to investments classified at "fair value through profit or loss - held for trading"		262,432	262,432
Provisions related to investments classified at "available-for-sale"		47,846	49,670
Closing balance		310,278	312,102
7. PROFIT RECEIVABLE			
Profit on savings and term deposits		938	577
Profit receivable on:			
-Term finance certificate and sukus		121,354	90,745
-Government securities		3,903	7,097
Less: Income suspended over non-performing debt securities	7.1	(119,799)	(88,458)
		5,458	9,384
		6,396	9,961
7.1 This represents total income suspended to date in relation to non-performing debt securities disclosed in note 6.			
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits with:			
- MCB Financial Services Limited		100	100
- Central Depository Company of Pakistan Limited		100	100
		200	200
Advance tax		98	98
Prepaid expense		139	133
		437	431
9. PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee	9.1	479	69
Transfer load payable		12	12
Sindh sales tax payable on management remuneration	9.2	72	11
Federal Excise Duty (FED) payable on management remuneration	9.3	1,975	1,114
		2,538	1,206

NAFA INCOME FUND

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 is 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 of the Fund. On March 27, 2013, the Fund completed its five years and thereafter the Management Company has been charging its remuneration at the rate of 2% per annum. With effect from January 16, 2014, the Management Company further decreased the rate of remuneration to 1% per annum. The remuneration is paid on a monthly basis in arrears.

9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 15% (2014: 16%) on the services provided by the Management Company as required by 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 the services provided by the Management Company has been levied effective from June 13, 2013. Mutual Fund Association of Pakistan (MUFAP) has taken up the matter collectively and filed a petition with the Honorable Sindh High Court and has been granted stay in this regard. In prior year, the Management Company has also received a notice under section 14 of the Federal Excise Act, 2005 regarding payment of FED on management remuneration. The Management Company is of the view that since the services are already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. Therefore, the Management Company has also filed a petition against the demand notice in the Honorable High Court of Sindh and has been granted stay on the basis of the pending constitutional petition from MUFAP in the said court as referred above. However, as a matter of abundant caution, the Fund has made the provision against FED.

	Note	2015	2014
-----Rupees in '000-----			
10 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE			
Trustee fee	10.1	<u>48</u>	<u>41</u>

10.1 The Trustee is entitled to a monthly remuneration @ 0.1% of daily NAV for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Annual fee	11.1	<u>404</u>	<u>380</u>
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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.

	Note	2015	2014
-----Rupees in '000-----			
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		350	360
Settlement charges payable		66	25
Bank charges		59	32
Brokerage		46	21
Provision for Workers' Welfare Fund (WWF)	15	4,095	2,559
Printing charges		101	100
Legal and professional charges		125	50
Payable against redemption of units	12.1	146,754	-
Others		<u>93</u>	<u>46</u>
		<u>151,689</u>	<u>3,193</u>

12.1 This represents net payable amount to NBP Fullerton Asset Management Limited - Multi Asset Fund, Income Opportunity Fund, Money Market Fund, Islamic Asset Allocation Fund and Stock Fund on account of conversion / switching of units on the request of investor. The amount has been paid subsequently.

13. CONTINGENCIES AND COMMITMENTS

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

NAFA INCOME FUND

	2015	2014
	-----Rupees in '000-----	
14. AUDITORS' REMUNERATION		
Annual audit fee	285	285
Half yearly review fee	114	114
Out of pocket expenses	50	71
	449	470

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 October 06, 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 January 04, 2011 has cancelled ab-initio clarificatory letter dated October 06, 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 the Honourable 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.

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 including charge for the year of Rs. 1.536 million. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs. 0.068 / 0.70% (2014: Rs. 0.048 / 0.52%) per unit respectively.

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 90% of the 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 90% of the net accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ending June 30, 2015 to its unit holders. Accordingly, no liability has been recorded in the current year.

NAFA INCOME FUND

17 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
(-----Rupees in '000-----)							
World Call Telecom Limited	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Term finance certificates (17.1)	28,158	(28,158)	-	-	-
Saudi Pak Leasing Company	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Term finance certificates (17.1)	41,321	(41,321)	-	-	-
Eden Housing (Sukuks II)	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Sukuks (17.1)	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 (17.1)	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 (17.1)	22,180	(22,180)	-	-	-
New Allied Electronics (Sukuk II)	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of circular 7 of 2009	Sukuks (17.1)	49,054	(49,054)	-	-	-

17.1 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.

2015 2014
-----Rupees in '000-----

18 NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the year	53,622,892	50,680,883
Add: units issued during the year	21,424,003	694,421
Add: bonus units issued during the year	-	2,961,845
Less: units redeemed during the year	(15,082,118)	(714,257)
Total units in issue at the end of the year	<u><u>59,964,777</u></u>	<u><u>53,622,892</u></u>

19. TRANSACTIONS WITH CONNECTED PERSONS

19.1 Connected persons include NBP Fullerton Asset Management Limited, being the Management Company, MCB Financial Services Limited, being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited, being the sponsors of the Fund / Management Company, Taurus Securities being an entity having the directorship common with that of the Management company, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and employee benefit funds of the Management Company.

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

19.3 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.

19.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

NAFA INCOME FUND

	2015	2014
	-----Rupees in '000-----	
19.5 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration of the Management Company	5,387	7,794
Sindh sales tax on remuneration of the Management Company	937	1,458
Federal Excise Duty on remuneration of the Management Company	862	1,247
MCB Financial Service Limited - Trustee		
Remuneration	538	506
National Bank of Pakistan- Sponsor		
PIB purchased during the year	44,101	25,573
T-Bill purchased during the year	-	31,065
Employees of the Management Company		
Units issued / transferred in 75,337 units(2014: 1,035 units)	733	10
Units redeemed / transferred out 74,531 units (2014 Nil units)	725	-
NAFA Government Securities Liquid Fund - mutual fund managed by the Management Company		
Sale of Market Treasury Bills	98,943	-
Akhuwat - Discretionary Portfolio managed by NAFA		
Sales of GOP Ijara Sukuk	-	3,541
NBP Employees Pension Fund		
Units issued / transferred 4,362,629 units (2014: Nil units)	42,437	-
19.6 Amounts outstanding as at year end are as follows:		
NBP Fullerton Asset Management Limited- Management Company		
Management fee	479	69
Sindh sales tax payable on management remuneration	72	11
Federal Excise Duty (FED) payable on management remuneration	1,975	1,114
Front end load payable	12	12
National Bank of Pakistan - Sponsor		
Balance in current account	423	423
Employees of the Management Company		
Investment held in the Fund: 3,045 unit (June 30, 2014: 2,239 units)	30	21
MCB Financial Services Limited -Trustee		
Remuneration payable	48	41
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund 52,044,698 units (June 30, 2014: 47,682,069 units)	506,428	445,308
Net amount receivable / (payable) against transfer of units to:		
- 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

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Qualification	Experience in years
1. Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	27
2. Sajjad Anwar	CFA & MBA Finance	15
3. Muhammad Ali Bhabha (20.1)	CFA, FRM, MBA & MS(CS)	20
4. Syed Suleman Akhtar	MBA & CFA	15

20.1 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 Saving Plus Fund

21 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

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 (Pvt) Limited	0.70%

TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

2014

1	Vector Capital (Pvt) Limited	54.54%
2	JS Global Capital Limited	19.54%
3	Invest Capital Markets Limited	18.63%
4	BMA Capital Management Limited	3.52%
5	Summit Capital (Private) Limited	2.84%
6	KASB Securities Ltd.	0.93%

22 PATTERN OF UNIT HOLDING

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%

Category	As at June 30, 2014		
	Number of unit holders	Investment amount	Percentage investment
	(Rupees in '000)		
Individuals	84	4,635	0.93%
Retirement funds	4	495,889	99.02%
Others	2	265	0.05%
	90	500,789	100%

NAFA INCOME FUND

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 48th, 49th, 50th, 51st, 52nd and 53rd Board meetings were held on September 16, 2014, October 30, 2014, February 17, 2015 and April 21, 2015, June 29, 2015 and June 30, 2015, 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. Wah Geok Sum*	3	-	3	48th & 49th & 50th meeting
Mr. Koh Boon San	6	4	2	52nd & 53rd meeting
Mr. Kamal Amir Chinoy	6	4	2	50th & 51st meeting
Mr. Shehryar Faruque	6	5	1	52nd meeting
Dr. Amjad Waheed	6	6	-	
Mr. Aamir Sattar	6	5	1	51st meeting
Mr. Abdul Hadi Palekar	6	5	1	49th meeting
Mr. Nausherwan Adil	6	3	3	50th, 52nd & 53rd meeting
Mr. Nigel Poh Cheng**	2	2	-	

* Mr. Wah Geok Sum resigned from Board with effect from February 17, 2015

** Mr. Nigel Poh Cheng was co-opted on the Board with effect from February 17, 2015

24 FINANCIAL INSTRUMENTS BY CATEGORY

	-----As at June 30, 2015-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
Financial Assets			
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-----		
Financial Liabilities			
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>
	-----As at June 30, 2014-----		
	Loans and receivables	Assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
Financial Assets			
Balances with banks	144,582	-	144,582
Investments	38,273	312,362	350,635
Profit receivable	9,961	-	9,961
Advances, deposits, prepayments and other receivables	200	-	200
	<u>193,016</u>	<u>312,362</u>	<u>505,378</u>
	-----As at June 30, 2014-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
Financial Liabilities			
Payable to the Management Company	-	1,206	1,206
Payable to Trustee	-	41	41
Accrued expenses and other liabilities	-	588	588
Net assets attributable to redeemable units	-	500,789	500,789
	<u>-</u>	<u>502,624</u>	<u>502,624</u>

NAFA INCOME FUND

25. FINANCIAL RISK MANAGEMENT

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

25.1 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.

25.1.1 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.

25.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2015, 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, 2015 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. 1.802 / 1.475 million (net of WWF) (2014: Rs. 2.293 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, 2015 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2015 the Fund holds Pakistan Investment Bonds which are classified as financial assets at 'fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis point increase in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2015, with all other variables held constant, the net income and the net assets would be lower by Rs. 2.342 million (net of WWF) (2014: 2.835). In case of 100 basis points decrease in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2015, the net income for the year and net asset would be higher by Rs. 2.408 million (net of WWF) (2014: 2.893).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2015 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 is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

NAFA INCOME FUND

-----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	73,594	60,547	113,645	-
Profit receivable		6,396	-	-	-	6,396
Advances, deposits, prepayments and other receivables		200	-	-	-	200
		<u>737,936</u>	<u>556,725</u>	<u>60,547</u>	<u>113,645</u>	<u>7,019</u>

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
		<u>733,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733,581</u>

On-balance sheet gap

		<u>4,355</u>	<u>556,725</u>	<u>60,547</u>	<u>113,645</u>	<u>(726,562)</u>
--	--	--------------	----------------	---------------	----------------	------------------

Off-balance sheet financial instruments

		-	-	-	-	-
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Off-balance sheet gap

		-	-	-	-	-
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-----As at June 30, 2014-----

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	6.00 - 10.10	144,583	144,160	-	-	423
Investments	6.87 - 14.54	350,635	2	19,973	330,660	-
Profit receivable		9,961	-	-	-	9,961
Advances, deposits, prepayments and other receivables		200	-	-	-	200
		<u>505,379</u>	<u>144,162</u>	<u>19,973</u>	<u>330,660</u>	<u>10,584</u>

Financial liabilities

Payable to the Management Company		1,206	-	-	-	1,206
Payable to MCB Financial Services Limited - Trustee		41	-	-	-	41
Accrued expenses and other liabilities		588	-	-	-	588
Net assets attributable to redeemable units		500,789	-	-	-	500,789
		<u>502,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,624</u>

On-balance sheet gap

		<u>2,755</u>	<u>144,162</u>	<u>19,973</u>	<u>330,660</u>	<u>(492,040)</u>
--	--	--------------	----------------	---------------	----------------	------------------

Off-balance sheet financial instruments

		-	-	-	-	-
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Off-balance sheet gap

		-	-	-	-	-
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NAFA INCOME FUND

25.1.3 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, 2015.

25.2 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

A1+	89.48%
A1	10.52%
A2	0.00%

Term finance certificates and sukuku by rating category

AA, AA-,AA+	99.77%
A,A-,A+	0.00%
Non-performing	0.23%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2015 is the carrying amount of the financial assets.

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.

25.3 Liquidity risk

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

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

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

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

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

NAFA INCOME FUND

As at June 30, 2015

Total	Upto three months	Over three months and upto one year	Over one year
------(Rupees in '000)-----			
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	-

Financial Liabilities

Payable to the Management Company
Payable to MCB Financial Services Limited - Trustee
Accrued expenses and other liabilities
Net assets attributable to redeemable units

As at June 30, 2014

Total	Upto three months	Over three months and upto one year	Over one year
------(Rupees in '000)-----			
Payable to the Management Company	1,206	1,206	-
Payable to MCB Financial Services Limited - Trustee	41	41	-
Accrued expenses and other liabilities	588	588	-
Net assets attributable to redeemable units	500,789	500,789	-
	502,624	502,624	-

Financial Liabilities

Payable to the Management Company
Payable to MCB Financial Services Limited - Trustee
Accrued expenses and other liabilities
Net assets attributable to redeemable units

26. 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 on the 'statement of movement in unit holders' 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 the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investment where necessary.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

NAFA INCOME FUND

	----- As at June 30, 2015 -----			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
ASSETS				
Investments - net	-	247,786	-	247,786
	----- As at June 30, 2014 -----			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
ASSETS				
Investments - net	-	350,635	-	350,635

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 30, 2015.

29. GENERAL

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

29.2 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

NAFA INCOME FUND

PERFORMANCE TABLE








Particulars	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	For the year ended June 30, 2010
Net assets (Rs. '000')	583,494	500,789	489,840	417,156	460,934	581,724
Net Income / (loss) (Rs. '000')	75,236	11,343	30,313	(35,764)	(20,181)	43,696
Net Asset Value per units (Rs.)	9.7306	9.3391	9.6652	9.0407	9.7109	10.8190
Offer price per unit	9.8604	9.4648	9.7619	9.1311	9.8080	10.5502
Redemption price per unit	9.7306	9.3391	9.6652	9.0407	9.7109	10.4457
Highest offer price per unit (Rs.)	9.8604	10.0013	9.7619	9.8339	10.6810	10.9310
Lowest offer price per unit (Rs.)	8.6723	9.2529	9.1327	9.5804	9.6993	10.0519
Highest redemption price per unit (Rs.)	9.7306	9.8685	9.6652	9.7365	10.5752	10.8228
Lowest redemption price per unit (Rs.)	8.5581	9.1300	9.0423	9.4855	9.6033	9.9524
Fiscal Year Opening Ex NAV	8.5561	9.1284	9.0407	9.7109	10.1408	9.9537
Total return of the fund	13.73%	2.31%	6.91%	-6.90%	-4.24%	8.69%
Capital growth	3.33%	2.31%	0.96%	-6.90%	-7.34%	4.94%
Income distribution as % of Ex-NAV	10.40%	0.00%	5.95%	0.00%	3.10%	3.75%
Income distribution as % of Par Value	8.90%	0.00%	5.38%	0.00%	3.14%	3.73%
Interim distribution per unit	0.89	-	-	-	0.3140	-
Final distribution per unit	-	-	0.5379	-	-	0.3733
Distribution dates						
Interim	29-Jun-15	-	-	-	19-Apr-11	-
Final	-	-	11-Jul-13	-	-	5-Jul-10
Average annual return (launch date 28-03-08)						
(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)						6.52%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	171	222	79	136	83	57
<i>"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."</i>						



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