

# NAFA INCOME FUND

## NAFA INCOME FUND

**HALF YEARLY REPORT  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2009  
(UN-AUDITED)**

# NAFA INCOME FUND

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# NAFA INCOME FUND

## DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Fund for the half year ended December 31, 2009.

### Fund's Performance

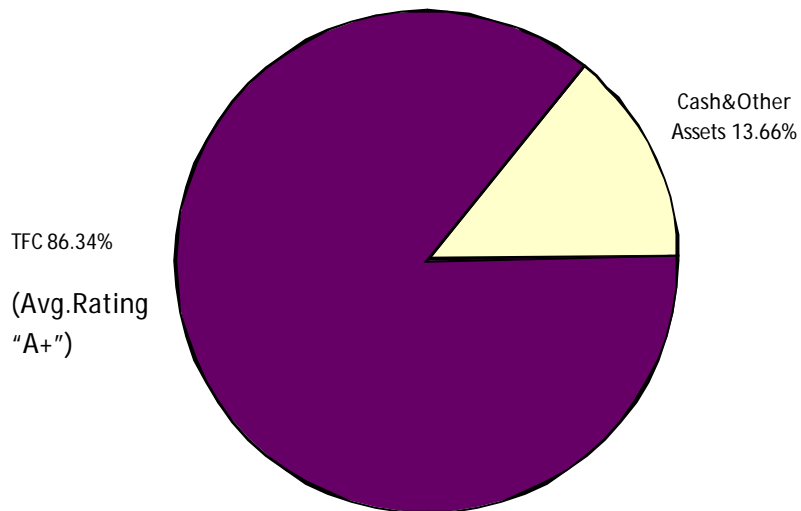
The size of NAFA Income Fund has reduced from Rs. 1,036 million to Rs. 665 million during the period, i.e. a decline of 35.81%. During the said period, the unit price of NAFA Income Fund has increased from Rs. 9.9537 (Ex-Div) on June 30, 2009 to Rs. 10.4828 on December 31, 2009, thus showing an annualized return of 10.82% as compared to its Benchmark (3-Month T-Bills) return of 12.89% for the same period.

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

NAFA Income Fund has earned total income of Rs. 87.17 million during the period. After deducting expenses of Rs. 56.38 million, the net income is Rs. 30.79 million, translating into earning per unit of Rs. 0.5291.

The asset allocation of the Fund as on December 31, 2009 is as follows:

### Asset Allocation as on December 31, 2009



# NAFA INCOME FUND

## **Acknowledgement**

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

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

On behalf of the Board of  
National Fullerton Asset Management Limited

Chief Executive

Chairman

Date: February 17, 2010  
Place: Karachi.

# NAFA INCOME FUND

## TRUSTEEREPORRTTOTHEUNITHOLDERS

### **ReportoftheTrusteepursuanttoRegulation41(h)oftheNon-BankingFinanceCompaniesandNotified EntitiesRegulations,2008**

NAFAIncomeFund(theFund),anopen-endschemewasestablishedunderatrustdeeddatedJanuary03,2008, executedbetweenNational FullertonAssetManagementLimited,asthe management company and Central DepositoryCompanyofPakistanLimited,asthetrustee.

Inouropinion,theManagementCompanyhasinallmaterialrespectsmanagedtheFundduringtheperiodfromJuly 01,2009toDecember31,2009inaccordancewiththeprovisionsofthefollowing:

- (i) Limitationsimposedontheinvestmentpowersofthemanagementcompanyundertheconstitutive documentsoftheFund;
- (ii) Thepricing,issuanceandredemptionofunitsarecarriedoutinaccordancewiththerequirementsofthe constitutivedocumentsoftheFund;and
- (iii) TheNon-BankingFinanceCompanies(EstablishmentandRegulations)Rules,2003,theNon-Banking FinanceCompaniesandNotifiedEntitiesRegulations,2008andtheconstitutedocumentsoftheFund.

**MuhammadHanifJakhura**  
ChiefExecutiveOfficer  
CentralDepositoryCompanyofPakistanLimited

Karachi,February24,2010

# NAFA INCOME FUND

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

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Income Fund** as at December 31, 2009, 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' funds and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2009. The Management Company (National Fullerton Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement for the quarters ended December 31, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2009.

### *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 Standard 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 as of and for the half year ended December 31, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.  
Chartered Accountants.

Date: February 24, 2010

Karachi

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2009

	Note	Unaudited DECEMBER 31, 2009	Audited June 30, 2009
-----Rupees in '000-----			
<b>ASSETS</b>			
Balances with banks		65,847	179,595
Investments	4	574,086	823,944
Advances, deposits, prepayments and other receivables		3,803	3,859
Profit receivable	5	24,869	41,857
Preliminary expenses and floatation costs		3,241	3,744
<b>Total assets</b>		<b>671,846</b>	<b>1,052,999</b>
<b>LIABILITIES</b>			
Accrued expenses and other liabilities	6	855	862
Payable against redemption of units		895	8,032
Payable to National Fullerton Asset Management Limited - Management Company		4,788	6,805
Payable to Central Depository Company of Pakistan Limited - Trustee		113	167
Payable to Securities and Exchange Commission of Pakistan		291	1,076
<b>Total liabilities</b>		<b>6,942</b>	<b>16,942</b>
<b>NET ASSETS</b>		<b>664,904</b>	<b>1,036,057</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>664,904</b>	<b>1,036,057</b>
Contingencies and Commitments	7		
<b>Number of units in issue</b>		<b>63,428,163</b>	<b>102,339,874</b>
<b>Net asset value per unit</b>		<b>10.4828</b>	<b>10.1237</b>

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

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Chairman

# NAFA INCOME FUND

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
	-----Rupees in '000-----			
<b>INCOME</b>				
Profit on bank deposits	3,929	17,505	1,745	5,657
Income from Continuous Funding System (CFS) transactions	-	5,717	-	1,098
Gain/(loss) on sale of investments-net	1,617	(4,571)	(1,003)	(4,571)
Income from term finance certificates, sukuk bonds and commercial papers	48,521	73,419	19,913	39,987
Income on certificates of deposit and clean placements	-	817	-	681
Net unrealised appreciation/(diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss'	39,895	(84,701)	32,097	(82,642)
<b>Total income</b>	<b>93,962</b>	<b>8,186</b>	<b>52,752</b>	<b>(39,790)</b>
<b>EXPENSES</b>				
Remuneration of National Fullerton Asset Management Limited- Management Company	5,838	10,739	2,604	4,899
Remuneration of Central Depository Company of Pakistan Limited- Trustee	777	1,220	348	579
Annual fee- Securities and Exchange Commission of Pakistan	292	687	130	298
Annual listing fee	13	15	6	7
Brokerage and other securities transaction cost	-	114	-	4
Settlement charges and bank charges	146	920	(57)	141
Auditors' remuneration	199	185	82	95
Impairment losses on sukuk bonds	48,243	15,000	40,215	15,000
Fundraising fee	100	-	100	-
Printing and related costs	218	320	32	320
Amortisation of preliminary expenses and floatation costs	503	500	251	248
Other expenses	51	515	51	408
<b>Total expenses</b>	<b>56,380</b>	<b>30,215</b>	<b>43,762</b>	<b>21,999</b>
<b>Net income/(loss) from operating activities</b>	<b>37,582</b>	<b>(22,029)</b>	<b>8,990</b>	<b>(61,789)</b>
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed	(6,789)	8,702	(2,942)	10,869
<b>Net income/(loss) for the period before taxation</b>	<b>30,793</b>	<b>(13,327)</b>	<b>6,048</b>	<b>(50,920)</b>
Taxation	-	-	-	-
<b>Net income/(loss) for the period after taxation</b>	<b>30,793</b>	<b>(13,327)</b>	<b>6,048</b>	<b>(50,920)</b>
<b>Earnings per unit</b>				

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

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

Chief Executive

Chairman



# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

Note	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
	-----Rupees in '000-----			
	30,793	(13,327)	6,048	(50,920)
<b>Other comprehensive income</b>				
	(53)	(32,500)	8,244	(33,330)
	3,086	-	3,086	-
	1,615	15,908	113	15,951
<b>Total comprehensive income/(loss) for the period</b>	<u>35,441</u>	<u>(29,919)</u>	<u>17,491</u>	<u>(68,299)</u>

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

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

Chief Executive

Chairman

# NAFA INCOME FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

Note	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
-----Rupees in '000-----				
<b>Undistributed income brought forward</b>	21,284	37,719	30,134	37,747
Final distribution for the year ended June 30, 2009: 1.70% (2008: 2.10%)				
- Bonus units	(16,900)	(31,331)	-	-
- Cash distribution	(497)	(6,191)	-	-
Interim distribution for the quarter ended September 30, 2009: Nil (2008: 2.67%)				
- Bonus units	-	(36,591)	-	(36,591)
- Cash distribution	-	(692)	-	(692)
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those units redeemed	1,615	15,908	113	15,951
Net income/(loss) for the period after taxation	30,793	(13,327)	6,048	(50,920)
<b>Undistributed income/(loss) carried forward</b>	<u>36,295</u>	<u>(34,505)</u>	<u>36,295</u>	<u>(34,505)</u>

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

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

Chief Executive

Chairman

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

Note	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
-----Rupees in '000-----				
<b>Net assets at the beginning of the period</b>	1,036,057	1,827,917	758,640	1,469,776
Issue of 16,582,881 units including 1,697,894 bonus units (2008: 95,045,976 units)	151,398	891,866	15,186	491,007
Redemption of 55,494,592 units (2008: 163,744,596 units)	(562,669) (411,271)	(1,622,083) (730,217)	(129,242) (114,056)	(828,684) (337,677)
Final distribution for the year ended June 30, 2009: 1.70% (2008: 2.10%)	16,900	31,331	-	-
Interim distribution for the quarter ended September 30, 2009: Nil (2008: 2.67%) - Bonus distribution	-	36,591	-	36,591
Net element of (income)/loss and capital (gains)/losses included in prices of units issued less those in units redeemed				
- amount representing accrued (income)/loss and capital (gains)/ losses transferred to income statement	6,789	(8,702)	2,942	(10,869)
- amount representing (income)/loss that form part of unit holders' fund transferred to statement of comprehensive income	(1,615) 5,174	(15,908) (24,610)	(113) 2,829	(15,951) (26,820)
Net unrealised appreciation/(diminution) on re-measurement of investments classified as 'financial assets available for sale'	(53)	(32,500)	8,244	(33,330)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	3,086	-	3,086	-
Net unrealised appreciation/(diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	39,895	(84,701)	32,097	(82,642)
Other operating income/(loss)	(9,102)	71,374	(26,049)	31,722
<b>Net income/(loss) for the period</b>	<b>30,793</b>	<b>(13,327)</b>	<b>6,048</b>	<b>(50,920)</b>
<b>Distribution:</b>				
Final distribution for the year ended June 30, 2009: 1.70% (2008: 2.10%) - Bonus distribution - Cash distribution	(16,900) (497)	(31,331) (6,191)	- -	- -
Interim distribution for the quarter ended September 30, 2009: Nil (2008: 2.67%) - Bonus distribution - Cash distribution	- -	(36,591) (692)	- -	(36,591) (692)
<b>Other comprehensive income</b>				
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed	1,615	15,908	113	15,951
<b>Net assets at the end of the period</b>	<b>664,904</b>	<b>1,036,288</b>	<b>664,904</b>	<b>1,036,288</b>

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

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

Chief Executive

Chairman

# NAFA INCOME FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

Note	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
-----Rupees in '000-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income/(loss) for the period before taxation	30,793	(13,327)	6,048	(50,920)
<b>Adjustments</b>				
Net unrealised (appreciation)/diminution on re-measurement of investments classified as financial assets at fair value through profit or loss	(39,895)	84,701	(32,097)	82,642
Amortisation of preliminary expenses and floatation costs	503	500	251	248
(Gain)/loss on sale of investments	(1,617)	4,571	1,003	4,571
Impairment loss on investments classified as 'available for sale'	48,243	15,000	40,215	15,000
Net element of (income)/loss and capital (gains)/losses included in prices of units issued less those units redeemed	6,789	(8,702)	2,942	(10,869)
	44,816	82,743	18,362	40,672
<b>(Increase)/decrease in assets</b>				
Receivable against Continuous Funding System (CFS) transactions	-	48,551	-	28,110
Investments-net	246,160	(161,867)	49,607	(15,057)
Loans and receivables	-	50,000	-	40,000
Receivable against sale of investments	-	(8,794)	-	(8,794)
Advances, deposits, prepayments and other receivables	56	(1,549)	12,556	411
Profit receivable	16,988	(8,212)	1,837	(2,803)
	263,204	(81,871)	64,000	41,867
<b>Increase/(decrease) in liabilities</b>				
Accrued expenses and other liabilities	(7)	(7)	(27)	663
Payable against redemption of units	(7,137)	5,288	(7,137)	8,601
Payable to National Fullerton Asset Management Limited- Management Company	(2,017)	(1,656)	(264)	(1,438)
Payable to Central Depository Company of Pakistan Limited- Trustee	(54)	(69)	(15)	(19)
Payable to Securities and Exchange Commission of Pakistan	(785)	(18)	129	(408)
	(10,000)	3,538	(7,314)	7,399
<b>Net cash inflow from operating activities</b>	<b>298,020</b>	<b>4,410</b>	<b>75,048</b>	<b>89,938</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net receipts from issuance of units	151,398	891,866	15,186	491,007
Net payment on redemption of units	(562,669)	(1,622,083)	(123,382)	(828,684)
Distribution paid	(497)	(6,883)	-	(692)
<b>Net cash outflow from financing activities</b>	<b>(411,768)</b>	<b>(737,100)</b>	<b>(108,196)</b>	<b>(338,369)</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(113,748)</b>	<b>(732,690)</b>	<b>(33,148)</b>	<b>(248,431)</b>
Cash and cash equivalents at the beginning of the period	179,595	759,564	98,995	275,305
<b>Cash and cash equivalents at the end of the period</b>	<b>65,847</b>	<b>26,874</b>	<b>65,847</b>	<b>26,874</b>

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

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

Chief Executive

Chairman

# NAFA INCOME FUND

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2009

## 1 LEGAL STATUS AND NATURE OF BUSINESS

The NAF Income Fund (NIF) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on January 03, 2008 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2007 (NBFC Rules).

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

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2-' to the Management Company. The Fund has been assigned stability rating 'A(f)' for the year ended June 30, 2009.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

2.2 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

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

# NAFA INCOME FUND

IAS1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position (referred to as the statement of assets and liabilities in these condensed interim financial statements) as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Fund has applied IAS1 (revised) from July 1, 2009, and has elected to present two separate performance statements. As a result, non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as the statement of comprehensive income in these condensed interim financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statements of assets and liabilities has not been presented.

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

IAS39 (amendment), 'Financial Instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with the evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's financial statements.

IFRS7 (amendment) 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Fund's financial position or performance.

IAS32 (amendment), 'Financial Instruments: Presentation', and IAS1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. One of the particular features is that apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity. In this connection, Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 mandates the payment of 90% of the Fund's profits for the year as dividends, therefore the amendment has not changed the classification of units.

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

# NAFA INCOME FUND

	Note	Un-audited December 31, 2009	Audited June 30, 2009
-----Rupees in '000-----			
<b>4 INVESTMENTS</b>			
Financial assets at fair value through profit or loss	4.1	398,802	612,841
Financial assets available for sale	4.2	<u>175,284</u>	<u>211,103</u>
		<u>574,086</u>	<u>823,944</u>
<b>4.1 Financial assets at fair value through profit or loss - held for trading</b>			
Term finance certificates - listed	4.1.1	103,027	236,875
Term finance certificates - unlisted	4.1.1	290,775	349,049
Sukuk bonds	4.1.1	<u>5,000</u>	<u>26,917</u>
		<u>398,802</u>	<u>612,841</u>

## 4.1.1 Term finance certificates and sukuk bonds

### Term finance certificates

Name of the investee company	Number of certificates				Market Value as at December 31, 2009	Investment as a percentage of		
	As at July 1, 2009	Purchases during the period	Sales during the period	As at December 31, 2009		Net Assets	Market Value of Total Investment	Issue size
(Rupees in '000)-----%								
<b>Term finance certificates - listed</b>								
Engro Chemical Pakistan Limited	8,000	-	8,000	-	-	-	-	-
NIB Bank Limited	1,000	-	1,000	-	-	-	-	-
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	58,966	8.87	10.27	10.00
United Bank Limited	30,000	-	20,000	10,000	44,061	6.63	7.67	0.83
				<u>25,000</u>	<u>103,027</u>	<u>15.50</u>	<u>17.94</u>	<u>10.83</u>
<b>Term finance certificates - unlisted</b>								
Engro Chemical Pakistan Limited	20,000	-	-	20,000	97,126	14.61	16.92	2.50
Pak American Fertilizer Limited	30,000	-	-	30,000	146,923	22.10	25.59	2.17
Pakistan Mobile Communications Limited	30,000	-	20,000	10,000	46,726	7.03	8.14	1.43
				<u>60,000</u>	<u>290,775</u>	<u>43.74</u>	<u>50.65</u>	<u>6.10</u>
				<u>85,000</u>	<u>393,802</u>	<u>59.24</u>	<u>68.59</u>	<u>16.93</u>
Carrying value before fair value adjustment as at December 31, 2009					<u>353,907</u>			

### Sukuk bonds

Name of the investee company	Number of bonds				Market Value as at December 31, 2009	Investment as a percentage of		
	As at July 1, 2009	Purchases during the period	Sales during the period	As at December 31, 2009		Net Assets	Market Value of Total Investment	Issue size
(Rupees in '000)-----%								
New Allied Electronics Industries (Private) Limited (note 4.1.3)	10,000	-	-	10,000	5,000	0.75	0.87	6.67
				<u>10,000</u>	<u>5,000</u>	<u>0.75</u>	<u>0.87</u>	<u>6.67</u>
Carrying value before fair value adjustment as at December 31, 2009					<u>50,000</u>			
Provision for impairment loss as at December 31, 2009					<u>45,000</u>			

# NAFA INCOME FUND

4.1.2 All term finance certificates and sukuk bonds have a face value of Rs5,000 each.

4.1.3 This represents investment in privately placed sukuk bonds with a term of five years. On December 3, 2008, the investee company had defaulted on its obligation on account of profit repayment amounting to Rs3.795 million. The minimum amount of provision required as per SECP Circular no.01 of 2009 amounts to Rs33.11 million. However, as a matter of prudence the management has recognised an additional amount of provision Rs11.89 million based on the provisioning policy approved by the Board of Directors. The income suspended on these bonds amounted to Rs9.96 million.

	Note	Un-audited December 31, 2009	Audited June 30, 2009
-----Rupees in '000-----			
<b>4.2 Financial assets available for sale</b>			
Term finance certificates-listed	4.2.1	114,111	114,188
Sukuk bonds	4.2.1	<u>61,173</u>	<u>96,915</u>
		<u>175,284</u>	<u>211,103</u>

## 4.2.1 Term Finance Certificates and Sukuk Bonds

Name of the investee company	Number of certificates/bonds				Market Value as at December 31, 2009	Investment as a percentage of		
	As at July 1, 2009	Purchases during the period	Sales during the period	As at December 31, 2009		Net Assets	Market Value of Total Investment	Issue size
(Rupees in '000) ----- %-----								
<b>Term finance certificate-listed</b>								
Worldcall Telecom Limited	24,000	-	-	24,000	114,111	17.16	19.88	3.00
				<u>24,000</u>	<u>114,111</u>	<u>17.16</u>	<u>19.88</u>	<u>3.00</u>
Carrying value before fair value adjustment as at December 31, 2009					<u>114,164</u>			
<b>Sukuk bonds</b>								
Eden Housing Limited (note 4.2.3)	20,000	-	-	20,000	61,173	9.20	10.66	13.70
				<u>20,000</u>	<u>61,173</u>	<u>9.20</u>	<u>10.66</u>	<u>13.70</u>
Carrying value before fair value adjustment as at December 31, 2009					<u>87,500</u>			<u>16.70</u>
Provision for impairment loss as at December 31, 2009					<u>26,327</u>			

4.2.2 All term finance certificates and sukuk bonds have a face value of Rs5,000 each.

4.2.3 This represents investment in privately placed sukuk bonds issued with a term of five years. On September 30, 2009, the principal redemption and profit payment amounting to Rs12.5 and Rs7.65 million respectively were not received by the Fund. Therefore, as a matter of prudence, the management has recognised a provision of Rs26.33 million based on the provisioning policy approved by the Board of Directors. The income suspended on these bonds amounted to Rs3.38 million.

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



# NAFA INCOME FUND

	Un-audited December 31,, 2009	Audited June 30, 2009
-----Rupees in '000-----		
<b>5 PROFIT RECEIVABLE</b>		
Profit receivable on savings and term deposits	35	184
Income accrued on term finance certificates and sukuk bonds	38,177	47,684
Less: suspended income	(13,343)	(6,011)
	24,834	41,673
	<u>24,869</u>	<u>41,857</u>
<b>6 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration payable	190	210
Settlement charges payable	179	139
Bank charges payable	188	170
Payable to brokers	29	65
Printing charges payable	266	278
Other	3	-
	<u>855</u>	<u>862</u>

## 7 CONTINGENCIES AND COMMITMENTS

**7.1** The Finance Act 2008 introduced an amendment to the Workers Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby the definition of "Industrial Establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year are brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their accounting or taxable income, whichever is higher. In case of the Fund, such contribution works out to Rs 1.417 million approximately as at December 31, 2009 (including Rs 0.801 million for the year ended June 30, 2009). However, the final contribution amount for the current period will be based on the income earned by the Fund for the year ending June 30, 2010.

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

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

**7.2** There are no other contingencies and commitments outstanding as at December 31, 2009 and June 30, 2009.

## 8 TAXATION

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

# NAFA INCOME FUND

## 9 EARNINGS PER UNIT

Earnings per unit (EPU) for the half year ended December 31, 2009 has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

## 10 TRANSACTIONS WITH CONNECTED PERSONS

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

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

10.3 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 NBFRC Regulations and the Trust Deed respectively.

Note	-----Unaudited-----			
	Half year ended		Quarter ended	
	DECEMBER 31, 2009	DECEMBER 31, 2008	DECEMBER 31, 2009	DECEMBER 31, 2008
-----Rupees in '000-----				
<b>10.4 Transaction during the period</b>				
<b>National Fullerton Asset Management Limited - Management Company</b>				
Management fee expense for the period	5,838	10,739	2,604	4,899
Front end load	1,080	-	466	-
Bonus units issued - (178,995 units; 2008: 480,345 units)	-	-	-	-
Units Redeemed/Transferred Out (4,531,262 units; 2008: Nil units)	46,125	-	12,000	-
<b>NIB Bank Limited - Sponsor</b>				
Profit on Bank Deposits	2,228	3,676	1,505	1,442
Income from term finance certificates	255	-	82	-
<b>Chief Executive Officer</b>				
Bonus units issued - (526 units; 2008: 1,412 units)	-	-	-	-
Units Redeemed/Transferred Out (31,338 units; 2008: Nil)	314	-	-	-
<b>Other Executive of the Management Company</b>				
Bonus units issued - (299 units; 2008: 19,135 units)	-	-	-	-
Units issued/transferred in (204,093 units; 2008: 906,634 units)	2,082	9,267	-	7,504
Units redeemed/transferred out (213,168 units; 2008: 450,485 units)	2,180	4,490	-	4,397
<b>NAFA Employees Provident Fund</b>				
Units issued/transferred in - (Nil units; 2008: 248,337 units)	-	2,545	-	-
Bonus units issued (4,354 units; 2008: 6,586 units)	-	-	-	-
<b>NAFA Multi Asset Fund</b>				
Bonus units issued - (Nil units; 2008: 346,629 units)	-	-	-	-
Units issued/transferred in (Nil units; 2008: 8,708,694 units)	-	90,000	-	90,000
Units redeemed/transferred out (Nil units; 2008: 11,565,516 units)	-	111,402	-	55,000
Term finance certificates sold	-	175,000	-	-
<b>NAFA Cash Fund</b>				
Bonus units issued - (Nil units; 2008: 154,910 units)	-	-	-	-
Units redeemed/transferred out - (Nil units; 2008: 7,546,476 units)	-	75,613	-	-
Units issued/transferred in (Nil units; 2008: 7,391,566 units)	-	75,000	-	-

# NAFA INCOME FUND

Note	-----Unaudited-----			
	Halfyear ended		Quarter ended	
	DECEMBER31, 2009	DECEMBER31, 2008	DECEMBER31, 2009	DECEMBER31, 2008
	-----Rupeesin'000-----			
<b>NAFACashFund-InvestmentheldbytheFund</b>				
Unitspurchased-(Nilunits;2008:13,615,160units)	-	140,000	-	-
Bonusunitsissued-(Nilunits;2008:245,244units)	-	-	-	-
Unitsredeemed/transferredout-(Nilunits;2008:8,362,294units)	-	80,000	-	-
			0	
<b>CentralDepositoryCompanyofPakistanLimited-Trustee</b>				
Remuneration	777	1,220	348	579
CDCcharges	6	-	4	-

## 10.5 Balancesoutstandingasatperiod/yearend

	Un-audited December31, 2009	Audited June30, 2009
	-----Rupeesin'000-----	
<b>NationalFullertonAssetManagementLimited-ManagementCompany</b>		
Managementfeepayable	845	1,265
InvestmentheldbymanagementcompanyintheFund (6,128,078units;June30,2009:10,480,345units)	64,239	106,100
Frontendloadpayable	7	565
Preliminarychargesandfloatationcostpayable	3,935	4,975
<b>NationalBankofPakistan-Sponsor</b>		
DepositheldbytheFundwiththesponsor	292	1,406
<b>NIBBankLimited-Sponsor</b>		
DepositheldbytheFundwiththesponsor	54,116	55,443
Profitreceivableonbankdeposits	1	18
InvestmentinTermfinancecertificates	-	4,620
Profitreceivableontermfinancecertificates	-	221
<b>ChiefExecutiveOfficer</b>		
InvestmentheldintheFund(Nilunits;June30,2009:30,812units)	-	312
<b>ExecutivesoftheManagementCompany</b>		
InvestmentheldintheFundTrust(9,206units;June30,2009:17,481units)	97	177
<b>NAFAEmployeesProvidentFund</b>		
InvestmentheldintheFund(259,277units;June30,2009:254,923)	2,718	2,581
<b>CentralDepositoryCompanyofPakistanLimited-Trustee</b>		
Remunerationpayable	113	167
CDCCharges	1	1
Securitydeposit	100	100

# NAFA INCOME FUND

## **11 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on February 17, 2010 by the Board of Directors of the Management Company.

## **12 GENERAL**

**12.1** Figures have been rounded off to the nearest thousand rupees.

**12.2** Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. There are no significant rearrangements or reclassification except as required because of the change in accounting policy as more fully explained in note 3.1 to these condensed interim financial statements.

**12.3** The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the period as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

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

Chief Executive

Chairman