



NBP FUNDS

Managing Your Savings

AM1

Rated by PACRA

NAFA INCOME FUND

**QUARTERLY
REPORT
SEPTEMBER
30, 2018**



MISSION STATEMENT

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

NAFA INCOME FUND

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NAFA INCOME FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Strategy & Business Planning Committee

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

Trustee

MCB Financial Service Limited
3rd Floor, Adamjee House,
I.I. Chundrigar Road Karachi - 7400

Bankers to the Fund

Allied Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Bank of Punjab
National Bank of Pakistan
Habib Bank Limited
Al Barakah Bank Limited
Sindh Bank Limited
Silk Bank Limited
United Bank Limited
JS Bank Limited
Khushhali Bank Limited
Zarai Taraqati Bank Limited
Summit Bank Limited
Telenor Microfinance Bank Limited
U Microfinance Bank Limited

NAFA INCOME FUND

Auditors

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

Legal Advisor

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

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN:021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpfunds.com

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the unaudited Condensed Interim financial statements of **NAFA Income Fund (NIF)** for the quarter ended September 30, 2018.

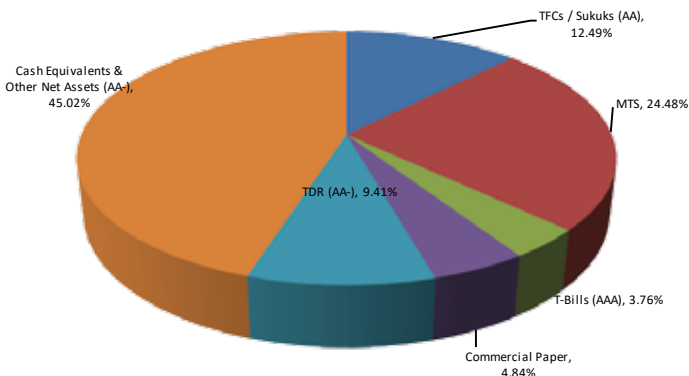
Fund's Performance

The size of NAFA Income Fund has decreased from Rs. 804 million to Rs. 797 million during the quarter, i.e. a mere decline of 0.9%. During the period under review, the unit price of NAFA Income Fund has increased from Rs. 9.7548 (Ex-Div) on June 30, 2018 to Rs. 9.9515 on September 30, 2018; thus posting a return of 8.0% as compared to its Benchmark return of 7.9%. The performance of the Fund is net of management fee and all other expenses.

NIF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA. During the period under review, the SBP hiked the discount rate by 200 basis points to 9% driven by upside risks to inflation and to rein in demand pressures to address ballooning current account deficit coupled with dwindling FX reserves. Average CPI inflation increased to 5.6% in Jul-Sep FY19 compared to 3.4% during the same period last year owing to increased international oil prices & its pass-through impact, higher regulatory duty on imports, depreciating Pak rupee, and excessive reliance of the government on the banking system for fiscal financing amid shrinking Net Foreign Assets (NFA). Given potential upside risks to inflation and interest rates, investors' preference remained tilted towards short-term government securities as indicated by heavy participation in 3-month T-bills. The sovereign securities responded to the hike in the policy rates, as the yield curve witnessed an upward shift with yield on short-term T-Bills increasing by 136-142 basis points, whereas 3-year, 5-year, and 10-year PIBs yields moved up by 98 basis points, 77 basis points, and 102 basis points, respectively.

During the period, trading activity in corporate TFCs/Sukuks increased albeit from a low level with a cumulative trade value of around Rs. 3.8 billion as compared to Rs. 2.4 billion in the same period last year with Corporate Sukuk sector making up the lion's share.

The Fund has earned income of Rs. 19.591 million during the year. After accounting for expenses of Rs. 3.603 million, the net income is Rs. 15.988 million. The asset allocation of NAFA Income Fund as on September 30, 2018 is as follows:



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 Fund Management Limited

Chief Executive

Director

Date: October 30, 2018
Place: Karachi.

NAFA INCOME FUND

ڈائریکٹرز رپورٹ

این بی پی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA انکم فنڈ (NIF) کی 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے لیے کنڈینڈ فیئر ڈیٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

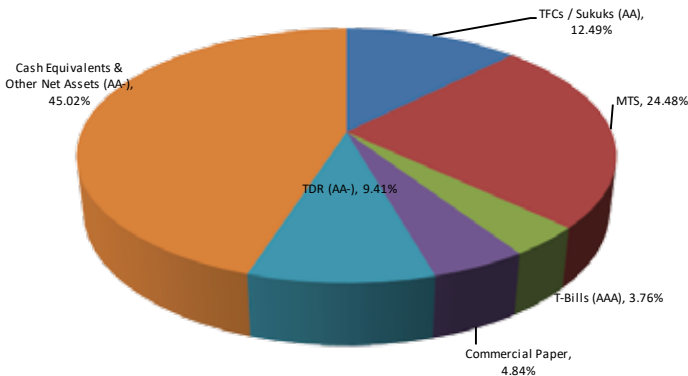
فنڈ کی کارکردگی

NAFA انکم فنڈ (NIF) کا سائز اس سہ ماہی کے دوران 804 ملین روپے سے کم ہو کر 797 ملین روپے ہو گیا ہے، یعنی تقریباً 0.9% کی کمی۔ زیر جائزہ مدت کے دوران NAFA انکم فنڈ کے پوائنٹ کی قیمت 30 جون 2018 کو 9.7548 روپے (Ex-Div) سے بڑھ کر 30 ستمبر 2018 کو 9.9515 روپے ہو چکی ہے، اور اس طرح فنڈ نے اپنے بیچ مارک منافع 7.9% کے مقابلے میں 8.0% کا اضافہ دکھایا ہے۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIF کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے A(f) کی مستحکم ریٹنگ دی گئی ہے۔ زیر جائزہ مدت کے دوران بڑھتے ہوئے اکاؤنٹ کے خسارے کی روک تھام کے لئے افراط زر میں خدشات کے پیش نظر اور زرمبادلہ کے ذخائر میں کمی کے باعث اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح 200 بیس پوائنٹ اضافے کے ساتھ 9% کر دی۔ جولائی - ستمبر مالی سال 19 میں اوسط CPI افراط زر میں 5.6% کا اضافہ ہوا جب کہ اس کے مقابلے میں گزشتہ سال اسی مدت میں 3.4% کا اضافہ ہوا تھا اس کی وجہ بین الاقوامی تیل کی قیمتوں میں اضافہ اور اس کے اثرات، درآمدات پر ریگولیٹری ڈیوٹی میں اضافہ، پاکستانی روپے کی قدر میں کمی اور خالص غیر ملکی اثاثہ جات میں کمی کے ساتھ ساتھ مالی فنانسنگ کے لئے حکومت کا بینکنگ کے شعبہ پر بہت زیادہ انحصار کرنا تھا۔ افراط زر کے خدشات اور شرح سود میں اضافے کے پیش نظر سرمایہ کاروں نے حکومت کی قلیل المدتی سیکورٹیز کو ترجیح دی جس کا انداز 3-month ٹی بلز میں ان کی بھاری تعداد میں شرکت سے ہوتا ہے۔ پالیسی کی شرح میں اضافے سے بڑی سیکورٹیز پر نمایاں اثر پڑا اور قلیل المدتی ٹی بلز کے نتائج میں 142-136 بیس پوائنٹ کا اضافہ ہوا جبکہ 3 سال، 5 سال اور 10 سال کے PIBs میں بالترتیب 98 بیس پوائنٹ، 77 بیس پوائنٹ اور 102 بیس پوائنٹ کا اضافہ ہوا۔

اس مدت میں کارپوریٹ TFCs / اسلوک میں تجارتی سرگرمیوں کی چٹائی سطح میں اضافہ ہوا اور مجموعی تجارتی قیمت اس سال تقریباً 3.8 بلین روپے ہو گئی جبکہ گزشتہ سال یہ 2.4 بلین روپے تھی جو کہ کارپوریٹ اسلوک کے شعبہ میں سب سے بڑا حصہ ہے۔

فنڈ نے اس سال کے دوران 19.591 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 3.603 بلین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 15.988 ملین روپے ہے۔ NAFA انکم فنڈ کی ایلیکیشن 30 ستمبر 2018 کو برطانیہ ذیل ہے:



NAFA INCOME FUND

اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

13 اکتوبر 2018ء

مقام: کراچی

NAFA INCOME FUND

Condensed Interim Statement of Assets and Liabilities As at 30 September 2018

	(Unaudited) 30 September 2018	(Audited) 30 June 2018
	(Rupees in '000)	
Assets		
Balances with banks	360,959	452,098
Investments	4 243,028	213,274
Receivable against margin trading system	193,469	142,690
Income and profit receivable	6,400	3,192
Deposit and prepayments	1,253	929
Total assets	<u>805,109</u>	<u>812,183</u>
Liabilities		
Payable to Management Company	907	970
Payable to Central Depository Company of Pakistan Limited - Trustee	111	77
Payable to Securities and Exchange Commission of Pakistan - annual fee	152	654
Accrued expenses and other liabilities	6,907	6,762
Total liabilities	<u>8,077</u>	<u>8,463</u>
Net assets	<u>797,032</u>	<u>803,720</u>
Unit holders' fund	<u>797,032</u>	<u>803,720</u>
Contingencies and commitments		
	(Number of units)	
Number of units in issue	<u>80,091,391</u>	<u>78,077,784</u>
	(Rupees)	
Net assets value per unit	<u>9.9515</u>	<u>10.2938</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

Condensed Interim Income Statement (Unaudited) For the quarter ended 30 September 2018

	September 30 2018	September 30 2017
Note	(Rupees in '000)	
Income		
Return / mark-up on:		
- bank balances and term deposits	12,137	10,778
- term finance certificates and sukuk	2,099	2,387
- government securities	585	491
- commercial paper	310	-
- margin trading system	2,002	2,492
Net loss on sale of investments	(19)	-
Net unrealised loss on re-measurement of investments	(259)	(427)
Reversal of provision in respect of non-performing investment	2,736	-
	19,591	15,721
Total income		
Expenses		
Remuneration of Management Company	1,481	1,457
Sales tax and federal excise duty on remuneration of Management Company	193	189
Accounting and operational charges	202	230
Remuneration of Central Depository Company of Pakistan Limited - Trustee	202	230
Sindh Sales tax on remuneration of trustee	26	30
Annual fee - Securities and Exchange Commission of Pakistan	152	173
Selling and marketing expense	183	-
Settlement and bank charges	607	623
Rating Fee	87	83
Listing Fee	7	7
Auditors' remuneration	127	126
Legal and professional charges	-	6
Printing and related charges	10	10
	3,277	3,164
	16,314	12,557
Provision for Sindh workers' welfare fund	6 (326)	(251)
	15,988	12,306
Net income for the period before taxation	15,988	12,306
Taxation	-	-
	15,988	12,306
Net income for the period after taxation	15,988	12,306
Allocation of Net income for the period:		
Income already paid on units redeemed	(432)	(503)
Accounting income available for distribution carried to distribution account:		
-Relating to capital gains	15,556	(410)
-Excluding capital gains	-	12,213
	15,556	11,803
Accounting Income available for Distribution	15,556	11,803
Earnings per unit		

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

Condensed Interim Statement of Comprehensive Income (Unaudited) For the quarter ended 30 September 2018

	September 30	September 30
	<u>2018</u>	<u>2017</u>
	----- (Rupees in '000) -----	-----
Accounting Income available for Distribution	15,988	12,306
Other comprehensive income		
<i>Items that may be reclassified subsequently to income statement</i>		
Net unrealised (diminution) on re-measurement of investments classified as other comprehensive income	-	-
Total comprehensive income for the period	<u><u>15,988</u></u>	<u><u>12,306</u></u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

Condensed Interim Statement of Comprehensive Income (Unaudited) For the quarter ended 30 September 2018

	2018			2017		
	Value	Undistribut ed income	Total	Value	Undistribut ed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the period	767,782	35,938	803,720	923,819	(1,762)	922,057
Issuance of 7,042,355 units including additional 450,035 units (2017: 17,024,028 units)						
- Capital value	83,948	-	83,949	166,074	908	166,982
- Refund of Capital	4,390	-	4,390	-	-	-
- Element of income	537	-	537	-	-	-
Total proceeds on issuance of units	88,875	-	88,876	166,074	908	166,982
Redemption of 9,055,961 units (2017: 18,657,392 units)						
- Capital value	(93,221)	-	(93,221)	(181,999)	(908)	(182,907)
- Element of loss	24,184	(432)	23,752	-	-	-
Total payments on redemption of units	(69,037)	(432)	(69,469)	(181,999)	(908)	(182,907)
Total comprehensive income for the period	-	15,988	15,988	-	12,306	12,306
Final Distribution @ Rs.0.5390 declared on July 04, 2018						
- Cash Distribution	-	(37,694)	(37,694)	-	-	-
- Refund of Capital	(4,390)	-	(4,390)	-	-	-
	(4,390)	(37,694)	(42,084)	-	-	-
Net assets at end of the period	783,230	13,801	797,032	907,894	10,544	918,438
Undistributed loss brought forward						
- Realised		37,008			(2,511)	
- Unrealised		(1,070)			749	
		35,938			(1,762)	
Accounting income available for distribution						
- Relating to capital gains						
- Excluding capital gains						
Accounting income available for distribution:						
- Relating to capital gains		-			(410)	
- Excluding capital gains		15,556			12,715	
		15,556			12,306	
Final distribution for the year ended						
30 June 2018 : 0.5390 per Unit(30 June 2017: nil unit)		(37,694)			-	
Undistributed income carried forward		13,801			10,544	
Undistributed income carried forward						
- Realised	14,060			10,971		
- Unrealised	(259)			(427)		
	13,801			10,544		
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			10.2938			9.7548
Net assets value per unit at end of the period			9.9515			9.8873

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

Condensed Interim Cash Flow Statement (Unaudited) For the quarter ended 30 September 2018

	September 30 2018	September 30 2017
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	15,988	11,803
<i>Adjustments for non-cash charges and other items:</i>		
Net unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	259	427
	-	
	16,247	12,230
(Increase) /Decrease in assets		
Investments	(30,013)	(113,406)
Income and profit receivable	(3,208)	(6,600)
Receivable against margin trading system	(50,779)	104,508
Deposit and prepayments	(324)	(132)
	(84,324)	(15,630)
Decrease / (increase) in liabilities		
Payable to Management Company	(63)	82
Payable to the Central Depository Company of Pakistan Limited - Trustee	34	2
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(502)	(434)
Accrued expenses and other liabilities	145	(443)
	(386)	(793)
Net cash (used in) / generated from operating activities	(68,463)	(4,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	84,486	166,982
Payments on redemption of units	(69,469)	(182,907)
Cash Dividend	(37,694)	
Net cash (used in) / generated from financing activities	(22,677)	(15,925)
Net (decrease) / increase in cash and cash equivalents during the period	(91,139)	(20,118)
Cash and cash equivalents at beginning of the period	452,098	494,759
Cash and cash equivalents at end of the period	360,959	474,641

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME FUND

NOTES TO AND FORMING PART OF THIS CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018 (Un-audited)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited, a company incorporated under the Companies Ordinance, 1984, as Management Company and Central Depository Company of Pakistan Limited (CDC), also incorporated under the Companies Ordinance, 1984, as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). Subsequently, Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building Block No. 4, Scheme No.5, Clifton, Karachi.

The Fund is an open-ended mutual fund categorised as income scheme and its units are listed on the Pakistan 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 'AM1' to the Management Company and a long term and short term performance ranking of 'A(f)' to the Fund.

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

2 STATEMENT OF COMPLIANCE

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

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

NAFA INCOME FUND

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

3 SUMMARY OF ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Fund's annual audited financial statements for the year ended June 30, 2018.

IFRS 9: Financial Instruments ("IFRS 9"):

Effective July 1, 2018, the Fund adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition, and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortised cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Impairment of financial assets is based on an expected credit loss ("ECL") model under IFRS 9, rather than the incurred loss model under IAS 39. However, SECP vide its letter to MUFAP dated November 21, 2017 relaxed the applicability of IFRS 9 impairment requirements for debt securities on mutual funds and deferred it till further instructions. The standard also adds guidance on the classification and measurement of financial liabilities.

There was no material impact of transition to IFRS 9 on the Fund's financial position at July 1, 2018

4 INVESTMENTS

At fair value through profit or loss

Term finance certificates - listed

Term finance certificates - unlisted

Sukuk bonds

Government Securities

At fair value through profit or loss (Reclassified)

Term finance certificates - listed

Sukuk bonds

At amortised cost (Reclassified)

Term deposits

Commercial paper

Note	Un-audited September 30, 2018	Audited June 30, 2018
	(Rupees in '000)	
4.1.1	69,816	69,422
4.1.1	29,700	30,350
4.2	-	-
4.3	29,929	29,668
	129,445	129,440
4.4	-	-
4.4	-	-
	-	-
4.5	75,000	83,834
4.6	38,583	-
	243,028	213,274

4.1 Term finance certificates and sukuk bonds

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

Name of the investee company	Number of certificates				Market value as at September 30, 2018 (Rs in '000)	Investment as a percentage		
	As at July 1, 2018	Purchases during the period	Sales during the period	As at September 30, 2018		Net assets	Market value of total investments	Issue size
Term finance certificates - listed								
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	-	-	-	10.00%
Jehangir Siddiqui and Company Limited (April 08, 2014)	5,000	-	-	5,000	8,777	1.10%	3.61%	2.50%
Jehangir Siddiqui and Company Limited (July 18, 2017)	4,660	-	-	4,660	23,242	2.92%	9.56%	3.50%
Askari Commercial Bank Limited	7,400	-	-	7,400	37,797	4.74%	15.55%	0.93%
				32,060	69,816	8.76%	28.73%	
Term finance certificates - unlisted								
Jehangir Siddiqui and Company Limited (June 24, 2016)	8,000	-	-	8,000	29,700	3.73%	12.22%	4.00%
Agritech Limited II (note 4.2.3)	30,000	-	-	30,000	-	-	-	-
Agritech Limited V (note 4.2.4)	4,436	-	-	4,436	-	-	-	-
				42,436	29,700	3.73%	12.22%	
				74,496	99,516	12.49%	40.95%	

Carrying cost of investments as at September 30, 2018

99,767

Accumulated Impairment

213,377

NAFA INCOME FUND

4.2 Sukuk bonds - At fair value through profit or loss

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2018 (Rs in '000)	Investment as a percentage of		
	As at July 1, 2018	Purchases during the period	Sales during the period	As at September 30, 2018		Net assets	Market value of total investments	Issue size
New Allied Electronics Industries (Private) Limited (note 4.2.5)	10,000	-	-	10,000	-	-	-	-
				10,000	-	0.00%	0.00%	

Carrying cost of investments as at September 30, 2018

49,054

Accumulated Impairment

49,054

4.2.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

4.2.2 This represents investment in listed term finance certificates with original term of five years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its terms on December 26, 2011 with new maturity in March 2017. During the year, the investee company again defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular no.1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.3 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.4 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.2.5 This represents investment in privately placed sukuks with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of profit repayment. The amount of provision as per circular 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.3 Government Securities - at fair value through profit or loss

Issue Date	Tenor	Face Value				Market value as at September 30, 2018 (Rs. in "000")	Investment as a percentage of	
		As at July 1, 2018	Purchases during the period	Sales / Matured during the period	As at September 30, 2018		Net assets	Market value of total investments
July 19, 2018	3 months	-	30,000	-	30,000	29,929	4.71	10.04
June 7, 2018	3 months	30,000	-	30,000	-	-	-	-
						29,929		

Market Treasury Bills

July 19, 2018	3 months	-	30,000	-	30,000	29,929	4.71	10.04
June 7, 2018	3 months	30,000	-	30,000	-	-	-	-

29,929

Carrying cost of investments as at September 30, 2018

29,937

NAFA INCOME FUND

4.4 Term Finance Certificates and Sukuk Bonds

Name of the investee company	Number of certificates / bonds			Market value as at September 30, 2018 (Rs. in "000")	Investment as a percentage of			
	As at July 1, 2018	Purchases during the period	Sales during the period		As at September 30, 2018	Net assets	Market value of total investments	Issue size
Term finance certificate - listed								
Worldcall Telecom Limited (note 4.4.2)	14,000	-	-	14,000	-	-	-	1.75%
				<u>14,000</u>	-	-	-	
Carrying cost of investments as at September 30, 2018				<u>24,785</u>				
Accumulated Impairment				<u>24,785</u>				
Sukuk bonds								
Eden Housing Limited (note 4. 20,000)	-	-	-	20,000	-	-	-	13.75%
				<u>20,000</u>	-	-	-	
Carrying cost of investments as at September 30, 2018				<u>19,688</u>				
Accumulated Impairment				<u>19,688</u>				

4.4.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.

4.4.2 This represents investment in listed term finance certificates of Worldcall Telecom Ltd. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.4.3 This represents investment in privately placed sukuk with a term of five years. The issuer defaulted on payment of principal and profit to certain sukuk holders due to which it was rated as 'Defaulter' by the MJFAP. The management of the Fund as a matter of abundant caution has classified the investment as "Non-Performing". The amount of provision required as per SECP circular no. 01 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

4.5' These carry profit at rates ranging from per annum 7.25% to 9.25% per annum (2017: 6.75% to 11.3% per annum) and have maturity of 3 months.

4.6 This carry profit at rate 8.25% per annum and have maturity of 6 months.

5 Taxation

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

6 PROVISION FOR SINDH WORKERS' WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

NAFA INCOME FUND

The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

As at September 30, 2018, the provision in relation to SWWF amounted to Rs. 3.106 million (September 30, 2017: Rs. 2.0746 million). Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value

7 EARNING PER UNIT

Earning per unit (EPU) for the quarter ended September 30, 2018 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

8 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by Average net assets value for the period) is 1.44% p.a. including 0.34% representing government levies on collective Investment scheme such as Sales tax, Sindh Worker's Welfare Fund and Securities & Exchange Commission of Pakistan fee for the period.

9 SELLING AND MARKETING

The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated 04 June 2018 allowed charging selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) through amendments in condition numbers 1, 3(a) & 3(b) of Circular No. SCD/PRDD/Circular/361/2016 (Circular No. 40 of 2016) for charging of selling and marketing expenses to Collective Investment Scheme managed by Asset Management Companies (AMC).

Based on the requirements to fulfil for charging selling and marketing expense, the Management Company has started accruing the expense to the Fund at the rate of 0.4% per annum of the average annual net assets of the Fund w.e.f 09 September 2018

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

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest at least 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity . Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2016, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

NAFA INCOME FUND

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in Debe	New Allied Electronics (Pvt) Ltd II	49,054	49,054	-	-	-
Securities	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Eden Housing Ltd.	19,688	19,688	-	-	-
	Saudi Pak Leasing Co.	41,321	41,321	-	-	-
	Worldcall Telecom Limited.	24,785	24,785	-	-	-
		<u>306,904</u>	<u>306,904</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 Connected persons include NBP Fund Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the

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

11.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

(Un-audited)	
Quarter Ended	Quarter Ended
September 30, 2018	September 30, 2017
(Rupees in '000)	

11.5 Details of the transactions with connected persons are as follows:

NBP Fund Management Limited - Management company

Management fee expense for the period	1,481	1,457
Sindh Sales Tax on remuneration of the management company	193	189
Reimbursement of operational expenses to the Management Company	202	230
Selling and marketing expense	183	-

MCB Financial Services Limited - Trustee

Remuneration	202	230
Sindh sales tax on remuneration of the Trustee Fee	26	30

Employees of Management Company

Units redeemed / transferred out 29,890 units (2017: 29,890 units)	-	263
Dividend reinvestment 315 units (2017: nil unit)	3	

NBP Employees pension fund

Dividend reinvestment 2,448,712 units (2017: nil unit)	23,903	-
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NAFA INCOME FUND

	Un-audited As at September 30, 2018	Audited As at June 30, 2018 (Rupees in '000)
11.6 Amounts outstanding as at year / period end		
NBP Fund Management Limited - Management company		
Management fee payable	427	453
Sindh sales tax	55	59
Operational expenses	202	419
Selling and marketing expense	183	-
Sales load	37	36
Sindh sales tax & FED on sales load	3	3
National Bank of Pakistan - Sponsor		
Balance in current account	443	443
Summit Bank Limited(Common directorship with management company)		
Bank Balance	16	16
Employees of the Management Company		
Investment held in the fund 6,995 units (June 30, 2017 : 6,680 units)	70	69
MCB Financial Services Limited - Trustee		
Remuneration payable	66	69
Sindh Sales Tax on remuneration of the trustee	8	9
NBP Employees Pension Fund		
Investment held in the Fund 61,577,619 units; (June 30, 2018: 59,128,907 units)	612,790	608,661

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **October 30, 2018**.

13 GENERAL

- 13.1** Figures have been rounded off to the nearest thousand rupees.
- 13.2** Corresponding figures have been rearranged or reclassified, where necessary, for the purposes of better presentation. Except mentioned in Note no. 3, no significant rearrangement or reclassification was made in these condensed interim financial statements during the current period.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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