


## MISSION STATEMENT



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

# NAFA INCOME FUND

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## FUND'S INFORMATION

### Management Company

**NBP Fullerton Asset Management Limited – Management Company**  
(Formerly National Fullerton Asset Management Limited)

### Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Syed Ahmed Iqbal Ashraf	Director
Dr. Asif A. Brohi	Director
Mr. Wah Geok Sum	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Wah Geok Sum	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Faruque	Member

### Trustee

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

### Bankers to the Fund

Allied Bank Limited  
Arif Habib Bank Limited  
Atlas Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (PAK) Limited  
The Bank of Khyber  
The Bank of Punjab  
United Bank Limited

# NAFA INCOME FUND

## **Auditors**

A.F. Ferguson & Co. Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road,  
P.O.Box 4716  
Karachi.

## **Legal Advisor**

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

## **Head Office:**

9th Floor, Adamjee House,  
I.I. Chundrigar Road,  
Karachi

## **Lahore Office:**

68-B-1, M.M. Alam Road,  
Gulberg 3, Lahore.  
UAN: 042-111-111-632  
Phone: 042-35778248-63  
Fax: 042-35876806

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, 1-9/3 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 Corporate Branch  
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,  
Officers Colony, Khanewal Road. Multan.  
Tel : 92-061-6214070  
Fax: 92-061-6214062  
UAN: 92-061-111-111-632

# NAFA INCOME FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the unaudited financial statements of NAFA Income Fund for the period ended March 31, 2011.

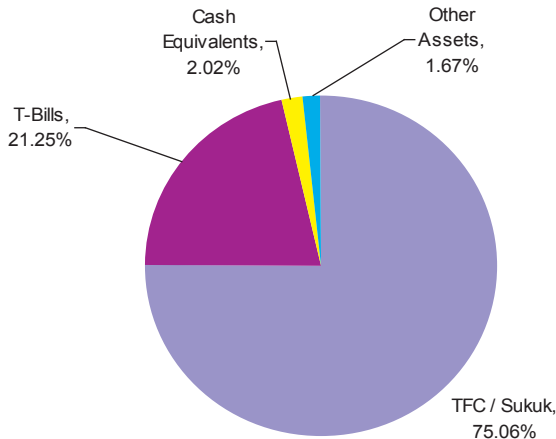
### **Fund's Performance**

The size of NAFA Income Fund has reduced from Rs. 582 million to Rs. 520 million i.e. a decline of 10.65%, during the nine months period in this Fiscal Year. During the said period, the unit price of NAFA Income Fund has increased from Rs. 10.4457 (Ex - Div) on June 30, 2010 to Rs.10.6506 on March 31, 2011, thus showing an annualized return of 2.62% as compared to its Benchmark (6-Month KIBOR)\* annualized return of 13.00% for the same period. During the third quarter, the unit price of NAFA Income Fund has increased from Rs. 10.30 on December 31, 2010 to Rs.10.6506 on March 31, 2011, thus showing an annualized return of 14.54% as compared to its Benchmark annualized return of 13.34% for the same period.

There continues to be a marginal improvement in market's demand for debt securities of high rated issuers'. Many of the non-performing securities have been restructured within this fiscal year. The coupon rates of all TFCs in your Fund are floating and linked to KIBOR, which depicted a rising trend during the period.

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

The Fund has earned total income of Rs.59.83 million during the period. After deducting expenses of Rs.31.40 million, the net income is Rs.28.43 million, translating into loss per unit of Rs.0.2049. The asset allocation of the Fund as on March 31, 2011 is as follows:



\*Benchmark changed w.e.f. 15-12-2010. Previous Benchmark was 3-Month T.Bills.

# NAFA INCOME FUND

## Income Distribution

The Board of Directors of the Management Company has approved an interim distribution of 3.134%.

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited  
(formerly: National Fullerton Asset Management Limited)

Chief Executive

Director

Date: April 19, 2011  
Place: Karachi.

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2011

	Note	Un-audited March 31, 2011	Audited June 30, 2010
------(Rupees in '000)-----			
<b>ASSETS</b>			
Balances with banks		10,586	48,844
Investments	4	500,749	510,859
Advances, deposits, prepayments and other receivables		2,755	3,696
Profit receivable	5	12,077	23,357
Preliminary expenses and floatation costs		1,997	2,744
<b>Total assets</b>		<b>528,164</b>	<b>589,500</b>
<b>LIABILITIES</b>			
Payable to the Management Company		4,876	4,737
Payable to the Trustee		74	96
Payable to the Securities and Exchange Commission of Pakistan		296	515
Accrued expenses and other liabilities	6	2,992	2,428
<b>Total liabilities</b>		<b>8,238</b>	<b>7,776</b>
<b>NET ASSETS</b>		<b>519,926</b>	<b>581,724</b>
Unit holders' fund (As per statement attached)		519,926	581,724
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		
-----Number of units-----			
Number of units in issue		48,816,721	53,768,935
-----Rupees-----			
Net asset value per unit	3.3	10.6506	10.8190

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

	Note	Nine months ended		Quarter ended	
		March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
------(Rupees in '000)-----					
<b>INCOME</b>					
Profit on bank deposits		4,037	5,271	947	1,342
Gain / (loss) on sale of investments - net		(118)	1,617	(501)	-
Income from term finance certificates and sukuk bonds		42,324	73,640	15,205	25,119
Income from government securities		1,995	-	1,853	-
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		13,618	(6,542)	(12,106)	(46,437)
<b>Total income</b>		<b>61,856</b>	<b>73,986</b>	<b>5,398</b>	<b>(19,976)</b>
<b>EXPENSES</b>					
Remuneration of the Management Company		7,849	8,165	2,526	2,327
Remuneration of the Trustee		750	1,087	215	310
Annual fee - Securities and Exchange Commission of Pakistan		296	408	95	116
Annual listing fee		32	16	12	3
Securities transaction cost		2	-	1	-
Settlement charges and bank charges		118	147	227	1
Auditors' remuneration		308	252	80	53
Impairment loss on term finance certificates and sukuk bonds		20,517	26,917	(18,508)	(21,326)
Fund rating fee		149	150	49	50
Printing and related costs		5	218	5	-
Amortisation of preliminary expenses and floatation costs		747	749	247	246
Other expenses		50	51	40	-
<b>Total expenses</b>		<b>30,823</b>	<b>38,160</b>	<b>(15,011)</b>	<b>(18,220)</b>
<b>Net (loss) / income from operating activities</b>		<b>31,033</b>	<b>35,826</b>	<b>20,409</b>	<b>(1,756)</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(2,028)	(7,567)	(1,536)	(778)
Provision for workers' welfare fund	9	(580)	-	(377)	-
<b>Net (loss) / income for the period before taxation</b>		<b>28,425</b>	<b>28,259</b>	<b>18,496</b>	<b>(2,534)</b>
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>28,425</b>	<b>28,259</b>	<b>18,496</b>	<b>(2,534)</b>
<b>Earnings per unit</b>	3.4				

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

**For NBP Fullerton Asset Management Limited**  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director



# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

	Nine months ended		Quarter ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	------(Rupees in '000)-----			
Net income for the period after taxation	28,425	28,259	18,496	(2,534)
<b>Other comprehensive income for the period</b>				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(23,030)	(17,928)	(3,131)	(17,875)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	-	-	(3,086)
<b>Total comprehensive (loss) / income for the period</b>	<u>5,395</u>	<u>10,331</u>	<u>15,365</u>	<u>(23,495)</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

	Nine months ended		Quarter ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
------(Rupees in '000)-----				
Undistributed income brought forward	51,455	21,284	41,683	36,295
Final distribution for the year ended June 30, 2010: 3.733% (2009: 1.70%)				
- Bonus units	(19,011)	(16,900)	-	-
- Cash distribution	(1,061)	(497)	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	1,590	9	1,219	(1,606)
Net income for the period after taxation	28,425	28,259	18,496	(2,534)
<b>Undistributed income carried forward</b>	<u>61,398</u>	<u>32,155</u>	<u>61,398</u>	<u>32,155</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

	Nine months ended		Quarter ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	------(Rupees in '000)-----			
<b>Net assets at the beginning of the period</b>	581,724	1,036,057	521,038	664,904
Issue of 1,840,508 units including 1,819,996 bonus units (2010: 18,778,308 units including 1,697,894 bonus units)	205	174,152	-	22,754
Redemption of 6,792,722 units (2010:63,643,764 units)	(68,365) (68,160)	(647,344) (473,192)	(18,013) (18,013)	(84,675) (61,921)
Final distribution for the year ended June 30, 2010: 3.733% (2009: 1.70%) - Bonus distribution	19,011	16,900	-	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	2,028	7,567	1,536	778
- amount representing (income) / loss that form part of unit holders' fund - transferred to distribution statement	(1,590) 438	(9) 7,558	(1,219) 317	1,606 2,384
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets available for sale'	(23,030)	(17,928)	(3,131)	(17,875)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	-	-	(3,086)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	13,618	(6,542)	(12,106)	(46,437)
Other operating income / (loss)	14,807	34,801	30,602	43,903
<b>Net income for the period</b>	<b>28,425</b>	<b>28,259</b>	<b>18,496</b>	<b>(2,534)</b>
<b>Distribution:</b>				
Final distribution for the year ended June 30, 2010: 3.733% (2009: 1.70%) - Bonus distribution	(19,011)	(16,900)	-	-
- Cash distribution	(1,061)	(497)	-	-
<b>Other comprehensive income</b>				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	1,590	9	1,219	(1,606)
<b>Net assets as at the end of the period</b>	<b>519,926</b>	<b>580,266</b>	<b>519,926</b>	<b>580,266</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

**For NBP Fullerton Asset Management Limited**  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

	Nine months ended		Quarter ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
------(Rupees in '000)-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	28,425	28,259	18,496	(2,534)
<b>Adjustments</b>				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(13,618)	6,542	12,106	46,437
Amortisation of preliminary expenses and floatation costs	747	749	247	246
(Loss) / gain on sale of investments - net	118	(1,617)	501	-
Impairment loss on term finance certificates and sukuk bonds	20,517	26,917	(18,508)	(21,326)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	2,028	7,567	1,536	778
	<u>38,217</u>	<u>68,417</u>	<u>14,377</u>	<u>23,601</u>
<b>(Increase) / decrease in assets</b>				
Investments	(19,937)	255,571	(17,973)	9,411
Advances, deposits, prepayments and other receivables	941	109	(39)	53
Profit receivable	11,280	17,253	1,130	265
	<u>(7,716)</u>	<u>272,933</u>	<u>(16,882)</u>	<u>9,729</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	139	(1,897)	(3)	120
Payable to the Trustee	(22)	(65)	(13)	(11)
Payable to Securities and Exchange Commission of Pakistan	(219)	(668)	95	117
Accrued expenses and other liabilities	564	(181)	480	(174)
	<u>462</u>	<u>(2,811)</u>	<u>560</u>	<u>52</u>
<b>Net cash inflow from operating activities</b>	<u>30,963</u>	<u>338,539</u>	<u>(1,945)</u>	<u>33,382</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	205	174,152	-	22,754
Payment on redemption of units	(68,365)	(654,893)	(18,069)	(85,087)
Distribution paid	(1,061)	(497)	-	-
<b>Net cash outflow on financing activities</b>	<u>(69,221)</u>	<u>(481,238)</u>	<u>(18,069)</u>	<u>(62,333)</u>
<b>Net decrease in cash and cash equivalents during the period</b>	<u>(38,258)</u>	<u>(142,699)</u>	<u>(20,014)</u>	<u>(28,951)</u>
Cash and cash equivalents at the beginning of the period	48,844	179,595	30,600	65,847
<b>Cash and cash equivalents as at the end of the period</b>	<u>10,586</u>	<u>36,896</u>	<u>10,586</u>	<u>36,896</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Formerly 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, 2011

## 1. LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Income Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management (formerly National Fullerton Asset Management Limited) 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, 2003 (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.

The Fund 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 Board of Directors have approved that the Fund should be categorized as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

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 stability rating of 'A-(f)' to the Fund.

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

## 2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Financing Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. In cases where requirements differ, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

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

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, 2010.

### 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective from January 1, 2010

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these condensed interim financial statements.

# NAFA INCOME FUND

## 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but were considered not to be relevant or did not have any significant effect on the Fund's operations and are therefore not detailed in these condensed interim financial statements.

## 3.3 Net Asset Value per unit

The net asset value (NAV) per unit, as disclosed in the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

## 3.4 Earnings / (loss) per unit

Earnings per unit (EPU) for the period ended March 31, 2011 has not been disclosed in these condensed interim financial statements as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

	Note	(Un-Audited) March 31 2011	(Audited) June 30, 2010
-----Rupees in '000-----			
<b>4 INVESTMENTS</b>			
Financial assets at fair value through profit or loss	4.1	395,116	341,019
Financial assets available for sale	4.2	<u>105,633</u>	<u>169,840</u>
		<u>500,749</u>	<u>510,859</u>
<b>4.1 Financial assets at fair value through profit or loss - held for trading</b>			
Term finance certificates - listed	4.1.1	84,889	88,421
Term finance certificates - unlisted	4.1.1	199,725	252,598
Sukuk bonds		-	-
Market Treasury Bills	4.1.1	<u>110,502</u>	<u>-</u>
		<u>395,116</u>	<u>341,019</u>

## 4.1.1 Term Finance Certificates and Sukuk Bonds and Market Treasury Bills

### Term Finance Certificates

Name of the investee company	Number of Certificates				Market value as at March 31, 2011	Investment as a percentage of		
	As at July 1, 2010	Purchases during the period	Sales during the period	As at March 31, 2011		Net assets	Market value of total investments	Issue size
-----Rupees in '000-----								
<b>Term finance certificates - listed</b>								
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	35,616	6.85%	7.11%	10.00%
United Bank Limited	10,000	-	-	10,000	49,273	9.48%	9.84%	0.83%
				<u>25,000</u>	<u>84,889</u>	<u>16.33%</u>	<u>16.95%</u>	<u>-</u>
<b>Term finance certificates - unlisted</b>								
Engro Fertilizers Limited	20,000	-	-	20,000	92,996	17.89%	18.57%	2.50%
Agritech Limited (note: 4.1.3)	30,000	-	-	30,000	106,729	20.53%	21.31%	2.17%
Pakistan Mobile Communications Limited	10,000	-	10,000	-	-	-	-	-
				<u>50,000</u>	<u>199,725</u>	<u>38.41%</u>	<u>39.89%</u>	<u>-</u>
				<u>75,000</u>	<u>284,614</u>	<u>54.74%</u>	<u>56.84%</u>	<u>-</u>
Carrying value before fair value adjustment as at March 31, 2011					<u>314,097</u>			
Provision for impairment loss as at March 31, 2011					<u>43,151</u>			

### Sukuk Bonds

Name of the investee company	Number of Bonds				Market value as at March 31, 2011	Investment as a percentage of		
	As at July 1, 2010	Purchases during the period	Sales during the period	As at March 31, 2011		Net assets	Market value of total investments	Issue size
Rupees in '000								
New Allied Electronics Industries (Private) Limited (note 4.1.4)	10,000	-	-	10,000	-	-	-	6.67
				<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.67</u>
Carrying value before fair value adjustment as at March 31, 2011					<u>49,241</u>			
Provision for impairment loss as at March 31, 2011					<u>49,241</u>			

### Market Treasury Bills

Issue Date	Tenor	Face Value				Market value as at March 31, 2011	Investment as a percentage of	
		As at July 1, 2010	Purchases during the period	Sales / matured during the period	As at March 31, 2011		Net assets	Market value of total investments
-----Rupees in '000-----								
October 21, 2010	3 months	-	50,000	50,000	-	-	-	-
February 24, 2011	3 months	-	60,000	-	60,000	58,947	11.34%	11.77%
March 24, 2011	3 months	-	53,000	-	53,000	51,555	9.92%	10.30%
					<u>110,502</u>			
Carrying value as at March 31, 2011					<u>110,552</u>			

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 unlisted term finance certificates with a term of seven years. On July 14, 2010, the scheduled profit payment date, principal redemption of Rs.14.988 million and profit redemption of Rs.10.465 million were not received by the Fund. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.20.987 million. However, as a matter of prudence the management has recognised an additional provision amounting to Rs 22.164 million till March 31, 2011. The income suspended on these term finance certificates amounted to Rs.15.566 million.

# NAFA INCOME FUND

- 4.1.4 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 repayment. The minimum amount of provision required as per SECP Circular no. 01 of 2009 amounted to Rs.49.241 million. The management has made the said provision till December 31, 2010. The income suspended on these sukuk amounted to Rs.19.116 million.

Note	(Un-Audited)	(Audited)
	March 31 2011	June 30, 2010
	-----Rupees in '000-----	

## 4.2 Financial assets available for sale

Term finance certificates - listed	4.2.1	54,837	112,340
Sukuk bond	4.2.1	50,796	57,500
		<u>105,633</u>	<u>169,840</u>

### 4.2.1 Term Finance Certificates and Sukuk Bonds

Name of the investee company	Number of Certificates				Market value as at March 31, 2011	Investment as a percentage of		
	As at July 1, 2010	Purchases during the period	Sale during the period	As at March 31, 2011		Net assets	Market value of total investments	Issue size
-----Rupees in '000-----								
<b>Term finance certificate - listed</b>								
Worldcall Telecom Limited	24,000	-	10,000	14,000	54,837	10.55%	10.95%	3.00%
				<u>14,000</u>	<u>54,837</u>	<u>10.55%</u>	<u>10.95%</u>	<u>3.00%</u>
Carrying value before fair value adjustment as at March 31, 2011					<u>55,538</u>			
<b>Sukuk bonds</b>								
Eden Housing Limited	20,000	-	-	20,000	50,796	9.77%	10.14%	3.33%
				<u>20,000</u>	<u>50,796</u>	<u>9.77%</u>	<u>10.14%</u>	<u>3.33%</u>
Carrying value before fair value adjustment as at March 31, 2010					<u>73,125</u>			

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

- 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.



# NAFA INCOME FUND

	(Un-Audited)	(Audited)
	March 31 2011	June 30, 2010
	-----Rupees in '000-----	
<b>5 PROFIT RECEIVABLE</b>		
Profit receivable on savings and term deposits	334	10
Income accrued on term finance certificates and sukuk bonds	46,425	39,725
Less: suspended income	(34,682)	(16,378)
	11,743	23,347
	<u>12,077</u>	<u>23,357</u>
<b>6 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration payable	212	235
Settlement charges payable	52	16
Bank charges payable	137	72
Payable to brokers	19	19
Provision for Workers' Welfare Fund	2,290	1,710
Printing charges payable	264	376
Other	18	-
	<u>2,992</u>	<u>2,428</u>
<b>7 CONTINGENCIES AND COMMITMENTS</b>		
There were no contingencies and commitments outstanding as at June 30, 2010 and as at March 31, 2011.		
<b>8 TAXATION</b>		
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 period ending December 31, 2010 to its unit holders. Accordingly, no tax liability has been recorded in the current period.		
<b>9 PROVISION FOR WORKERS' WELFARE FUND</b>		
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 Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.		

# NAFA INCOME FUND

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 2.290 million in these condensed interim financial statements.

## 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 Scheme'.

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 (IV) of the categorisation criteria requires that not more than 15% of the net assets shall be invested in non traded securities including reverse repos, bank deposits, certificates of investments (COI), certificates of musharakas (COM) and anything over 6 months maturity which is not a marketable security. Clause (v) of the categorisation criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. Clause (viii) of the categorisation criteria requires that the weighted average time to maturity of the net assets of the Fund shall not exceed 4 years excluding securities issued by the Federal Government. However, as at December 31, 2010, the Fund is in non-compliance with the above-mentioned requirements in respect of the following:

Type of Investment	Name of Non-Compliant Investment	Note	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rupees in '000-----							
Investment in Debt securities	Agritech Limited	10.1 & 10.2	149,880	43,151	106,729	20.53%	20.21%
	Saudi Pak Leasing Company Limited	10.1 & 10.2	35,616	-	**35,616	6.85%	6.74%
	New Allied Electronics Industries (Private) Limited - Sukuk	10.1 & 10.2	49,241	49,241	-	-	-
	Eden Housing - Sukuk II	10.1 & 10.2	50,796	-	**50,796	9.77%	9.62%
	Engro Fertilizer Limited	10.1 & 10.2	92,996	-	***92,996	17.89%	17.61%
	World Telecom Limited	10.2	54,837	-	***54,837	10.55%	10.38%

\*\* Book value, performing below investment grade.

\*\*\* Book Values, performing.

10.1 At the time of purchase, the above debt securities were in compliance with the circular (i.e. investment grade) and were subsequently downgraded because of default in payments of due principal and mark-up.

10.2 These debt securities have been classified as non-traded by Mutual Funds Association of Pakistan as at March 31, 2010.

## 11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 Connected persons include NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

# NAFA INCOME FUND

- 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 and remuneration payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

------(Un-Audited)-----			
Nine months ended		Quarter ended	
March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
------(Rupees in '000)-----			

## 11.4 Transactions during the period

### NBP Fullerton Asset Management Limited - Management Company

Management fee expense for the period	7,849	8,165	2,526	2,327
Front end load	2	1,290	-	210
Bonus units issued - (181,681 units; 2010: 178,995 units)	-	-	-	-
Units Redeemed / Transferred Out (4,535,426 units; 2010:4,531,262 units)	45,600	46,125	13,700	-
Legal expense paid on behalf of the Fund	10	-	-	-

### Chief Executive Officer

Bonus units issued - (Nil units; 2010: 526 units)	-	-	-	-
Units Redeemed / Transferred Out (Nil units; 2010: 31,338 units)	-	314	-	-

### NAFA Employees Provident Fund

Units Redeemed / Transferred Out (20,422 units 2010: 239,560 units)	211	2,500	211	2,500
Bonus units issued ( 705 units; 2010: 4,354 units)	-	-	-	-

### Central Depository Company of Pakistan Limited - Trustee

Remuneration	750	1,087	215	310
CDC charges	5	9	2	3

### Executives of Management Company

Bonus Units Issued (24 units: 2010: 299 units)	-	-	-	-
Units issued / transferred in -(Nil units; 2010: 204,571 units)	-	2,087	-	5
Units redeemed (704 units: 2010 : 216,636 units)	7	2,216	7	36

### NBP Employees Pension Fund

Bonus Units Issued 1,508,501 units: 2010: 708,818 units)	-	-	-	-
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# NAFA INCOME FUND

	(Un-Audited)	(Audited)
	March 31 2011	June 30, 2010
	----- (Rupees in '000) -----	
<b>11.5 Balances outstanding as at period / year end</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	876	717
Investment held by Management Company in the Fund (730,063 units; June 30, 2010: 5,083,807 units)	7,776	55,002
Front end load payable	-	20
Preliminary expenses and floatation cost payable	4,000	4,000
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	142	92
<b>NAFA Employees Provident Fund</b>		
Investment held in the Fund (Nil units; June 30, 2010: 19,717)	-	213
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	74	96
CDC Charges	1	1
Security deposit	100	100
<b>Executives of Management Company</b>		
Investment held in the Fund (Nil units; June 30, 2010: 679 units)	-	7
<b>NBP Employees Pension Fund</b>		
Investment held in the Fund (43,719,448 units; June 30, 2010: 42,210,947 units)	465,638	456,680

## 12 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 19, 2011 by the Board of Directors of the Management Company.

## 13 GENERAL

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

13.2 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.

13.3 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. No significant reclassifications have been made to corresponding figures during the period.

**For NBP Fullerton Asset Management Limited**  
(Formerly National Fullerton Asset Management Limited)  
(Management Company)

Chief Executive

Director