

FUNDS' INFORMATION

Management Company

National Fullerton Asset Management Limited.

Board of Directors of the Management Company

Mr. Masood Karim Shaikh	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Gerard Lee How Cheng	Director
Khawaja Iqbal Hassan	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shahid Anwar Khan	Director
Mr. Masroor Ahmed Qureshi	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Masroor Ahmed Qureshi	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

NAFA ISLAMIC INCOME FUND

Al-Baraka Islamic Bank
Askari Bank Ltd.
Bank Alfalah Limited
BankIslami Pakistan Limited
Dawood Islamic Bank
Emirates Global Islamic Bank Ltd.
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Habib Metropolitan Bank Ltd.
Standard Chartered Bank Ltd.
The Bank of Khyber
United Bank Limited
Soneri Bank Ltd.
Allied Bank Ltd.
Habib Bank Ltd.

NAFA Funds

Auditors

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

Legal Advisor

Aly Shah & Co. Advocates and Legal Consultants
Suite 502, 5th Floor
Marine Pride, BC-2, Block-7,
Khayaban-e-Iqbal
Clifton, Karachi.

Head Office

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

Lahore Office

83-A-E/1, Main Boulevard
Gulberg III
Lahore.

Islamabad Office

4th Floor, Ali Plaza
1-E, Blue Area
Islamabad.

DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the un-audited financial statements of **NAFA Islamic Income Fund** for the period ended March 31, 2008.

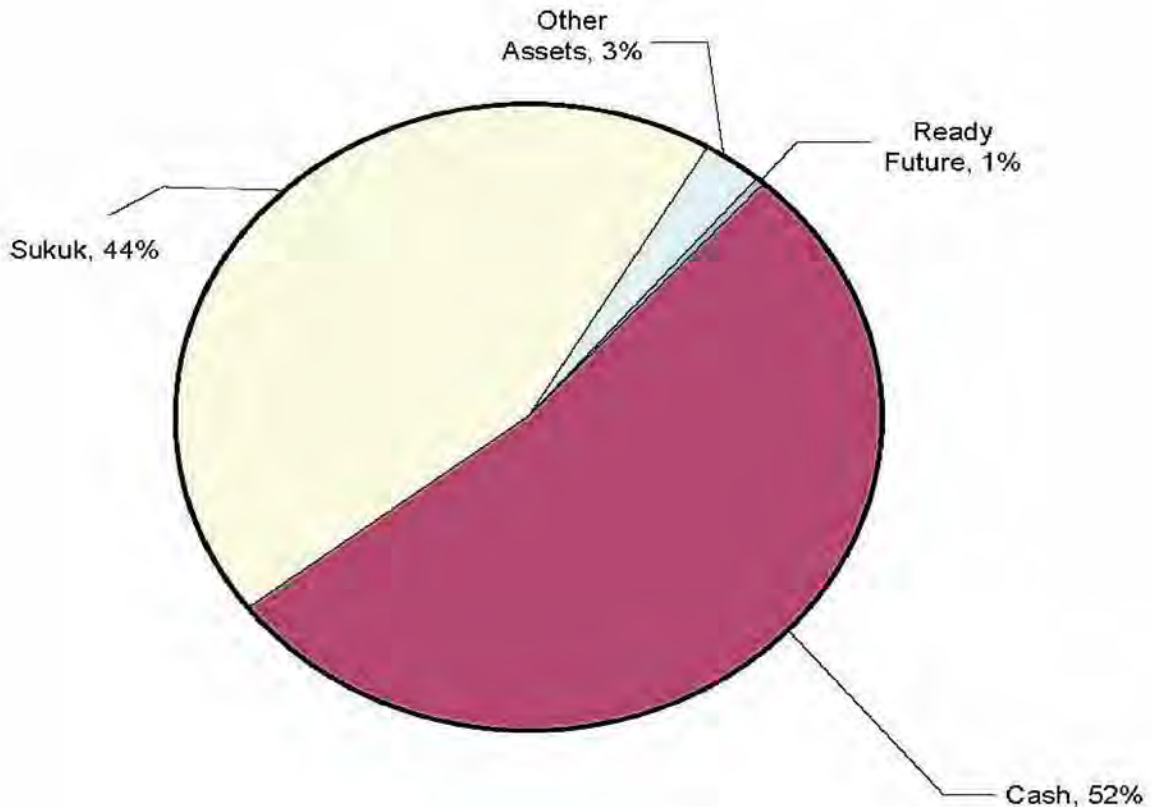
Fund's Performance

NAFA Islamic Income Fund commenced its operations on October 29, 2007. Since launch its net assets have grown to Rs.1,069.90 million, with 103.55 million units outstanding as at March 31, 2008. NAFA Islamic Income Fund has earned a total income of Rs.43.05 million during the said period. After deducting total expenses of Rs.8.68 million, the net profit is Rs.34.37 million, which translates into an earning per unit of Rs.0.3319.

The performance of the Fund is compared against that of a benchmark (average 1-month deposit rate of Four Islamic Banks in Pakistan). During the said period the Benchmark recorded an annualized increase of 5.23%. As against this growth, the Fund recorded an annualized increase of 7.82% in Unit Price over the same period, thus registering an annualized out-performance of 2.59%.

The asset allocation of the Fund as at March 31, 2008 is as follows:

Asset Allocation as on March 31, 2008



NAFA Islamic Income Fund

Interim Income Distribution

The Board of Directors of the Management Company has approved an interim distribution @ 2.00% (i.e. Re.0.20 per unit of Rs.10 each).

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the management, and providing us with 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 for their continued support and cooperation.

On behalf of the Board of
National Fullerton Asset Management Limited

Masood Karim Shaikh, FCA
Chairman

Dr. Amjad Waheed, CFA
Chief Executive

Date: April 16, 2008
Place: Karachi.

NAFA Islamic Income Fund

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED) AS AT March 31, 2008

	Note	March 31, 2008 (Rupees in '000')
Assets		
Bank balances		186,860
Investments	4	483,748
Loans and receivables		280,000
Profit receivable		28,415
Receivable against sale of investments		92,057
Receivable against sale of units		314
Advances, deposits, prepayments and other receivables		2,641
Preliminary expenses and floatation costs		2,285
Total assets		1,076,320
Liabilities		
Accrued expenses and other liabilities		783
Payable on redemption of units		3,364
Payable to National Fullerton Asset Management Limited - Management Company		1,659
Payable to Central Depository Company of Pakistan Limited - Trustee		179
Payable to Securities and Exchange Commission of Pakistan		435
Total liabilities		6,420
Net assets		1,069,900
Unit holders' funds (as per statement attached)		1,069,900
		(Number of units)
Number of units in issue		103,553,290
		Rupees
Net asset value per unit		10.3319

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Islamic Income Fund

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO MARCH 31, 2008 AND QUARTER ENDED MARCH 31, 2008

For the period from September 17, 2007 to March 31, 2008
 Quarter ended March 31, 2008
 (Rupees in '000')

Income

Profit on bank deposits	22,350	10,952
Income from spread transactions	2,927	1,712
Income from Sukuk bonds	16,398	12,279
Net unrealised appreciation in the value of financial instruments at fair value through profit or loss	42	42
	41,717	24,985

Expenses

Remuneration of National Fullerton Asset Management Limited - Management Company	6,525	3,795
Remuneration of Central Depository Company of Pakistan Limited - Trustee	856	496
Annual fee - Securities and Exchange Commission of Pakistan	435	253
Brokerage and other transaction costs	402	248
Annual listing fee	19	11
Settlement and bank charges	36	11
Auditors' remuneration	191	74
Amortisation of preliminary expenses and floatation costs	215	125
	8,679	5,013

Net income from operating activities

Net element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	1,331	2,666
	34,369	22,638

Net income for the period

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited
 (Management Company)

Dr. Amjad Waheed
 Chief Executive

Masood Karim Shaikh
 Chairman

NAFA Islamic Income Fund

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO MARCH 31, 2008 AND QUARTER ENDED MARCH 31, 2008

	For the period from September 17, 2007 to March 31, 2008	Quarter ended March 31, 2008
	(Rupees in '000')	
Undistributed income brought forward	-	11,731
Net income for the period	34,369	22,638
Undistributed income carried forward	<u>34,369</u>	<u>34,369</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Islamic Income Fund

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO MARCH 31, 2008 AND QUARTER ENDED MARCH 31, 2008

	For the period from September 17, 2007 to March 31, 2008	Quarter ended March 31, 2008
	(Rupees in '000')	
Net assets at the beginning of the period	-	910,566
Issue of 183,319,577 and 36,360,190 units respectively	1,845,650	371,923
Redemption of 79,766,287 and 22,690,637 units respectively	(808,788)	(232,561)
	<u>1,036,862</u>	<u>139,362</u>
Net element of accrued (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed -transferred to Income Statement	(1,331)	(2,666)
Net income for the period available for distribution	34,369	22,638
Net assets as at the end of the period	<u><u>1,069,900</u></u>	<u><u>1,069,900</u></u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Islamic Income Fund

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO MARCH 31, 2008 AND QUARTER ENDED MARCH 31, 2008

	For the period from September 17, 2007 to March 31, 2008	Quarter ended March 31, 2008
(Rupees in '000')		
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	34,369	22,638
Adjustments		
Remuneration of National Fullerton Asset Management Limited - Management Company	6,525	3,795
Remuneration of Central Depository Company of Pakistan Limited - Trustee	856	496
Amortisation of preliminary expenses and floatation costs	215	125
Net element of accrued (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	(1,331)	(2,666)
Net unrealised appreciation in the value of financial instruments at fair value through profit or loss	19	19
	40,653	24,407
Increase in assets		
Investments -net	(483,706)	(148,046)
Loans and receivables	(280,000)	-
Dividend and profit receivable	(28,415)	(14,092)
Receivable against sale of investments	(92,057)	(45,553)
Advances, deposits, prepayments and other receivables	(2,641)	(19)
Preliminary expenses and floatation costs	(2,500)	-
	(889,319)	(207,710)
Increase in liabilities		
Accrued expenses and other liabilities	722	(433)
Payable to National Fullerton Asset Management Limited	248	(6,330)
Payable to Securities and Exchange Commission of Pakistan	435	253
	1,405	(6,510)
Remuneration paid to National Fullerton Asset Management Limited - Management Company	(5,114)	(3,674)
Remuneration paid to Central Depository Company of Pakistan Limited - Trustee	(677)	(486)
Net cash outflow on operating activities	(853,052)	(193,973)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts / (payments) made against sales / redemption of units	1,039,912	87,614
Cash and cash equivalents at the beginning of the period	-	293,219
Cash and cash equivalents at the end of the period	186,860	186,860

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman

NAFA Islamic Income Fund

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO MARCH 31, 2008 AND QUARTER ENDED MARCH 31, 2008

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund (the Fund) 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 August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 3, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The Fund is listed on the Lahore Stock Exchange. The units are transferable and can be redeemed by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at par from October 22, 2007 to October 26, 2007.

The core objective of the Fund is to provide investors with a combination of capital growth and income by investing in a variety of Shariah compliant securities, including ready / future arbitrage in listed securities, and transactions under Musharakah, Murabahah, Ijarah etc.

In accordance with the trust deed, the first accounting period of the Fund commenced on the date on which the Trust Property was first paid or transferred to the Trustee.

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC 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'.

3 SUMMARY OF 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 published condensed interim financial statements of the Fund for the period from September 17, 2007 to December 31, 2007.

4 INVESTMENTS

	Note	March 31, 2008 (Rupees in '000')
At fair value through profit or loss		
- Equity securities	4.1	16,363
Available for sale		
- Sukuks	4.2	467,385
		<u>483,748</u>

4.1 AT FAIR VALUE THROUGH PROFIT OR LOSS - Equity securities

These securities are held under ready / future transactions. These securities are purchased in the ready "T+2" market and simultaneously sold in the future market. The Fund has no open exposure to the stock market. The details are as follows:

Name of the investee company	Number of shares				Carrying Value as at March 31, 2008	Market Value at March 31, 2008	Unrealised appreciation / (Diminution)	Market Value as a %age of Net Assets
	Purchases during the period	Bonus / Rights Issue	Sales during the period	As at March 31, 2008				

(Rs. in "000")

All the holding are in shares of Rs. 10/- each or otherwise stated

Oil and Gas Marketing Companies

Pakistan State Oil Company Limited	11,000	-	11,000	-	-	-	-	-
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Oil and Gas Exploration Companies

Oil & Gas Development Company Limited	580,000	-	580,000	-	-	-	-	-
Pakistan Oilfields Limited	87,000	-	89,000	8,000	2,876	2,939	63	0.27
Pakistan Petroleum Limited	404,500	-	404,500	-	-	-	-	-

Fertilizers

Engro Chemicals Pakistan Limited	60,000	-	60,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	427,000	-	131,000	296,000	13,384	13,424	40	1.25
					<u>18,260</u>	<u>18,363</u>	<u>103</u>	

4.2 AVAILABLE FOR SALE - Sukuk Bonds

Name of the investee company	Number of Units			Cost as at March 31, 2008	Cost as at %age of Net Assets
	Purchases during the period	Sales / Redemptions during the period	As at March 31, 2008		

(Rs. in "000")

New Allied Electronic Industries (Pvt) Limited	357,000	-	357,000	135,860	13
Maple Leaf Cement Factory Limited	20,000	-	20,000	100,000	9
Kohat Cement Company Limited	200,000	1,200	198,800	99,400	9
Engro Chemicals Pakistan Limited	8,000	-	8,000	41,137	3.84
Pak Electron Limited	15,000	-	15,000	75,888	7.09
Century Paper and Board Mills Limited	3,000	-	3,000	15,300	1.43
				<u>487,385</u>	

5 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

6 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include National Fullerton Asset Management Limited being the Management Company, National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors, other collective investment schemes being managed by National Fullerton Asset Management Limited, the Directors of the Management Company, entities having common directorship with the Management Company and the Central Depository Company of Pakistan Limited being the trustee.

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

NAFA Islamic Income Fund

Details of the transactions with connected persons and balances with them, if not disclosed in relevant notes, at March 31, 2008 are as follows:

For the period
from September
17, 2007 to
March 31, 2008

For the
Quarter ended
March 31,
2008

(Rupees in '000')

6.1 Amount of transactions during the period

National Fullerton Asset Management Limited - Management Company		
Management fee	6,525	3,795
Central Depository Company Limited - Trustee		
Fee charged	856	496
National Bank of Pakistan - Sponsor		
Investments made by the Sponsor in the Fund (7,500,000 units)	75,000	-
Profit on pre-IPO investment	417	-
NIB Bank Limited - Sponsor		
Investments made by the Sponsor in the Fund (7,500,000 units)	75,000	-
Profit on pre-IPO investment	417	-
Alexandra Fund Management Pte. Limited - Sponsor		
Investments made by the Sponsor in the Fund (10,000,000 units)	100,000	-
Profit on pre-IPO investment	556	-
Executive staff		
Units issued (162,926 units and 91,388 units respectively)	1,646	925
NAFA Cash Fund - Associated Fund		
Payment made for the purchase of Sukuk bond	60,461	-
NAFA Multi Asset Fund - Associated Fund		
Payment made for the purchase of Sukuk bond	50,384	-
		As at March 31, 2008
		(Rupees in '000')

6.2 Balances at period end

National Fullerton Asset Management Limited - Management Company		
Fee payable		1,411
Other payables		248
Central Depository Company Limited - Trustee		
Fee payable		179

NAFA Islamic Income Fund

National Bank of Pakistan - Sponsor

Investment held by the Sponsor in the Fund	77,489
Deposits	479

As at
March 31,
2008

(Rupees in '000')

NIB Bank Limited - Sponsor

Investment made by the Sponsor in the Fund	77,489
Deposits	1,586

Alexandra Fund Management Pte. Limited - Sponsor

Investment made by the Sponsor in the Fund	103,319
Profit payable by the Fund on pre-IPO investment	556

Executive Staff

Investment held by Executive staff	944
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7 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 16, 2008 by the Board of Directors of the Management Company.

8 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For National Fullerton Asset Management Limited
(Management Company)

Dr. Amjad Waheed
Chief Executive

Masood Karim Shaikh
Chairman