


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 AGGRESSIVE INCOME FUND

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	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
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited
The Bank of Khyber.

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

House # 10 - A, Block -S, Gulberg - II, Lahore.
UAN: (+92-42) 111-111-NFA (632)
Fax No: (+92-42) 35760373

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

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NAFA ISLAMIC AGGRESSIVE INCOME FUND

DIRECTORS' REPORT

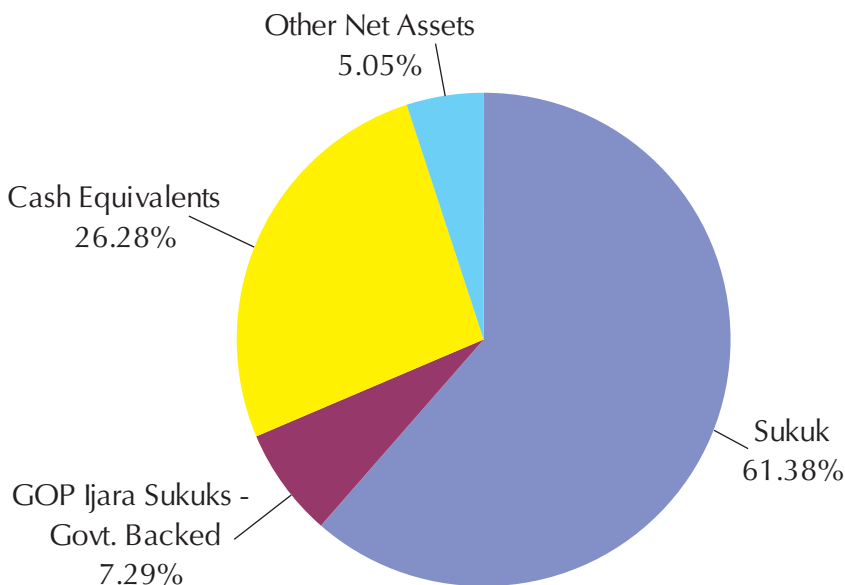
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited (reviewed) financial statements of NAFA Islamic Aggressive Income Fund for the half year ended December 31, 2011.

Fund's Performance

The size of NAFA Islamic Aggressive Income Fund has reduced from Rs. 178 million to Rs. 163 million during the period, i.e. a decline of 8.43%. During the said period, the unit price of the Fund has increased from Rs. 7.2189 (Ex – Div) on June 30, 2011 to Rs.7.6632 on December 31, 2011, thus showing an annualized return of 12.58% as compared to its Benchmark (Average 3-Month deposit rate of Islamic Banks) annualized return of 7.91% for the same period.

The coupon rates of all Sukuks in the Fund are floating and linked to KIBOR, which depicted a falling trend during the half year.

The Fund has earned total income of Rs.11.72 million during the period which does not include unrealized gain on available for sale investments. After deducting expenses of Rs.19.94 million, the net loss is Rs.8.22 million. The asset allocation of the Fund as on December 31, 2011 is as follows:



NAFA ISLAMIC AGGRESSIVE 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

Chief Executive

Director

Date: February 17, 2012
Place: Karachi.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC AGGRESSIVE INCOME FUND

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Aggressive Income Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from July 01, 2011 to December 21, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 28, 2012

NAFA ISLAMIC AGGRESSIVE INCOME FUND

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

NAFA ISLAMIC AGGRESSIVE INCOME FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

NAFA Islamic Aggressive Income Fund, an open-end Scheme established under a Trust Deed dated August 20, 2007 executed between NBP Fullerton Asset Management Limited (Formerly: National Fullerton Asset Management Limited), as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on September 03, 2007.

During the period CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new trustee with effect from November 22, 2011.

1. NBP Fullerton Asset Management Limited (Formerly: National Fullerton Asset Management Limited), the Management Company of NAFA Islamic Aggressive Income Fund has in all material respects managed NAFA Islamic Aggressive Income Fund during the period from November 22, 2011 to December 31, 2011 in accordance with the provisions of the following:
 - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Karachi: February 21, 2012

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of NAFA Islamic Aggressive Income Fund ("the Fund") as at 31 December 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the quarter ended 31 December 2011 and 31 December 2010 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

The condensed interim financial information of the Fund for the six months period ended 31 December 2010 and financial statements for the year ended 30 June 2011 were reviewed and audited by another firm of auditors whose reports dated 18 February 2011 and 3 October 2011 expressed an unqualified conclusion and opinion thereon respectively.

Date: February 17, 2012

Karachi

*KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem*

NAFA ISLAMIC AGGRESSIVE INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES As at 31 December 2011

	Note	Unaudited December 31, 2011	Audited June 30, 2011
------(Rupees in '000)-----			
ASSETS			
Bank balances		42,827	26,141
Investments	5	111,901	139,904
Profit receivable	6	10,062	11,668
Deposits, prepayments and other receivables		248	2,633
Preliminary expenses and floatation costs		409	660
Total assets		<u>165,447</u>	<u>181,006</u>
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company		270	333
Remuneration payable to the Trustee		38	71
Payable to Securities and Exchange Commission of Pakistan		63	140
Accrued expenses and other liabilities	7	2,133	2,026
Total liabilities		<u>2,504</u>	<u>2,570</u>
NET ASSETS		<u>162,943</u>	<u>178,436</u>
Unit holders' funds (as per statement attached)		<u>162,943</u>	<u>178,436</u>
Contingencies and commitments	8		
(Number of units)			
Number of units in issue		<u>21,263,094</u>	<u>21,639,887</u>
Rupees			
Net asset value per unit		<u>7.6632</u>	<u>8.2457</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011

	Note	Half year ended		Quarter ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----					
Income					
Capital Gain on sale of investments - net		30	560	20	560
Profit on bank deposits		1,268	1,123	675	882
Income from sukuk bonds		10,403	15,853	7,674	6,490
Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net		20	-	13	-
Total Income		11,721	17,536	8,382	7,932
Expenses					
Remuneration of NBP Fullerton Asset Management Limited - Management Company		1,675	1,899	806	931
Sindh sales tax on management fee		268	-	129	-
Remuneration of the Trustee		288	354	137	178
Annual fee to Securities and Exchange Commission of Pakistan		63	72	30	35
Annual listing fee		15	15	7	7
Settlement and bank charges		32	73	27	69
Auditors' remuneration		243	226	123	130
Impairment loss / (reversal) on investments classified as 'available for sale'		10,783	(7,259)	893	1
Provision against accrued income from sukuk bonds		6,226	-	6,226	-
Stability rating fee		101	101	101	101
Legal and professional charges		-	25	-	-
Amortisation of preliminary expenses and floatation costs		251	252	125	126
Other expenses		-	-	(51)	(5)
Total Expenses		19,945	(4,242)	8,553	1,573
Net (loss) / income from operating activities		(8,224)	21,778	(171)	6,359
Element of loss and capital losses included in prices of units issued less those in units redeemed- net	4	-	(530)	-	(187)
Provision for Workers' Welfare Fund	9	-	(425)	-	(123)
Net (loss) / income for the period before taxation		(8,224)	20,823	(171)	6,049
Taxation	10	-	-	-	-
Net (loss) / income for the period after taxation		(8,224)	20,823	(171)	6,049

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----			
Net (loss) / income for the period after taxation	(8,224)	20,823	(171)	6,049
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	7,879	(16,371)	(1,746)	(10,054)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	9,890	-	9,890	-
Total comprehensive income for the period	<u>9,545</u>	<u>4,452</u>	<u>7,973</u>	<u>(4,005)</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
Undistributed income / (accumulated loss) brought forward	23,356	15,303	(6,924)	4,484
Final distribution for the year ended 30 June 2011: 10.268% (June 30, 2010: 11.994%)				
- Bonus units	(14,495)	(16,294)	-	-
- Cash distribution	(7,724)	(10,822)	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed- amount representing income that form part of the unit holders' funds	(99)	2,824	(91)	1,301
Net (loss) / income for the period after taxation	(8,224)	20,823	(171)	6,049
(Accumulated loss) / Undistributed income carried forward	<u>(7,186)</u>	<u>11,834</u>	<u>(7,186)</u>	<u>11,834</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----			
Net assets at the beginning of the period	178,436	202,310	171,799	196,079
Issue of 2,041,555 units including 2,007,977 bonus units (2010: 2,346,934 units)	249	1,901	247	356
Redemption of 2,418,348 units (2010: 1,301,414 units)	(17,563)	(10,179)	(17,076)	(4,425)
	(17,314)	(8,278)	(16,829)	(4,069)
Issue of bonus units in respect of final distribution for the year ended 30 June 2011: 10.268% (2010: 11.994%)	14,495	16,294	-	-
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount representing loss and capital losses	-	530	-	187
- transferred to Income Statement				
- amount representing loss / (income) - that form part of unit holders' funds	99	(2,824)	91	(1,301)
	99	(2,294)	91	(1,114)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	7,879	(16,371)	(1,746)	(10,054)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	9,890	-	9,890	-
Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net	20	-	13	-
Other operating (loss) / income	(8,244)	20,823	(184)	6,049
Net (loss) / income for the period after taxation	(8,224)	20,823	(171)	6,049
Distributions:				
Final distribution for the year ended 30 June 2011: 10.268% (2010: 11.994%)				
- Bonus units	(14,495)	(16,294)	-	-
- Cash distribution	(7,724)	(10,822)	-	-
	(22,219)	(27,116)	-	-
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(99)	2,824	(91)	1,301
Net assets as at the end of the period	<u>162,943</u>	<u>188,192</u>	<u>162,943</u>	<u>188,192</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / income for the period before taxation	(8,224)	20,823	(171)	6,049
Adjustments:				
Amortisation of preliminary expenses and floatation costs	251	252	125	126
Gain on sale of investments	(30)	(560)	(20)	(560)
Impairment loss / (reversal of impairment loss) on investments classified as 'available for sale and held for trading'	10,783	(7,259)	893	1
Element of loss and capital losses included in prices of units issued less those in units redeemed- net	-	530	-	187
	2,780	13,786	827	5,803
Decrease / (increase) in assets				
Investments - net	35,019	30,512	28,009	30,505
Deposits, prepayments and other receivables	2,385	21	2,407	(42)
Profit receivable	1,606	(7,607)	1,185	(4,109)
	39,010	22,926	31,601	26,354
(Decrease) / increase in liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	(63)	110	(59)	2
Payable to Trustee	(33)	8	(36)	10
Payable to Securities and Exchange Commission of Pakistan	(77)	(140)	30	35
Accrued expenses and other liabilities	107	386	(59)	180
	(66)	364	(124)	227
Net cash inflow from operating activities	41,724	37,076	32,304	32,384
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts from issue of units	249	1,901	247	356
Net payments on redemption of units	(17,563)	(10,145)	(17,076)	(4,391)
Distributions paid during the period	(7,724)	(10,822)	-	-
Net cash outflow on financing activities	(25,038)	(19,066)	(16,829)	(4,035)
Net increase in cash and cash equivalents during the period	16,686	18,010	15,475	28,349
Cash and cash equivalents at the beginning of the period	26,141	23,983	27,352	13,644
Cash and cash equivalents at the end of the period	42,827	41,993	42,827	41,993

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Aggressive Income Fund (NIAIF / the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 20 August 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 September 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.

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

Management decided to change the trustee of NAFA Islamic Aggressive Income Fund. Central Depository Company Limited closed its services with effect from 21 November 2011 as the Trustee of the Fund and MCB Financial Services started its services from 22 November 2011 as the Trustee.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2011.

These condensed interim financial information comprise of condensed interim statement of assets and liabilities as at 31 December 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement, and notes thereto, for the six months period ended 31 December 2011.

These condensed interim financial information are being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

2.2 Functional and presentation currency

These condensed interim financial information are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, except otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements for the preceding year ended 30 June 2011.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June 2011, except for change in methodology of calculation and classification of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in the units redeemed ("element").

During the current period, the Fund has revised its methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the period and unrealised appreciation / (diminution) arising during the period on available for sale securities and is taken directly to the distribution statement. Previously, the element was recognised based on cumulative values of undistributed income and unrealised gain / loss on available for sale securities present in the net asset value of units. The element represented by income earned during the period was recognised in the income statement and the remaining amount was taken directly to the distribution statement.

The revised methodology, in the opinion of the management, reflects a more appropriate manner for determination of element. The change in the presentation of element in the financial statements has been based on the recommendation of the Institute of Chartered Accountants of Pakistan (ICAP) to the Securities and Exchange Commission of Pakistan (SECP). As per ICAP's recommendation to the SECP, element of income, being in the nature of "equalization account" does not qualify for recognition either as expense or income as per International Financial Reporting Standards (IFRSs). Therefore, in order to enhance harmonization of mutual fund accounting with the primary accounting framework, the net balance of element of income at the end of the reporting period has been recognised directly in the distribution statement.

The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- loss for the year would have been lower by 0.615 million.
- amount taken to distribution statement would have been higher by 0.849 million.

	Note	(Un-Audited) December 31 2011	(Audited) June 30, 2011
(Rupees in '000)			
5 INVESTMENTS			
Available for sale	5.1	109,876	137,899
- Sukuk bonds			
At fair value through profit or loss - held for trading	5.2	2,025	2,005
GoP Ijarah Sukuk		<u>111,901</u>	<u>139,904</u>

NAFA ISLAMIC AGGRESSIVE INCOME FUND

5.1 Sukuk and Ijara bonds - available for sale

Name of the investee company	Number of certificates				Market value/ Carrying value as at 31 December 2011*	Investment as a percentage of		
	As at July 1, 2011	Purchases during the period	Sales during the period	As at December 31, 2011		Market value of Net assets	Market value of total investments	Issue size
					Rupees in '000	-----%-----		
Engro Fertilizer Limited	5,400	-	800	4,600	23,345	14.33	20.86	0.90
Kohat Cement Company Limited	20,000	-	-	20,000	47,162	28.94	42.15	4.00
Maple Leaf Cement Factory Limited - II (note 5.1.2)	199	-	-	199	-	-	-	0.33
New Allied Limited-1st issue (note 5.1.3)	352,000	-	-	352,000	-	-	-	-
New Allied Limited-2nd issue (note 5.1.4)	1,000	-	-	1,000	-	-	-	18.33
Maple Leaf Cement Factory Limited - I (note 5.1.5)	5,312	-	-	5,312	15,732			
Pak Electron Limited (note 5.1.6)	7,000	-	-	7,000	13,783			
GOP Ijara Sukuk - issue date 26.09.2008	50	-	50	-	-	-	-	0.67
GOP Ijara Sukuk - issue date 15.11.2010	1,960	-	-	1,960	9,854			
	392,921	-	850	392,071	109,876			
Carrying value of investments as at 31 December 2011					101,997			
Provision held					126,683			

- 5.1.1 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.
- 5.1.2 This represents investment in Maple Leaf privately placed sukuk bonds II. The coupon payment on Maple Leaf Sukuk II was due on 29 June 2010 which was not received by the Fund. Therefore as a matter of prudence, the management has recognised an impairment loss amounting to Rs. 0.995 million till 31 December 2011 as required by SECP circular no. 01 of 2009. The income suspended on these bonds amounted to Rs. 0.036 million. Therefore, these are stated at cost less provision.
- 5.1.3 This represents investment in privately placed sukuk bonds. On scheduled redemption dates [i.e 25 October 2008 (only principal), 25 January 2009, 25 April 2009, 25 July 2009 and 25 October 2009], the principal and profit payments were not received by the Fund. The management has recognised an impairment loss amounting to Rs 110 million till 31 December 2011 as required by SECP circular no. 1 of 2009. The income suspended on these sukuk bonds amounted to Rs. 30.541 million. Therefore, these are stated at cost less provision.
- 5.1.4 This represents investment in privately placed sukuk bonds. On 3 December 2008, the scheduled redemption date, profit redemption of Rs.1.855 million was not received by the Fund. The management has recognised an impairment loss amounting to Rs 4.905 million till 31 December 2011 as required by SECP circular no. 1 of 2009. The income suspended on these sukuk bonds amounted to Rs.2.043 million. Therefore, these are stated at cost less provision.
- 5.1.5 This represents investment in privately placed Sukuk Certificates issued with a term of six years. During the six months period ended, the status of these Sukuk Certificates again has been changed from performing to non-performing (performing as at 30 June 2011). The coupon payment on Maple Leaf Sukuk I was due on 03 September 2011 which was not received by the Fund. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.5.715 million. However as a matter of prudence, the management has recognised an impairment loss amounting to Rs. 10.783 million till 31 December 2011 in the income statement including unrealised loss of Rs. 9.89 million previously included in other comprehensive income as at 30 June 2011, which management considered adequate and appropriate in the present circumstances. The income suspended on these bonds amounted to Rs. 3.76 million. Therefore, these are stated at cost less provision.

9 PROVISION FOR WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. The Central Depository Company of Pakistan on behalf of funds under its trusteeship along with a few Collective Investment Schemes (CISs) filed a petition before the Honourable High Court of Sindh on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On 14 December 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry before Honourable High Court of Sindh. During the period, the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in the WWF Ordinance through the Finance Act, 2006, and the Finance Act 2008 has declared the said amendments as unlawful and unconstitutional. While, the Constitutional Petition filed in the Honourable High Court of Sindh is still pending.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF.

10 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The management company intends to distribute not less than 90% of the annual accounting income to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in this condensed interim financial information for the six months period ended 31 December 2011.

11 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 6 March 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 Aggressive Income Fund (the Fund) as 'Shariah Compliant (Islamic) Scheme' and 'Aggressive Fixed Income Scheme' in accordance with the said circular. As at 31 December 2011, the Fund is compliant with all the requirements of the said circular except for clause 5(ii) which requires that rating of any security in the portfolio shall not be lower than investment grade.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

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	New Allied Electronics - Sukuk - 1st issue	110,000	110,000	-	-	-
	New Allied Electronics - Sukuk - 2nd issue	4,905	4,905	-	-	-
	Maple Leaf Cement Factory Limited - Sukuk I	37,298	10,783	26,515	16.27	16.03
	Maple Leaf Cement Factory Limited - Sukuk II	995	995	-	-	-
	Kohat Cement Company Limited - Sukuk*	47,162	-	47,162	28.94	28.51
	Pak Elektron Limited - Sukuk **	13,783	-	13,783	8.46	8.33
* Excess exposure	Kohat Cement Company Limited - Sukuk	47,162	-	47,162	28.94	28.51
	Construction and Material	85,455	11,778	73,677	45.22	44.53

** Defaulted on payment of interest and principal redemption on 27 December 2011, and was classified as non-performing subsequent to the period end.

11.1 At the time of purchase, these Sukuks were in compliance with the requirements of the circular (i.e. investment grade) and were subsequently downgraded due to default in payments of due principal and mark-up.

12 TRANSACTIONS WITH CONNECTED PERSONS

12.1 Connected persons include NBP Fullerton Asset Management Limited (NAFA)

Connected persons include NBP Fullerton Asset Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee as at 2 November 2011 and MCB Financial Services Limited (MCBFSL) being the new Trustee from 22 November 2011, 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.

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

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

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

12.5 Details of the transactions with connected persons during the period are as follows:

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
Management Company				
Management fee expense for the period	1,675	1,899	806	931
Front end load for the period	2	9	2	4
National Bank of Pakistan - Sponsor				
Cash Dividend	-	8,996	(7,701)	-
Alexandra Fund Management Pte. Limited - Sponsor				
Bonus units issued 1,805,633 units (31 December 2010: Nil units)	13,035	-	13,035	-
Units redeemed 220,409 (31 December 2010: Nil units)	16,000			

NAFA ISLAMIC AGGRESSIVE INCOME FUND

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
Central Depository Company of Pakistan Limited - Trustee				
Trustee fee for the period	288	354	137	178
CDS charges	4	8	-	8
Key management personnel of the Management Company				
Units issued 9,738 (31 December 2010: Nil units)	74	-	-	-
Units redeemed 11,262 (31 December 2010: Nil units)	81	13	81	13
Bonus units issued 1,403 units (31 December 2010: Nil units)	101	-	101	-
			(Un-Audited)	(Audited)
			As at December 31, 2011	As at June 30, 2011
------(Rupees in '000)-----				
12.6 Amounts outstanding as at period end				
Management Company				
Management fee payable		270		294
Front end load for the period		2		39
Central Depository Company of Pakistan Limited - Trustee				
Remuneration payable		38		49
CDS Charges		32		22
Security deposits		200		100
National Bank of Pakistan - Sponsor				
Investment held by the Sponsor in the Fund				
7,500,000 units (30 June 2011: 7,500,000 units)		57,474		61,843
Balance in current account		-		5
Alexandra Fund Management Pte. Limited - Sponsor				
Investment held by the Sponsor in the Fund				
12,293,699 units (30 June 2011: 12,694,476 units)		94,209		104,675

13 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 17, 2012.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director