


## MISSION STATEMENT



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

# NAFA INCOME FUND

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## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	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. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

### Trustee

MCB Financial Service Limited  
3rd Floor, Adamjee House, I.I.  
Chundrigar Road Karachi - 74000

### Bankers to the Fund

Summit Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
JS Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (PAK) Limited

# NAFA INCOME FUND

## **Auditors**

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

## **Legal Advisor**

M/s Joona 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

# NAFA INCOME FUND

## DIRECTORS' REPORT

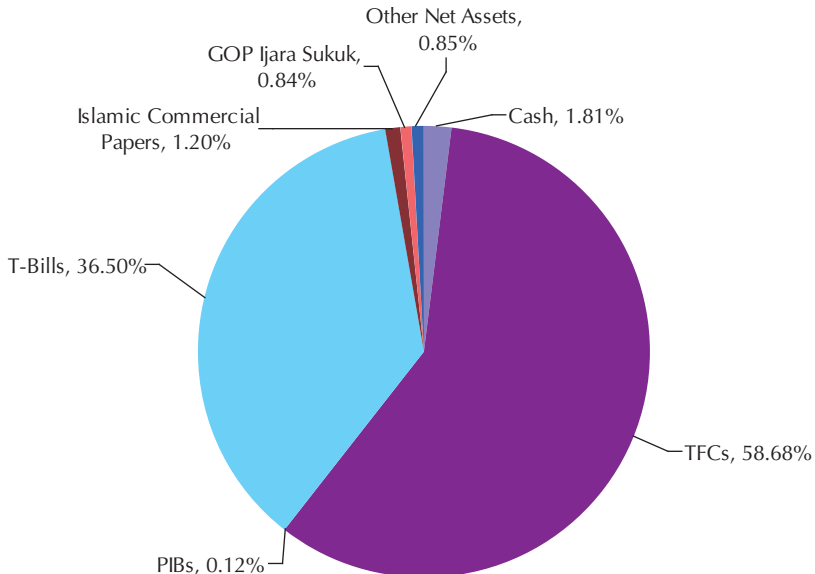
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Fund (NIF) for the period ended March 31, 2012.

### Fund's Performance

The size of NAFA Income Fund has reduced from Rs. 461 million to Rs. 416 million during the first nine months of FY 2012, i.e. a decrease of 9.76%. During the period, the unit price of NAFA Income Fund has decreased from Rs. 9.7109 on June 30, 2011 to Rs. 8.9952 on March 31, 2012, thus showing a cumulative return of -7.37% as compared to its Benchmark (6-Month KIBOR) return of 9.27% for the same period. The performance of the Fund has been negatively impacted by provisioning in some of the TFCs held by the Fund. During the third quarter the size of the Fund increased by 2.46%. During this quarter, the unit price of NAFA Income Fund has increased from Rs. 8.7313 on December 31, 2011 to Rs.8.9952 on March 31, 2012, thus showing an annualized return of 12.69% as compared to its Benchmark annualized return of 11.92% for the same period.

During the quarter under review, we have seen no change in the Policy Rate by the State Bank of Pakistan. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. Therefore, any increase in interest rates will increase the coupon income of the TFC portfolio. Going forward, some recovery in non-performing debt securities is possible.

The Fund has incurred loss of Rs.25.05 million during the period. After incorporating expenses of Rs.9.85 million, the total loss is Rs.34.90 million. The asset allocation of the Fund as on March 31, 2012 is as follows:



# 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 commitment shown by the staff and the Trustee.

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: April 17, 2012  
Place: Karachi.

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2012

	Note	Un-audited March 31, 2012	Audited June 30, 2011
------(Rupees in '000)-----			
<b>ASSETS</b>			
Balances with banks		7,708	7,330
Investments	4	404,471	441,844
Advances, deposits, prepayments and other receivables		329	2,696
Profit receivable		5,621	10,831
Preliminary expenses and floatation costs		994	1,744
<b>Total assets</b>		<b>419,123</b>	<b>464,445</b>
<b>LIABILITIES</b>			
Payable to the Management Company		701	851
Payable to the Trustee		47	70
Payable to the Securities and Exchange Commission of Pakistan		243	389
Accrued expenses and other liabilities		2,603	2,201
<b>Total liabilities</b>		<b>3,594</b>	<b>3,511</b>
<b>NET ASSETS</b>		<b>415,529</b>	<b>460,934</b>
Unit holders' fund (As per statement attached)		<b>415,529</b>	<b>460,934</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		
-----Number of units-----			
Number of units in issue		46,194,490	47,465,768
-----Rupees-----			
Net asset value per unit	3.4	8.9952	9.7109

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Note	Nine months ended		Quarter ended	
		31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
------(Rupees in '000)-----					
<b>INCOME</b>					
Profit on bank deposits		902	4,037	375	947
Gain / (loss) on sale of investments - net		(264)	(118)	(621)	(501)
Income from term finance certificates and sukuk bonds		50,658	42,324	31,280	15,205
Income from government securities		11,302	1,995	4,134	1,853
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(87,647)	13,618	(23,766)	(12,106)
<b>Total income</b>		<b>(25,049)</b>	<b>61,856</b>	<b>11,402</b>	<b>5,398</b>
<b>EXPENSES</b>					
Remuneration of the Management Company		6,477	7,849	2,039	2,526
Sindh Sale Tax on remuneration of the Management Company	5	1,036		326	
Remuneration of the Trustee		471	750	102	215
Annual fee - Securities and Exchange Commission of Pakistan		243	296	76	95
Annual listing fee		22	32	7	12
Securities transaction cost		80	2	56	1
Settlement charges and bank charges		116	118	63	227
Auditors' remuneration		344	308	70	80
Impairment loss on term finance certificates and sukuk bonds		141	20,517	(1,633)	(18,508)
Fund rating fee		150	149	50	49
Printing and related costs		-	5	-	5
Amortisation of preliminary expenses and floatation costs		750	747	250	247
Other expenses		17	50	17	40
<b>Total expenses</b>		<b>9,847</b>	<b>30,823</b>	<b>1,423</b>	<b>(15,011)</b>
<b>Net (loss) / income from operating activities</b>		<b>(34,896)</b>	<b>31,033</b>	<b>9,979</b>	<b>20,409</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		-	(2,028)	-	(1,536)
Provision for workers' welfare fund		-	(580)	-	(377)
<b>Net (loss) / income for the period before taxation</b>		<b>(34,896)</b>	<b>28,425</b>	<b>9,979</b>	<b>18,496</b>
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>(34,896)</b>	<b>28,425</b>	<b>9,979</b>	<b>18,496</b>
<b>Earnings per unit</b>	3.5				

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended		Quarter ended	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	------(Rupees in '000)-----			
Net income for the period after taxation	(34,896)	28,425	9,979	18,496
<b>Other comprehensive income for the period</b>				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	1,303	(23,030)	2,228	(3,131)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<u>(33,593)</u>	<u>5,395</u>	<u>12,207</u>	<u>15,365</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended		Quarter ended	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
	------(Rupees in '000)-----			
Undistributed income brought forward	(7,854)	51,455	(52,465)	41,683
Final distribution for the year ended June 30, 2011: Nil % (2010: 3.733%)				
- Bonus units	-	(19,011)	-	-
- Cash distribution	-	(1,061)	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	533	1,590	269	1,219
Net income for the period after taxation	(34,896)	28,425	9,979	18,496
<b>Undistributed income carried forward</b>	<b>(42,217)</b>	<b>61,398</b>	<b>(42,217)</b>	<b>61,398</b>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended		Quarter ended	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
------(Rupees in '000)-----				
Net assets at the beginning of the period	460,934	581,724	405,873	521,038
Issue of 155,478 units (2011: 1,840,508 units including 1,819,996 bonus units)	1,457	205	-	-
Redemption of 1,426,756 units (2011:6,792,722 units)	(13,269)	(68,365)	(2,551)	(18,013)
Final distribution for the year ended June 30, 2011:Nil (2010: 3.733%)	(11,812)	(68,160)	(2,551)	(18,013)
- Bonus distribution	-	19,011	-	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	-	2,028	-	1,536
- amount representing (income) / loss that form part of unit holders' fund - transferred to distribution statement	(533)	(1,590)	(269)	(1,219)
	(533)	438	(269)	317
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets available for sale'	1,303	(23,030)	2,228	(3,131)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	-	-	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(87,647)	13,618	(23,766)	(12,106)
Capital Gain on sale of Investment				
Other operating income / (loss)	52,751	14,807	33,745	30,602
<b>Net income for the period</b>	<b>(34,896)</b>	<b>28,425</b>	<b>9,979</b>	<b>18,496</b>
<b>Distribution:</b>				
Final distribution for the year ended June 30, 2011:Nil (2010: 3.733%)				
- Bonus distribution	-	(19,011)	-	-
- Cash distribution	-	(1,061)	-	-
<b>Other comprehensive income</b>				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	533	1,590	269	1,219
<b>Net assets as at the end of the period</b>	<b>415,529</b>	<b>519,926</b>	<b>415,529</b>	<b>519,926</b>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended		Quarter ended	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
------(Rupees in '000)-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	(34,896)	28,425	9,979	18,496
<b>Adjustments</b>				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	87,647	(13,618)	23,766	12,106
Amortisation of preliminary expenses and floatation costs	750	747	250	247
(Loss) / gain on sale of investments - net	264	118	621	501
Impairment loss on term finance certificates and sukuk bonds	141	20,517	(1,633)	(18,508)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	-	2,028	-	1,536
	<u>53,906</u>	<u>38,217</u>	<u>32,983</u>	<u>14,377</u>
<b>(Increase) / decrease in assets</b>				
Investments	(49,376)	(19,937)	(47,952)	(17,973)
Advances, deposits, prepayments and other receivables	2,367	941	(16)	(39)
Profit receivable	5,210	11,280	1,456	1,130
	<u>(41,799)</u>	<u>(7,716)</u>	<u>(46,512)</u>	<u>(16,882)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	(150)	139	(131)	(3)
Payable to the Trustee	(23)	(22)	(5)	(13)
Payable to Securities and Exchange Commission of Pakistan	(146)	(219)	76	95
Accrued expenses and other liabilities	402	564	344	480
	<u>83</u>	<u>462</u>	<u>284</u>	<u>560</u>
<b>Net cash inflow from operating activities</b>	<u>12,190</u>	<u>30,963</u>	<u>(13,245)</u>	<u>(1,945)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	1,457	205	-	-
Payment on redemption of units	(13,269)	(68,365)	(2,551)	(18,069)
Distribution paid	-	(1,061)	-	-
<b>Net cash outflow on financing activities</b>	<u>(11,812)</u>	<u>(69,221)</u>	<u>(2,551)</u>	<u>(18,069)</u>
<b>Net decrease in cash and cash equivalents during the period</b>	<u>378</u>	<u>(38,258)</u>	<u>(15,796)</u>	<u>(20,014)</u>
Cash and cash equivalents at the beginning of the period	7,330	48,844	23,504	30,600
<b>Cash and cash equivalents as at the end of the period</b>	<u>7,708</u>	<u>10,586</u>	<u>7,708</u>	<u>10,586</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

During the period Central Depository Company of Pakistan Limited (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. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

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. The Management Company is a member of the Mutual Fund Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units of the Fund are offered for public subscription on a continuous basis. These units are transferable and can be redeemed by surrendering them to the Fund. The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2-' (Positive Outlook) to the Management Company and a stability rating of 'A-(f)' to the Fund.

Title of the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) as the trustee of the Fund. However, title of a few bank accounts are still in the name of CDC but are being closed by the Fund.

### 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. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the 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 IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 These condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2011.

2.3 These condensed interim financial information are unaudited. Accordingly, the Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2011.

# NAFA INCOME FUND

## 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was a part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The management is in the process of assessing the impact of this amendment on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

## 3.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

## 3.3 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 on unrealised appreciation / (diminution) arising during the period on available for sale securities. The amount so determined is taken directly to the distribution statement. Previously, the element was calculated 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 which related to income earned during the period was recognised in the income statement while the remaining amount was recognised in 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 period would have been lower by Rs 0.533 million.
- amount taken to distribution statement would have been lower by Rs 0.368 million

## 3.4 Net Asset Value per unit

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

# NAFA INCOME FUND

## 3.5 Earnings / (loss) per unit

Earnings / (loss) per unit has not been disclosed as, in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating earnings / (loss) per unit is not practicable.

Note	(Un-Audited)	(Audited)
	March 31 2011	June 30, 2010

-----Rupees in '000-----

## 4 INVESTMENTS

### Financial assets 'at fair value through profit or loss'

Term finance certificates - listed	4.1.1	125,928	84,267
Term finance certificates - unlisted	4.1.2	39,950	159,947
Sukuks	4.1.3	8,500	-
Government Securities	4.2	152,171	102,439
		<u>326,549</u>	<u>346,653</u>
<b>Available for sale</b>			
Term finance certificates - listed	4.3.1	37,007	45,698
Sukuk bonds	4.3.2	40,915	49,493
		<u>77,922</u>	<u>95,191</u>
		<u>404,471</u>	<u>441,844</u>

### 4.1.1 Term Finance Certificates and Sukuks and Market Treasury Bills

#### Term Finance Certificates

Name of the investee company	Number of Certificates				Market value as at March 31, 2012	Investment as a percentage of		
	As at July 1, 2011	Purchases during the period	Sale during the period	As at March 31, 2012		Net assets	Market value of total investments	Issue size

Rupees in '000

-----%-----

#### 4.1.1 Term finance certificates - listed

Saudi Pak Leasing Company Limited (note : 4.1.5)	15,000	-	-	15,000	34,022	8.19	8.41	10.00
Bank Alfalah Limited	-	2,000	-	2,000	10,132	2.44	2.51	-
Faysal Bank Limited	-	5,000	-	5,000	25,844	6.22	6.39	-
NIB Bank Limited	-	6,200	-	6,200	30,873	7.43	7.63	-
United Bank Limited	10,000	-	7,000	3,000	15,082	3.63	3.73	0.83
Allied Bank Limited	-	2,000	-	2,000	9,975	2.40	2.47	0.83
<b>Total as at March 31, 2012</b>					<u>125,928</u>	<u>30.31</u>	<u>31.13</u>	<u>11.66</u>

Carrying Value as at March 31, 2012

230,978

Provision for impairment losses as at 31March 2012

17,507

#### 4.1.2 Term finance certificates - unlisted

Engro Fertilizers Limited	20,000	-	11,500	8,500	39,950	9.61	9.88	2.50
Agritech Limited II (note: 4.1.6)	30,000	-	-	30,000	-	-	-	2.17
Agritech Limited V (Note 4.1.8)	-	4,436	-	4,436	-	-	-	-
<b>Total as at March 31, 2012</b>					<u>39,950</u>	<u>9.61</u>	<u>9.88</u>	<u>4.67</u>

Carrying Value as at March 31, 2012

212,004

Provision for impairment losses as at 31March 2012

172,054

# NAFA INCOME FUND

## 4.1.3 Sukuk

Name of the investee company	Number of Bonds				Market value as at March 31, 2012	Investment as a percentage of		
	As at July 1, 2011	Purchases during the period	Sale during the period	As at March 31, 2012		Net assets	Market value of total investments	Issue size
Rupees in '000								
New Allied Electronics Industries (Private) Limited (note 4.1.7)	10,000	-	-	10,000	-	-	-	-
GOP Ijarah Sukuk (02-MAR-12 to 02-Mar-15)	-	700	-	700	3,500	0.84	0.87	-
HUBCO Short term Islamic Sukuk	-	1,000	-	1,000	5,000	1.20	1.24	-
<b>Total as at March 31, 2012</b>					<b>8,500</b>	<b>2.05</b>	<b>2.10</b>	
Carrying Value as at March 31, 2012					<u>57,554</u>			
Provision for impairment losses as at 31 March 2012					<u>49,054</u>			

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

4.1.5 This represents investment in listed term finance certificates of Saudi Pak Leasing Company Ltd. On October 13, 2011, the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.

4.1.6 This represents investment in privately placed unlisted term finance certificates with a term of seven years. On July 14, 2010 the investee company defaulted on its obligation on account of principal and profit payment. The amount of provision as per circular 1 of 2009 has been maintained by valuing the investment in terms of the said circular.

4.1.7 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. The amount of provision as per circular 1 of 2009 has been maintained by valuing the investment in terms of the said circular.

4.1.8 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular 1 of 2009 has been maintained by valuing the investment in terms of the said circular.

## 4.2 Government Securities

Issue date	Tenor	Face value				Market Value as at March 31, 2012	Investment as a percentage of	
		As at July 1, 2011	Purchases during the period	Sales / matured during the period	As at March 31, 2012		Net assets	Market value of total investments
Rupees in '000								
<b>4.2.1 Market Treasury Bills</b>								
May 5, 2011	3 months	5,000	-	5,000	-	-	-	-
June 16, 2011	3 months	100,000	-	100,000	-	-	-	-
July 28, 2011	3 months	-	7,500	7,500	-	-	-	-
August 25, 2011	6 months	-	3,500	3,500	-	-	-	-
June 2, 2011	6 months	-	100,000	100,000	-	-	-	-
September 22, 2011	6 months	-	12,000	12,000	-	-	-	-
October 20, 2011	3 months	-	8,000	8,000	-	-	-	-
November 3, 2011	6 months	-	50,000	50,000	-	-	-	-
November 17, 2011	6 months	-	50,000	50,000	-	-	-	-
November 17, 2011	3 months	-	150,000	150,000	-	-	-	-
December 1, 2011	3 months	-	100,000	100,000	-	-	-	-
March 24, 2011	3 months	-	5,000	5,000	-	-	-	-
July 28, 2011	6 months	-	10,000	10,000	-	-	-	-
January 12, 2012	3 months	-	100,000	100,000	-	-	-	-
January 26, 2012	3 months	-	7,500	-	7,500	7,454	1.79	1.84
January 26, 2012	12 months	-	7,500	-	7,500	6,831	1.64	1.69
February 9, 2012	3 months	-	10,000	-	10,000	9,894	2.38	2.45
February 23, 2012	3 months	-	10,000	-	10,000	9,850	2.37	2.44
March 8, 2012	3 months	-	140,000	-	140,000	112,773	27.14	27.88
March 22, 2012	3 months	-	5,000	-	5,000	4,882	1.17	1.21
<b>Pakistan Investment Bond</b>								
August 18, 2011	3 Years	-	500	-	500	487	0.12	0.12
<b>Total as at March 31, 2012</b>						<b>152,171</b>	<b>36.62</b>	<b>37.62</b>
Carrying Value as at March 31, 2012						<u>152,275</u>		



## 4.3 Term Finance Certificates and Sukuks

Name of the investee company	Number of Bonds				Market value as at March 31, 2012	Investment as a percentage of		
	As at July 1, 2011	Purchases during the period	Sale during the period	As at March 31, 2012		Net assets	Market value of total investments	Issue size
Rupees in '000								
Term finance certificate - listed Worldcall Telecom Limited	14,000	-	-	14,000	37,007	8.91	9.15	3.00
<b>Total as at March 31, 2012</b>					<u>37,007</u>			
<b>Carrying Value as at March 31, 2011</b>					<u>35,704</u>			
<b>Sukuks</b>								
Eden Housing Limited (note 4.3.4)	20,000	-	-	20,000	40,915	9.85	10.12	3.33
<b>Total as at March 31, 2012</b>					<u>40,915</u>			
<b>Carrying Value as at March 31, 2012</b>					<u>62,812</u>			
<b>Provision for impairment losses as at 31 March 2012</b>					<u>21,897</u>			

4.3.3 All term finance certificates and sukuks have a face value of Rs 5,000 each.

4.3.4 This represents investment in privately placed sukuks with a term of five years. The issuer defaulted on payment of principal and profit to certain sukuk holders due to which it was rated as 'Defaulter' by the MUFAP. The management of the Fund as a matter of abundant caution has recognised a provision amounting to Rs 21.897 million against the investment. The income on these sukuks amounting to Rs 2.340 million has also been suspended by the management of the Fund.

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

## 5 SINDH SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

## 6 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2011.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

# NAFA INCOME FUND

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. Accordingly, the Management Company has stopped making accrual of this provision with effect from March 14, 2012. However, as a matter of abundant caution, the Management Company has decided to maintain the provision for WWF made till this date amounting to Rs. 1.709 million in this financial information.

## 7 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at March 31, 2012 and June 30, 2011.

## 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 amongst the unit holders. The Fund has incurred a loss during the current period. Accordingly, no tax liability has been recorded in the current period.

## 9 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Scheme'.

The Clause (IV) of the categorisation criteria requires that not more than 15% of the net assets shall be invested in non traded securities including reverse repos, bank deposits, certificates of investments (COI), certificates of musharakas (COM) and anything over 6 months maturity which is not a marketable security. Clause (v) of the categorisation criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at March 31, 2012, the Fund is in non-compliance with the above-mentioned requirements in respect of the following:

Type of Investment	Name of Non-Compliant Investment	Note	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rupees in '000-----							
Investment in Debt securities	Agritech Limited II	4.1.2	149,876	149,876	-	-	-
	Agritech Limited V	4.1.2	22,180	22,180	-	-	-
	Saudi Pak Leasing Company Limited	4.1.1	51,529	17,507	34,022	8.19%	8.12%
	New Allied Electronics Industries (Private) Limited - Sukuk	4.1.3	49,054	49,054	-	-	-
	Eden Housing - Sukuk II	4.3.2	62,813	21,898	40,915	9.85%	9.76%

9.1 SECP vide circular no. 16 of 2010 dated July 7, 2010 required that a scheme non-compliant with this requirement should comply with this requirement by December 31, 2010.

9.2 At the time of purchase, the above Term Finance Certificates were in compliance with the circular (i.e. investment grade) and were subsequently downgraded. In case of New Allied Electronics Industries (Private) Limited, Agri Tech Limited, Eden Housing Limited and Saudi Pak Leasing Company Limited, the downgrading has been made due to default in payments of due principal and markup.

# NAFA INCOME FUND

## 10 TRANSACTIONS WITH CONNECTED PERSONS

- 10.1** Connected persons include NBP Fullerton Asset Management Limited (NAFA) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 10.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 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 NBFC Regulations and the Trust Deed respectively.

------(Un-Audited)-----			
Nine months ended		Quarter ended	
31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
------(Rupees in '000)-----			

### 10.4 Transactions during the period

#### NBP Fullerton Asset Management Limited - Management Company

Management fee expense for the period	6,477	7,849	2,039	2,526
Sindh sales tax on remuneration of the Management Company	1,036	-	326	-
Front end load	2	2	-	-
Bonus units issued - Nil (units; 2011: 18,681 units)	-	-	-	-
Units Redeemed / Transferred Out (752,012 units; 2011:3,4,535,426 units)	7,084	45,600	-	13,700
Legal expense paid on behalf of the Fund	-	10	-	-

#### Central Depository Company of Pakistan Limited - Trustee

Remuneration	357	750	-	215
CDC charges	3	5	-	2

#### MCB Financial Services Limited- Trustee

Remuneration	114	-	102	-
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#### Executives of Management Company

Bonus units issued - Nil (units; 2011: 24 units)	-	-	-	-
Units redeemed (Nil units; 2011 : 704 units)	-	7	-	7

#### NBP Employees Pension Fund

Bonus units issued - Nil (units; 2011: 1,508,501 units)	-	-	-	-
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#### NAFA Employees Provident Fund

Bonus units issued - Nil (units; 2011: 705 units)	-	-	-	-
Units Redeemed / Transferred Out Nil : 2011:20,422 units)	-	211	-	211

# NAFA INCOME FUND

	(Un-Audited)	(Audited)
	March 31 2012	June 30, 2011
	----- (Rupees in '000) -----	
<b>10.5 Balances outstanding as at period / year end</b>		
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	701	821
Investment held by Management Company in the Fund (Nil units; June 30,2011: 752,012 units)	-	7,303
Other payables	-	30
<b>National Bank of Pakistan - Sponsor</b>		
Balance in current account	4	120
<b>Central Depository Company of Pakistan Limited - Trustee *</b>		
Remuneration payable	-	70
CDC Charges	-	1
Security deposit	-	100
<b>MCB Financial Services Limited- Trustee</b>		
Remuneration payable	47	-
Security deposit	100	-
<b>NBP Employees Pension Fund</b>		
Investment held in the Fund (45,033,858 units; June 30, 2011: 45,033,858)	405,089	437,319
<b>Executives of Management Company</b>		
Investment held in the Fund (1,137 units; June 30, 2011: 1,138 units)	10	11

\* Central Depository Company of Pakistan Limited retired as a trustee with effect from November 22, 2011.

## 11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 17, 2012 by the Board of Directors of the Management Company.

## 12 GENERAL

12.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director