

NAFA INCOME FUND

NAFA INCOME FUND

**QUARTERLY REPORT
FOR THE PERIOD ENDED
MARCH 31, 2010
(UN-AUDITED)**

NAFA INCOME FUND

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NAFA INCOME FUND

DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Fund for the period ended March 31, 2010.

Fund's Performance

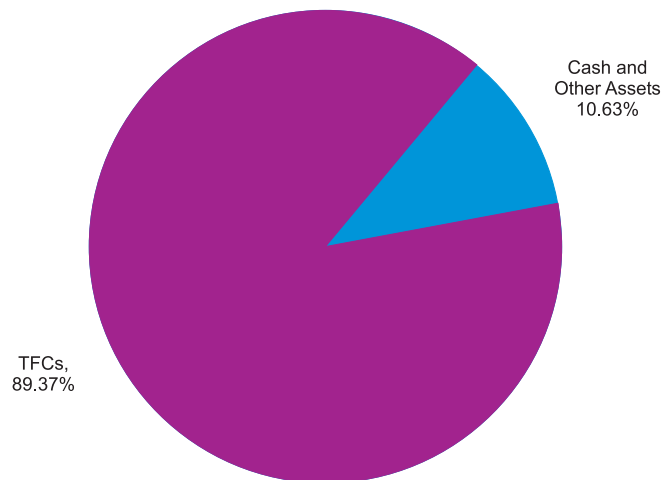
During the said period, the unit price of NAFA Income Fund has increased from Rs. 9.9537 (Ex-Div) on June 30, 2009 to Rs. 10.0961 on March 31, 2010, thus showing an annualized return of 1.91% (net of management fee and all other expenses). The size of NAFA Income Fund has reduced from Rs. 1,036 million to Rs. 580 million during the period, i.e. a decline of 44.02%.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a stability rating of A(f) to NAFA Income Fund.

NAFA Income Fund has earned total income of Rs. 66.42 million during the period. After deducting expenses of Rs. 38.16 million, the net income is Rs. 28.26 million, translating into earning per unit of Rs. 0.1424.

The asset allocation of the Fund as on March 31, 2010 is as follows:

Asset Allocation as on March 31, 2010



NAFA INCOME FUND

Acknowledgement

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

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

On behalf of the Board of
National Fullerton Asset Management Limited

Chief Executive

Director

Date: April 29, 2010
Place: Karachi.

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2010

	Note	Unaudited March 31, 2010	Audited June 30, 2009
----- Rupees in '000 -----			
ASSETS			
Balances with banks		36,896	179,595
Investments	4	518,604	823,944
Advances, deposits, prepayments and other receivables		3,750	3,859
Profit receivable	5	24,604	41,857
Preliminary expenses and floatation costs		2,994	3,744
Total assets		586,848	1,052,999
LIABILITIES			
Accrued expenses and other liabilities	6	681	862
Payable against redemption of units		483	8,032
Payable to National Fullerton Asset Management Limited - Management Company		4,908	6,805
Payable to Central Depository Company of Pakistan Limited - Trustee		102	167
Payable to Securities and Exchange Commission of Pakistan		408	1,076
Total liabilities		6,582	16,942
NET ASSETS		580,266	1,036,057
Unit holders' funds (as per statement attached)		580,266	1,036,057
Contingencies and Commitments	7		
Number of units in issue		57,474,418	102,339,874
Net asset value per unit		10.0961	10.1237

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

For National Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Note		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	Rupees in '000			
INCOME				
Profit on bank deposits	5,271	21,749	1,342	4,244
Income from Continuous Funding System (CFS) transactions	-	5,733	-	16
Gain / (loss) on sale of investments - net	1,617	(7,325)	-	(2,754)
Income from term finance certificates, sukuk bonds and commercial papers	73,640	107,737	25,119	34,318
Income on certificates of deposit and clean placements	-	857	-	40
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(6,542)	(66,602)	(46,437)	18,099
Total income	73,986	62,149	(19,976)	53,963
EXPENSES				
Remuneration of National Fullerton Asset Management Limited - Management Company	8,165	14,641	2,327	3,902
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,087	1,727	310	507
Annual fee - Securities and Exchange Commission of Pakistan	408	882	116	195
Annual listing fee	16	7	3	-
Brokerage and other securities transaction cost	-	114	-	-
Settlement charges and bank charges	147	1,031	1	111
Auditors' remuneration	252	250	53	65
Impairment loss on sukuk bonds	26,917	45,098	(21,326)	30,098
Fund rating fee	150	-	50	-
Printing and related costs	218	438	-	118
Amortisation of preliminary expenses and floatation costs	749	747	246	247
Other expenses	51	1,002	-	479
Total expenses	38,160	65,937	(18,220)	35,722
Net income / (loss) from operating activities	35,826	(3,788)	(1,756)	18,241
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(7,567)	8,534	(778)	(168)
Net income / (loss) for the period before taxation	28,259	4,746	(2,534)	18,073
Taxation	8	-	-	-
Net income / (loss) for the period after taxation	28,259	4,746	(2,534)	18,073
Earnings per unit	9			

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

For National Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	----- Rupees in '000 -----			
Net income / (loss) for the period after taxation	28,259	4,746	(2,534)	18,073
Other comprehensive income				
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets available for sale'	(17,928)	(14,166)	(17,875)	18,334
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	-	(3,086)	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	9	14,966	(1,606)	(942)
Total comprehensive income / (loss) for the period	<u>10,340</u>	<u>5,546</u>	<u>(25,101)</u>	<u>35,465</u>

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

For National Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<u>March 31, 2010</u>	<u>March 31, 2009</u>	<u>March 31, 2010</u>	<u>March 31, 2009</u>
	<u>Rupees in '000</u>			
Undistributed income brought forward	21,284	37,719	36,295	(34,505)
Final distribution for the year ended June 30, 2009: 1.70% (2008: 2.10%)				
- Bonus units	(16,900)	(31,331)	-	-
- Cash distribution	(497)	(6,191)	-	-
Interim distribution for the quarter ended September 30, 2009: Nil (2008: 2.67%)				
- Bonus units	-	(36,591)	-	-
- Cash distribution	-	(692)	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	9	14,966	(1,606)	(942)
Net income / (loss) for the period after taxation	28,259	4,746	(2,534)	18,073
Undistributed income / (loss) carried forward	<u>32,155</u>	<u>(17,374)</u>	<u>32,155</u>	<u>(17,374)</u>

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

For National Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	----- Rupees in '000 -----			
Net assets at the beginning of the period	1,036,057	1,827,917	664,904	1,036,288
Issue of 18,778,308 units including 1,697,894 bonus units (2009: 122,095,771 units including 6,767,371 bonus units)	174,152	1,149,571	22,754	257,705
Redemption of 63,643,764 units (2009:188,132,836 units)	(647,344) (473,192)	(1,854,115) (704,544)	(84,675) (61,921)	(232,032) 25,673
Final distribution for the year ended June 30, 2009: 1.70% (2008: 2.10%)	16,900	31,331	-	-
Interim distribution for the quarter ended September 30, 2009: Nil (2008: 2.67%)	-	36,591	-	-
- Bonus distribution				
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing accrued (income) / loss and capital (gains) / losses - transferred to income statement	7,567	(8,534)	778	168
- amount representing (income) / loss that form part of unit holders' fund - transferred to statement of comprehensive income	(9)	(14,966)	1,606	942
	7,558	(23,500)	2,384	1,110
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets available for sale'	(17,928)	(14,166)	(17,875)	18,334
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	-	(3,086)	-
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(6,542)	(66,602)	(46,437)	18,099
Other operating income / (loss)	34,801	71,348	43,903	(26)
Net income / (loss) for the period	28,259	4,746	(2,534)	18,073
Distribution:				
Final distribution for the year ended June 30, 2009: 1.70% (2008: 2.10%)				
- Bonus distribution				
- Cash distribution	(16,900)	(31,331)	-	-
Interim distribution for the quarter ended September 30, 2009: Nil (2008: 2.67%)	(497)	(6,191)	-	-
- Bonus distribution				
- Cash distribution	-	(36,591)	-	-
	-	(692)	-	-
Other comprehensive income				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	9	14,966	(1,606)	(942)
Net assets as at the end of the period	<u>580,266</u>	<u>1,098,536</u>	<u>580,266</u>	<u>1,098,536</u>

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

For National Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

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NAFA INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
----- Rupees in '000 -----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	28,259	4,746	(2,534)	18,073
Adjustments				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6,542	66,602	46,437	(18,099)
Amortisation of preliminary expenses and floatation costs	749	747	246	247
(Gain) / loss on sale of investments	(1,617)	7,325	-	2,754
Impairment loss on investments classified as 'available for sale'	26,917	45,098	(21,326)	30,098
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	7,567	(8,534)	778	168
	68,417	115,984	23,601	33,241
(Increase) / decrease in assets				
Receivable against Continuous Funding System (CFS) transactions	-	58,656	-	10,105
Investments - net	255,571	(25,912)	9,411	135,955
Loans and receivables	-	(50,000)	-	(100,000)
Receivable against sale of investments	-	-	-	8,794
Advances, deposits, prepayments and other receivables	109	(58,540)	53	(56,991)
Profit receivable	17,253	(1,467)	265	6,745
	272,933	(77,263)	9,729	4,608
Increase / (decrease) in liabilities				
Accrued expenses and other liabilities	(181)	(800)	(174)	(793)
Payable against redemption of units	(7,549)	(339)	(412)	(5,627)
Payable to National Fullerton Asset Management Limited - Management Company	(1,897)	(1,926)	120	(270)
Payable to Central Depository Company of Pakistan Limited - Trustee	(65)	(77)	(11)	(8)
Payable to Securities and Exchange Commission of Pakistan	(668)	177	117	195
	(10,360)	(2,965)	(360)	(6,503)
Net cash inflow from operating activities	330,990	35,756	32,970	31,346
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts from issue of units	174,152	1,149,571	22,754	257,705
Net payment on redemption of units	(647,344)	(1,854,115)	(84,675)	(232,032)
Distribution paid	(497)	(6,883)	-	-
Net cash outflow on financing activities	(473,689)	(711,427)	(61,921)	25,673
Net decrease in cash and cash equivalents during the period	(142,699)	(675,671)	(28,951)	57,019
Cash and cash equivalents at the beginning of the period	179,595	759,564	65,847	26,874
Cash and cash equivalents as at the end of the period	36,896	83,893	36,896	83,893

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

For National Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Income Fund (NIF) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) 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, 2007 (NBFC Rules).

The management company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2-' to the Management Company. The Fund has been assigned stability rating 'A(f)'.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 The directors of the asset management company declare that these condensed interim financial statements give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2009 except for the changes mentioned below:

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position (referred to as the statement of assets and liabilities in these condensed interim financial statements) as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

NAFA INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present two separate performance statements. As a result, non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as the statement of comprehensive income in these condensed interim financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented.

- 3.2 The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning on or after July 1, 2009:

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's financial statements.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Fund's financial position or performance.

IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular features is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. In this connection, Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 mandates the payment of 90% of the Fund's profits for the year as dividends, therefore the amendment has not changed the classification of units.

- 3.3 There are other standards, amendments, and interpretations that were mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or did not have any significant effect on the Fund's operations.

	Note	Unaudited March 31, 2010	Audited June 30, 2009
----- Rupees in '000 -----			
4 INVESTMENTS			
Financial assets at fair value through profit or loss	4.1	337,954	612,841
Financial assets available for sale	4.2	<u>180,650</u>	<u>211,103</u>
		<u>518,604</u>	<u>823,944</u>
4.1 Financial assets at fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	87,525	236,875
Term finance certificates - unlisted	4.1.1	250,429	349,049
Sukuk bonds	4.1.1	<u>-</u>	<u>26,917</u>
		<u>337,954</u>	<u>612,841</u>

NAFA INCOME FUND

4.1.1 Term finance certificates and sukuk bonds

Term finance certificates

Name of the investee company	Number of certificates				Market Value at March 31, 2010	Investment as a percentage of			
	As at July 1, 2009	Purchases during the period	Sales during the period	As at March-31, 2010		Net Assets	Market Value of total investments	Issue Size	
(Rupees in '000)									
Term finance certificates - listed									
Engro Chemical Pakistan Limited	8,000	-	8,000	-	-	-	-	-	
NIB Bank Limited	1,000	-	1,000	-	-	-	-	-	
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	40,924	7.05	7.89	10.00	
United Bank Limited	30,000	-	20,000	10,000	48,601	8.03	8.99	0.83	
				25,000	87,525	15.08	16.88	10.83	
Term finance certificates - unlisted									
Engro Chemical Pakistan Limited	20,000	-	-	20,000	85,491	14.73	16.48	2.50	
Pak American Fertilizer Limited	30,000	-	-	30,000	116,888	20.11	22.50	2.17	
Pakistan Mobile Communications Limited	30,000	-	20,000	10,000	48,250	8.32	9.30	1.43	
				60,000	250,429	43.16	48.29	6.10	
					85,000	337,954	58.24	65.17	16.93

Carrying value before fair value adjustment as at March 31, 2010

344,496

Sukuk bonds

Name of the investee company	Number of Bonds				Market value as at March 31, 2010	Investment as a percentage of		
	As at July 1, 2009	Purchases during the period	Sales during the period	As at March 31, 2010		Net Assets	Market Value of Total Investment	Issue Size
(Rupees in '000)								
New Allied Electronics Industries (Private) Limited (note 4.1.3)	10,000	-	-	10,000	-	-	-	6.67
					10,000	-	-	6.67

Carrying value before fair value adjustment as at March 31, 2010

50,000

Provision for impairment loss as at March 31, 2010

50,000

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

4.1.3 This represents investment in privately placed sukuk bonds with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of profit repayment amounting to Rs 3.795 million. The management has recognised an impairment loss of Rs. 50 million till March 31, 2010. The minimum amount of provision required as per SECP Circular no.01 of 2009 also amounts to Rs 50 million. The income suspended on these bonds amounted to Rs 11.754 million.

4.2 Financial assets available for sale	Note	(Unaudited) March 31, 2010	(Audited) June 30, 2009
		----- Rupees in '000 -----	
Term finance certificates - listed	4.2.1	115,025	114,188
Sukuk bonds	4.2.1	65,625	96,915
		<u>180,650</u>	<u>211,103</u>

NAFA INCOME FUND

4.2.1 Term Finance Certificates and Sukuk Bonds

Name of the investee company	Number of certificates/ Bonds				Market value as at March 31, 2010	Investment as a percentage of			
	As at July 1, 2009	Purchases during the period	Sales during the period	As at March 31, 2010		Net Assets	Market Value of Total Investment	Issue Size	
(Rupees in '000)									
Term finance certificate - listed									
Worldcall Telecom Limited	24,000	-	-	24,000	115,025	19.82	22.18	3.00%	
					<u>24,000</u>	<u>115,025</u>	<u>19.82</u>	<u>22.18</u>	<u>3.00%</u>
Carrying value before fair value adjustment as at March 31, 2010					<u>114,164</u>				
Sukuk bonds									
Eden Housing Limited (Note 4.2.3)	20,000	-	-	20,000	65,625	11.31	12.65	13.70	
					<u>20,000</u>	<u>65,625</u>	<u>11.31</u>	<u>12.65</u>	<u>13.70</u>
Carrying value before fair value adjustment as at March 31, 2010					<u>84,414</u>				

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

4.2.3 This represents investment in privately placed sukuk bonds issue with a term of five years. On March 30, 2010 i.e. the scheduled redemption date, principal redemption of Rs.12,500 thousand was not received by the Fund. Therefore as a matter of prudence, the management has suspended income amounting to Rs. 31 thousand. The total amount of investment as at March 31, 2010 includes the outstanding principal redemption."

4.3 The term finance certificates and sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

	Unaudited March 31, 2010	Audited June 30, 2009
	----- Rupees in '000 -----	
5 PROFIT RECEIVABLE		
Profit receivable on savings and term deposits	91	184
Income accrued on term finance certificates and sukuk bonds	36,298	47,684
Less: suspended income	(11,785)	(6,011)
	<u>24,513</u>	<u>41,673</u>
	<u>24,604</u>	<u>41,857</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable	148	210
Settlement charges payable	80	139
Bank charges payable	168	170
Payable to brokers	19	65
Printing charges payable	266	278
Other	-	-
	<u>681</u>	<u>862</u>

NAFA INCOME FUND

7 CONTINGENCIES AND COMMITMENTS

7.1 The Finance Act 2008 introduced an amendment to the Workers Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby the definition of "Industrial Establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year are brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their accounting or taxable income, whichever is higher. In case of the Fund, such contribution works out to Rs 1.37 million approximately as at March 31, 2010 (including Rs 0.801 million for the year ended June 30, 2009). However, the final contribution amount for the current period will be based on the income earned by the Fund for the year ending June 30, 2010.

To avoid any claim in this regard by the relevant authorities, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the High Court of Sindh praying it to declare that CIS are not liable to pay contribution to the WWF on the ground that CIS do not have any workers or employees. The legal proceedings in respect of the aforementioned petition are currently in progress and the outcome cannot be reasonably ascertained.

The Management Company, based on the advice of the MUFAP's legal counsel, is confident of a favorable decision and accordingly no provision for any liability that may arise in this respect has been made in these condensed interim financial statements.

There are no other contingencies and commitments outstanding as at March 31, 2010 and June 30, 2009.

8 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund intends to distribute such accounting income, if any, for the year ending June 30, 2010 to its unit holders. Accordingly, no tax liability has been recorded in the current period.

9 EARNINGS PER UNIT

Earnings per unit (EPU) for the nine months ended March 31, 2010 has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

10 TRANSACTIONSWITH CONNECTEDPERSONS

10.1 Connected persons include National Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being Trustee and National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors, Employees Provident Fund, other collective investment schemes managed by the Management Company and the directors and officers of the Management Company.

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

----- Unaudited -----			
Nine months ended		Quarter ended	
March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
----- Rupees in '000 -----			

10.3 Transactions during the period

National Fullerton Asset Management Limited - Management Company

Management fee expense for the period	8,165	14,641	2,327	3,902
Front end load	1,290	-	210	-
Bonus units issued - (178,995 units; 2009: 480,345 units)	-	-	-	-
Units Redeemed / Transferred Out (4,531,262 units; 2009: Nil units)	46,125	-	-	-

NAFA INCOME FUND

	----- Unaudited -----			
	Nine months ended		Quarter ended	
	March 31,	March 31,	March 31,	March 31,
	2010	2009	2010	2009
	----- Rupees in '000 -----			
NIB Bank Limited - Sponsor				
Profit on Bank Deposits	3,411	5,154	1,183	1,478
Income from term finance certificates	255	526	-	182
Chief Executive Officer				
Bonus units issued - (526 units; 2009: 1,412 units)	-	-	-	-
Units Redeemed / Transferred Out (31,338 units; 2009: Nil)	314	-	-	-
Other Executive of the Management Company				
Bonus units issued - (299 units; 2009: 19,135 units)	-	-	-	-
Units issued / transferred in (204,571 units; 2009: 1,074,320 units)	2,087	10,877	5	1,610
Units redeemed / transferred out (216,636 units; 2009: 533,982 units)	2,216	5,284	36	794
NAFA Employees Provident Fund				
Units issued / transferred in - (Nil units; 2009: 248,337 units)	-	2,545	-	-
Units redeemed / transferred out (239,560 units; 2009: Nil units)	2,500	-	2,500	-
Bonus units issued (4,354 units; 2009: 6,586 units)	-	-	-	-
NAFA Multi Asset Fund				
Bonus units issued - (Nil units; 2009: 346,629 units)	-	-	-	-
Units issued / transferred in (Nil units; 2009: 8,708,694 units)	-	90,000	-	-
Units redeemed / transferred out (Nil units; 2009: 14,574,359 units)	-	140,046	-	28,644
Term finance certificates sold	-	175,000	-	-
NAFA Cash Fund				
Bonus units issued - (Nil units; 2009: 154,910 units)	-	-	-	-
Units redeemed / transferred out - (Nil units : 2009: 7,546,476 units)	-	75,613	-	-
Units issued / transferred in (Nil units : 2009: 7,391,566 units)	-	75,000	-	-
NAFA Cash Fund - Investment held by the Fund				
Units purchased - (Nil units; 2009: 13,615,160 units)	-	140,000	-	-
Bonus units issued - (Nil units; 2009: 245,244 units)	-	-	-	-
Units redeemed / transferred out - (Nil units; 2009: 13,860,404 units)	-	133,954	-	53,954
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	1,087	1,727	310	507
CDC charges	9	47	3	4

10.4	Balances outstanding as at period / year end	----- Rupees in '000 -----	
		Unaudited March 31, 2010	Audited June 30, 2009
National Fullerton Asset Management Limited - Management Company			
	Management fee payable	769	1,265
	Investment held by management company in the Fund (6,128,078 units; June 30,2009: 10,480,345 units)	61,870	106,100
	Front end load payable	204	565
	Preliminary charges and floatation cost payable	3,935	4,975
National Bank of Pakistan - Sponsor			
	Deposit held by the Fund with the sponsor	266	1,406
NIB Bank Limited - Sponsor			
	Deposit held by the Fund with the sponsor	31,599	55,443
	Profit receivable on bank deposits	61	18
	Investment in Term finance certificates	-	4,620
	Profit receivable on term finance certificates	-	221
Chief Executive Officer			
	Investment held in the Fund (Nil units; June 30, 2009: 30,812 units)	-	312

NAFA INCOME FUND

	Unaudited March 31, 2010	Audited March 31, 2009
	----- Rupees in '000 -----	
Executives of the Management Company		
Investment held in the Fund Trust (6,216 units; June 30, 2009: 17,481 units)	63	177
NAFA Employees Provident Fund		
Investment held in the Fund (19,717 units; June 30, 2009: 254,923)	199	2,581
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	102	167
CDC Charges	1	1
Security deposit	100	100

11 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 29, 2010 by the Board of Directors of the Management Company.

12 GENERAL

- 12.1 Figures have been rounded off to the nearest thousand rupees.
- 12.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. There are no significant rearrangements or reclassifications except as required because of the change in accounting policy as more fully explained in note 3.1 to these condensed interim financial statements.
- 12.3 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the period as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For National Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

