

NAFA ISLAMIC INCOME FUND

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 ISLAMIC INCOME FUND

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. Qamar Hussain	Chairman
Mr. Shahid Anwar Khan	Director
Mr. Gerard Lee How Cheng	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Farooque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer
Dr. Asif A. Brohi	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. Shehryar Farooque	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

Al-Baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dawood Islamic Bank
Emirates Global Islamic Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (PAK) Limited
The Bank of Khyber
United Bank Limited
Bank Al-Habib Limited

NAFA ISLAMIC 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:

82 Khan Centre, Near SP Chowk
Abdali Road, Multan Cantt,
Multan.

NAFA ISLAMIC INCOME FUND

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NAFA ISLAMIC 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 Islamic Income Fund for the quarter ended September 30, 2010.

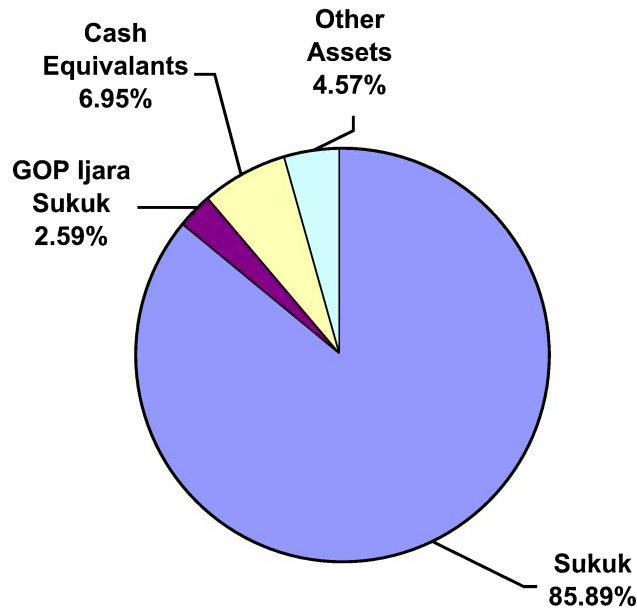
Fund's Performance

The size of NAFA Islamic Income Fund has declined from Rs. 202 million to Rs. 196 million during the period from July 1, 2010 to September 30, 2010. During this period the Unit Price of your Fund has increased from Rs. 7.7492 (Ex-Dividend) to Rs. 8.1081, translating into an annualized return of 19.68%. This impressive performance is due to reversal in provisioning of a Sukuk.

Rising Government borrowing and inflation has forced the SBP to raise the Discount Rate by another 50 basis points over the last two months. The circular debt in the energy sector has exceeded Rs 200 billion, which has resulted in tight liquidity conditions in the market. Increase in KIBOR has also improved the return on TFCs, since almost all TFCs in the market are floating rate instruments.

NAFA Islamic Income Fund has earned total income of Rs.16.52 million (including reversal of impairment losses) during the quarter. After deducting expenses of Rs.1.75 million, the net income is Rs.14.77 million, translating into earning per unit of Rs.0.3589.

The asset allocation of the Fund as on September 30, 2010 is as follows:



NAFA ISLAMIC 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
NBP Fullerton Asset Management Limited
(formerly: National Fullerton Asset Management Limited)

Chief Executive

Director

Date: October 18, 2010
Place: Karachi.

NAFA ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2010

	Note	(Un-audited) September 30, 2010	(Audited) June 30, 2010
----- (Rupees in '000) -----			
ASSETS			
Balances with banks		13,644	23,983
Investments	4	173,494	172,558
Profit receivable	5	7,355	3,857
Advances, deposits, prepayments and other receivables		2,705	2,768
Preliminary expenses and floatation costs		1,034	1,160
Total assets		198,232	204,326
LIABILITIES			
Payable to Management Company		330	222
Payable to Trustee		58	60
Payable to Securities and Exchange Commission of Pakistan		37	212
Accrued expenses and other liabilities	6	1,728	1,522
Total liabilities		2,153	2,016
Net Assets		196,079	202,310
Unit Holders' Funds (as per statement attached)		196,079	202,310
Commitments	11	-	-
(Number of units)			
Number of units in issue		24,183,135	22,607,915
Net asset value per unit		Rupees	Rupees
		8.1081	8.9486

The annexed notes 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 ISLAMIC INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
----- (Rupees in '000) -----			
INCOME			
Gain on sale of investments - net		-	17
Income from sukuk bonds		9,363	9,733
Profit on bank deposits		<u>241</u>	<u>3,075</u>
Total Income		<u>9,604</u>	<u>12,825</u>
EXPENSES			
Remuneration of the Management Company		968	1,659
Remuneration of the Trustee		176	221
Annual fee - Securities and Exchange Commission of Pakistan		37	83
Securities transaction cost		-	1
Settlement and bank charges		4	33
Annual listing fee		8	8
Auditors' remuneration		96	105
Amortisation of preliminary expenses and floatation costs		126	126
Printing and related cost		5	15
Others expenses		25	-
Impairment loss on sukuk bonds classified as investments 'available for sale'		<u>(7,260)</u>	<u>49,618</u>
Total Expenses		<u>(5,815)</u>	<u>51,869</u>
		<u>15,419</u>	<u>(39,044)</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(343)	5,162
Provision for workers' welfare fund		(302)	-
Net income for the period before taxation		<u>14,774</u>	<u>(33,882)</u>
Taxation	9	-	-
Net income for the period after taxation		<u>14,774</u>	<u>(33,882)</u>
Earnings per unit	10		

The annexed notes 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 ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	----- (Rupees in '000) -----	
Net income for the period after taxation	14,774	(33,882)
Other comprehensive income / (loss)		
Net unrealised (diminution) in market value of investments classified as 'available for sale'	(6,317)	(124)
Total comprehensive income / (loss) for the period	<u>8,457</u>	<u>(34,006)</u>

The annexed notes 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 ISLAMIC INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	----- (Rupees in '000) -----	
Undistributed (loss) / income brought forward	15,303	(15,029)
Distribution:		
Final distribution for the period ended June 30, 2010: 11.994% (Date of distribution: 5th July 2010)		
- Bonus units	(16,294)	-
- Cash Distribution	(10,819)	-
Net income / (loss) for the period	14,774	(33,882)
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing losses that form part of the unit holders' fund	1,523	2,355
Undistributed income carried forward	<u>4,487</u>	<u>(46,556)</u>

The annexed notes 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 ISLAMIC INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	202,310	517,111
Issue of 2,301,671 units including 2,102,661 bonus units (September 30, 2009: 5,183,866 units)	1,545	45,700
Redemption of 726,451 units (September 30, 2009: 18,845,589 units)	(5,754) (4,209)	(174,800) (129,100)
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	343	(5,162)
- amount representing loss and capital losses that form part of unit holders' fund - transferred to Distribution Statement	(1,523) (1,180)	(2,355) (7,517)
Net unrealised (diminution) / appreciation during the year / period in the market value of investments classified as 'available for sale'	(6,317)	(124)
Gain / (loss) on sale of investments	-	17
Other income (net of expenses)	14,774	(33,899)
Distribution:		
Final distribution for the period ended June 30, 2010: 11.994% (Date of distribution: 5th July 2010)		
- Bonus units	(16,294)	-
- Cash Distribution	(10,822)	-
	(12,342)	(33,882)
Add: bonus distribution	16,294	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	1,523	2,355
Net assets as at the end of the period	<u>196,079</u>	<u>348,843</u>

The annexed notes 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 ISLAMIC INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

	(Un-audited)	
	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	14,774	(33,882)
Adjustments		
Amortisation of preliminary expenses and floatation costs	126	126
Gain on sale of investments	-	(17)
Impairment loss on sukuk bonds classified as investments 'available for sale'	(7,260)	49,618
Element of loss and capital losses included in prices of units issued less those in units redeemed	343	(5,162)
	<u>7,983</u>	<u>10,683</u>
(Increase) / decrease in assets		
Investments	7	136,519
Profit receivable	(3,498)	5,505
Deposits, prepayments and other receivables	63	(22)
	<u>(3,428)</u>	<u>142,002</u>
Increase / (decrease) in liabilities		
Payable to Management Company	108	(677)
Payable to Trustee	(2)	(25)
Payable to Securities and Exchange Commission of Pakistan	(175)	(528)
Accrued expenses and other liabilities	206	(145)
	<u>137</u>	<u>(1,375)</u>
Net cash inflow / (outflow) from operating activities	<u>4,692</u>	<u>151,310</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	1,545	45,700
Payments on redemption of units	(5,754)	(175,644)
Distributions paid	(10,822)	-
Net cash (outflow) / inflow from financing activities	<u>(15,031)</u>	<u>(129,944)</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(10,339)</u>	<u>21,366</u>
Cash and cash equivalents at the beginning of the period	23,983	65,272
Cash and cash equivalents at the end of the period	<u>13,644</u>	<u>86,638</u>

The annexed notes 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 ISLAMIC INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund (NIIF / the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) (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 August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 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 the SECP. The registered office of the Management Company is situated at 9th floor, Adamjee House, I. I. Chundrigar Road, Karachi.

NIIF is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering to the Fund. The Fund is listed on the Lahore Stock Exchange.

The core objective of the Fund is to seek preservation of capital and earn a reasonable rate of return by investing in Shariah compliant investments. The Fund comprises of investments of various investment horizons, with a significant amount invested in short term investments for the purpose of maintaining liquidity.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2- to the Management Company. Based on the performance of the Fund for the year ended June 30, 2010, it has assigned stability rating of 'BBB-(f)' for short term (tailoring 12 months) to the Fund.

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

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 comprises of such International Financial Reporting Standards (IFRS) issued by 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 Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by 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.

The directors of the Asset Management Company declare that these condensed interim financial statements give a true and fair view of the Fund.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2010 are same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2010.

4 INVESTMENTS

Available for sale
Sukuk bonds

Note	(Un-Audited) September 30, 2010	(Audited) June 30, 2010
----- (Rupees in '000) -----		
4.1	173,494	172,558
	<u>173,494</u>	<u>172,558</u>

NAFA ISLAMIC INCOME FUND

4.1 Sukuk and Ijara bonds - available for sale

Name of the investee company	Number of bonds				Market Value as at September 30, 2010 (Rupees in '000)	Investment as a percentage of		
	As at July 01, 2010	Purchases during the year	Sales during the year	As at September 30, 2010		Net assets	Market value of total investments	Issue Size
Engro Fertilizer Limited	11,000	-	-	11,000	54,038	27.56	31.15	1.83
Kohat Cement Company Limited	20,000	-	-	20,000	72,450	36.95	41.76	4.00
Maple Leaf Cement Factory Limited	5,312	-	-	5,312	19,907	10.15	11.47	0.33
Maple Leaf Cement Factory Limited - Sukuk II (note 4.1.2.1)	199	-	-	199	-	-	-	-
New Allied Electronics Industries (Private) - Limited-1st issue (note 4.1.2.2)	352,000	-	-	352,000	-	-	-	18.33
New Allied Electronics Industries (Private) - Limited-2nd issue (note 4.1.2.3)	1,000	-	-	1,000	-	-	-	0.67
Pak Electron Limited	7,000	-	-	7,000	22,018	11.23	12.69	2.92
Government of Pakistan Ijara bond	50	-	-	50	5,081	2.59	2.93	0.08
					173,494			
Cost of investments as at September 30, 2010					295,807			
Impairment losses / (gains)					115,996			

4.1.1 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue and Government of Pakistan Ijara bond which have a face value of Rs 312.5 and Rs 100,000 each respectively.

4.1.2 As at September 30, 2010, the Fund had not received redemption of principal and / or profit amounts on some of his investments, the details of which are as follows:

4.1.2.1 This represents 2nd issue of sukuk by Maple Leaf Cement Factory Limited under a restructuring agreement with a face value of Rs 0.996 million. As this issue represents overdue mark-up, the management has fully provided the amount of issue and has suspended income of Rs 0.034 million of this issue.

4.1.2.2 This represents sukuk bonds with a term of five years. The principal was to be redeemed from the fifteenth month of draw down by the investee company. However, on October 25, 2008, January 25, 2009, April 25, 2009, July 25, 2009, October 25, 2009, January 25, 2010, April 25, 2010 and July 25, 2010 i.e. the scheduled redemption dates, principal redemptions of Rs.55 million were not received by the Fund. Therefore, as a matter of prudence, the management has suspended income amounting to Rs. 24.258 million and have recognized impairment losses amounting to Rs 110 million till September 30, 2010.

4.1.2.3 This represents investment in privately placed sukuk bonds. On December 3, 2008, June 3, 2009, December 3, 2009 and June 3, 2010 i.e. the scheduled redemption date, profit redemption of Rs 1.301 million was not received by the Fund. Therefore, as a matter of prudence, the management has suspended income amounting to Rs. 1.537 million and have recognized impairment losses amounting to Rs 5 million till September 30, 2010.

	Note	(Un-Audited) September 30, 2010	(Audited) June 30, 2010
----- (Rupees in '000) -----			
5 PROFIT RECEIVABLE			
Profit on savings deposits		205	859
Income accrued on sukuk bonds		32,979	28,538
Less: Suspended Income		(25,829)	(25,540)
		7,150	2,998
		7,355	3,857
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		95	230
Withholding tax payable		21	4
Bank charges payable		16	19
Payable to brokers		22	22
Charity payable		1	1
Provision for Workers' Welfare Fund		932	630
Printing charges payable		345	356
Others		296	260
		1,728	1,522

NAFA ISLAMIC INCOME FUND

7 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan (SECP) 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 Management Company classified NAFA Islamic Income Fund (the Fund) as 'Shariah Compliant (Islamic) Scheme' and Income Scheme' in accordance with the said circular. As at September 30, 2010, the Fund is compliant with all the requirements of the said circular except for clause 9(ii) which requires that at least 25% of net assets shall be invested in cash and near cash instruments and clause 9(v) which requires that rating of any security in the portfolio shall not be lower than investment grade.

Name of Non-Compliant Investment	Type of Investment	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)		%		
i) Investment in debt securities (note 7.2)	a) New Allied Electronics - Sukuk - 1st issue	110,000	110,000	-	-	-
	b) New Allied Electronics - Sukuk - 2nd issue	5,000	5,000	19,907	10.15	10.04
	c) Maple Leaf Cement Factory Limited - Sukuk*	19,907	-	-	-	-
	d) Maple Leaf Cement Factory Limited - Sukuk II	996	996	72,450	36.95	36.55
	e) Kohat Cement Company Limited - Sukuk*	72,450	-	-	-	-
Performing but below investment grade						

7.1 SECP vide circular no. 16 of 2010 dated July 7, 2010 requires that a scheme presently non-compliant with this requirement complies with this requirement by December 31, 2010.

7.2 At the time of purchase, the said Sukuks were in compliance of the said circular (i.e. investment grade) and was subsequently downgraded due to default in payments of due principal and markup.

The management is taking steps to ensure compliance with the above requirement.

8 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include NBP Fullerton Asset Management Limited (NAFA) (Formerly National Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) 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.

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

NAFA ISLAMIC INCOME FUND

	Quarter Ended September 30, 2010 ----- (Rupees in '000) -----	Quarter Ended September 30, 2009
8.1 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - Management Company		
Management fee expense for the period	968	1,659
Front end load for the period	5	97
National Bank of Pakistan - Sponsor		
Cash Dividend	8,996	-
Alexandra Fund Management Pte. Limited - Sponsor		
Bonus units issued (1,660,396 units: September 30, 2009: Nil units)	-	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee for the period	176	221
CDS charges	-	1
NAFA Multi Asset Fund		
Units redeemed (Nil units: September 30, 2009: 3,891,359 units)	-	36,920
Payment received for the sale of sukuk bonds	-	134,475
Employees of the Management Company		
Units issued (Nil units: September 30, 2009: 206,076 units)	-	1,816
Units redeemed (439 units: September 30, 2009: 699,674 units)	3	6,146
Bonus units issued (1,536 units: September 30, 2009: Nil units)	-	-
	(Un-Audited) As at September 30, 2010 ----- (Rupees in '000) -----	(Audited) As at June 30, 2010
8.2 Amounts outstanding as at quarter end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	320	216
Others	10	6
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	58	59
CDS Charges	-	1
Security deposits	100	100
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund (7,500,000 units; June 30, 2010: 7,500,000 units)	60,811	67,115
Balance in current account	83	3,483
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (12,388,042 units; June 30, 2010: 10,727,646 units)	100,443	95,997
Employees of Management Company		
Investment held by the executives in the Fund (11,019 units; June 30, 2010: 9,981 units)	89	89

NAFA ISLAMIC INCOME FUND

9 EARNING PER UNIT

Earning per unit (EPU) for the quarter ended September 30, 2010 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

10 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 90 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 has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

11 COMMITMENTS

There were no commitments as on September 30, 2010.

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 18, 2010.

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 year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable

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

Chief Executive

Director