

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

(FORMERLY NAFA ISLAMIC INCOME FUND)

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company
(Formerly National Fullerton Asset Management Limited)

Board of Directors of the Management Company

Mr. Qamar Hussain	Chairman
Mr. Shahid Anwar Khan	Director
Mr. Choy Peng Wah	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer
Dr. Asif A. Brohi	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Choy Peng Wah	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Faruque	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
Emeirates Global Islamic Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
United Bank Limited
Bank Al-Habib Limited

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

68-B-1, M.M. Alam Road,
Gulberg 3, Lahore.
UAN: 042-111-111-632
Phone: 042-35778248-63
Fax: 042-35876806

Islamabad Office:

Plot No. 395, 396
Industrial Area, 1-9/3 Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

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

(FORMERLY NAFA ISLAMIC INCOME FUND)

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the unaudited (reviewed) financial statements of NAFA Islamic Aggressive Income Fund (Formerly; NAFA Islamic Income Fund) for the half year ended December 31, 2010.

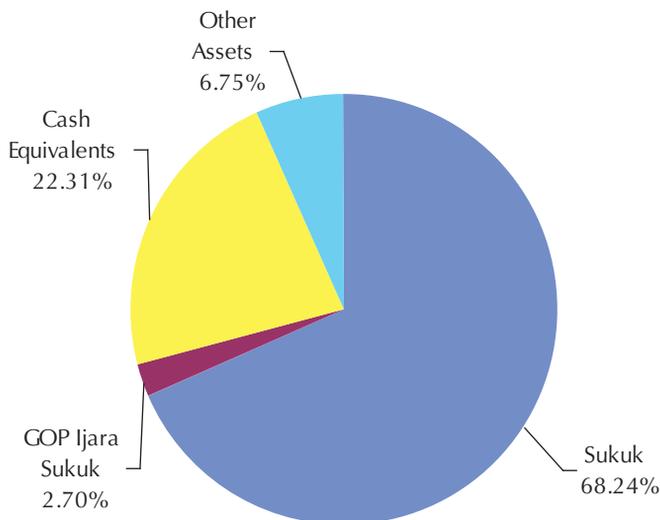
Fund's Performance

The size of NAFA Islamic Aggressive Income Fund (Formerly; NAFA Islamic Income Fund) has reduced from Rs. 202 million to Rs. 188 million during the period, i.e. a decline of 6.93%. During the said period, the unit price of the Fund has increased from Rs. 7.7492 (Ex-Div) on June 30, 2010 to Rs.7.9562 on December 31, 2010, thus showing an annualized return of 5.37% as compared to its Benchmark (Average 3-Month deposit rate of Islamic Banks) annualized return of 6.48% for the same period.

The prices of Sukuks have not recovered yet and these are still trading at significant discount to the par values. However, many non-performing Sukuks have been restructured now. It is expected that gradually these Sukuks will attract investors and start trading at par values again. In addition, the floating rate nature of these debt securities make them attractive in the present rising interest rate environment.

The Fund has earned total income of Rs.24.27 million during the period. After deducting expenses of Rs.3.45 million, the net income is Rs.20.82 million, translating into earning per unit of Rs.0.207.

The asset allocation of the Fund as on December 31, 2010 is as follows:



NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited
(formerly: National Fullerton Asset Management Limited)

Chief Executive

Director

Date: February 18, 2011
Place: Karachi.

NAFA ISLAMIC AGGRESSIVE INCOME FUND (FORMERLY NAFA ISLAMIC INCOME FUND)

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC AGGRESSIVE INCOME FUND [Formerly NAFA Islamic 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 [Formerly NAFA Islamic Income Fund] (the Fund), an open-end scheme was 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, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2010 to December 31, 2010 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.

For the purpose of information, the attention of the unit holders of the Fund is drawn towards the fact that the directives of the Securities and Exchange Commission of Pakistan issued vide Circular 1 of 2009 and Circular 3 of 2010, require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments and the debt securities shall be classified as 'non performing' if interest and/or principal amount is past or overdue by 15 calendar days from the due date. The Sukuk Certificates of Kohat Cement Company Limited were classified as performing in June, 2010 based on restructured plan approved in February, 2010; whereas the additional Sukuk Certificates by Maple Leaf Cement Factory Limited as part of the partial markup payment was not classified as 'non performing' by MUFAP till December 31, 2010.

The Management Company while complying with the same has reclassified these Sukuk Certificates as performing, however, has accrued the markup for Sukuk Certificates of Kohat Cement Company Limited for the period from June 20, 2009 to June 19, 2010 on receipt basis and has made full provision of the additional Sukuk Certificates received against markup receivable for Sukuk Certificates Maple Leaf Cement Company Limited. The Management Company has informed us that the same has been done on prudence basis, considering the risk of realisability of the deferred markup or principal which will be received in future periods.

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

Karachi, February 26, 2011

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC 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 Islamic Aggressive Income Fund** as at December 31, 2010, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund 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, 2010. The Management Company (NBP 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 for interim financial reporting. Our responsibility is to express a conclusion on this condensed 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 cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

Scope of Review

We conducted our review in accordance with the 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 as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: Rashid A. Jafer

Dated: February 18, 2011

Karachi

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2010

	Note	Unaudited December 31, 2010	Audited June 30, 2010
------(Rupees in '000)-----			
ASSETS			
Bank Balances		41,993	23,983
Investments	4	133,494	172,558
Profit receivable	5	11,464	3,857
Advances, deposits, prepayments and other receivables		2,747	2,768
Preliminary expenses and floatation costs		908	1,160
Total assets		190,606	204,326
LIABILITIES			
Payable to the Management Company		332	222
Payable to the Trustee		68	60
Annual Fee Payable to Securities and Exchange Commission of Pakistan		72	212
Payable against redemption of units		34	-
Accrued and other liabilities	6	1,908	1,522
Total liabilities		2,414	2,016
Net Assets		<u>188,192</u>	<u>202,310</u>
Unit holders' funds (as per statement attached)		<u>188,192</u>	<u>202,310</u>
CONTINGENCIES AND COMMITMENTS			
	11		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		<u>23,653,435</u>	<u>22,607,915</u>
NET ASSET VALUE PER UNIT	3.3	<u>Rupees</u> <u>7.9562</u>	<u>Rupees</u> <u>8.9486</u>

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

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

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Note	Half year ended		Quarter ended	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in '000)-----					
INCOME					
Capital Gain / (loss) on sale of investments		560	(143)	560	(160)
Income from sukuk bonds		15,853	13,159	6,490	3,426
Profit on bank deposits		1,123	4,338	882	1,263
Total Income		17,536	17,354	7,932	4,529
EXPENSES					
Remuneration of the Management Company		1,899	2,701	931	1,042
Remuneration of the Trustee		354	398	178	177
Annual fee - Securities and Exchange Commission of Pakistan		72	135	35	52
Securities transaction cost		-	1	-	-
Settlement and bank charges		73	91	69	58
Annual listing fee		15	23	7	15
Auditors' remuneration		226	247	130	142
Amortisation of preliminary expenses and floatation costs		252	252	126	126
Printing and related cost		-	19	(5)	4
Rating fee		101	-	101	-
Legal and professional charges		25	158	-	158
(Reversal of provision)/ Provision against sukuk bonds classified as 'available for sale' - net		(7,259)	101,871	1	52,253
Total Expenses		(4,242)	105,896	1,573	54,027
Net income / (loss) from operating activities		21,778	(88,542)	6,359	(49,498)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(530)	18,855	(187)	13,693
Provision for workers' welfare fund		(425)	-	(123)	-
Net income / (loss) for the period before taxation		20,823	(69,687)	6,049	(35,805)
Taxation	10	-	-	-	-
Net income / (loss) for the period after taxation		<u>20,823</u>	<u>(69,687)</u>	<u>6,049</u>	<u>(35,805)</u>
Earnings per unit	3.4				

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

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

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	------(Rupees in '000)-----			
Net income / (loss) for the period after taxation	20,823	(69,687)	6,049	(35,805)
Other comprehensive income / (loss) for the period				
Net unrealised (diminution) in market value of investments classified as 'available for sale'	(16,371)	(756)	(10,054)	(632)
Total comprehensive income / (loss) for the period	<u>4,452</u>	<u>(70,443)</u>	<u>(4,005)</u>	<u>(36,437)</u>

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

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

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in '000)-----				
Undistributed income / (loss) brought forward				
- Realized income / (loss)	15,303	(15,029)	4,484	(46,556)
- Unrealized income / (loss)	-	-	-	-
	<u>15,303</u>	<u>(15,029)</u>	<u>4,484</u>	<u>(46,556)</u>
Final distribution for the year ended June 30, 2010 On July 05, 2010 at 11.994% (2009: Nil)				
- Bonus distribution	(16,294)	-	-	-
- Cash distribution	(10,822)	-	-	-
Net (loss) / income for the period after taxation	20,823	(69,687)	6,049	(35,805)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount that forms part of the unit holders' fund	2,824	5,742	1,301	3,387
Undistributed income / (loss) carried forward	<u>11,834</u>	<u>(78,974)</u>	<u>11,834</u>	<u>(78,974)</u>
Undistributed income comprising:				
- Realized income / (loss)	11,834	(78,974)	11,834	(78,974)
- Unrealized income / (loss)	-	-	-	-
	<u>11,834</u>	<u>(78,974)</u>	<u>11,834</u>	<u>(78,974)</u>

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

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

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	------(Rupees in '000)-----			
Net assets at the beginning of the period	202,310	517,111	196,079	348,843
Issue of 2,346,934 units - including 2,102,661 bonus units (December 31, 2009 7,335,531 units)	1,901	63,664	356	17,964
Redemption of 1,301,414 units (December 31, 2009: 29,296,111 units)	(10,179) (8,278)	(258,673) (195,009)	(4,425) (4,069)	(83,873) (65,909)
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	530	(18,855)	187	(13,693)
- amount representing loss and capital losses that form part of unit holders' fund - transferred to Distribution Statement	(2,824) (2,294)	(5,742) (24,597)	(1,301) (1,114)	(3,387) (17,080)
Net unrealised (diminution) on remeasurement of investments classified as 'available for sale'	(16,371)	(756)	(10,054)	(632)
Gain / (loss) on sale of investments	560	(143)	560	(160)
Other (loss) / income for the period	20,263 20,823	(69,544) (69,687)	5,489 6,049	(35,645) (35,805)
Distribution:				
Final distribution June 30, 2010: 11.994% (June 30, 2009: Nil) (Date of distribution: July 05, 2010)				
- Bonus units	(16,294)	-	-	-
- Cash distribution	(10,822)	-	-	-
Add: Bonus distribution	16,294	-	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	2,824	5,742	1,301	3,387
Net assets as at the end of the period	<u>188,192</u>	<u>232,804</u>	<u>188,192</u>	<u>232,804</u>

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

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

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in '000)-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	20,823	(69,687)	6,049	(35,805)
Adjustments				
Amortisation of preliminary expenses and floatation costs	252	252	126	126
Gain / (loss) on sale of investments	(560)	143	(560)	160
Reversal of provision on sukuk bonds classified as 'available for sale - net	(7,259)	101,871	1	52,253
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	530	(18,855)	187	(13,693)
	13,786	13,724	5,803	3,041
(Increase) / decrease in assets				
Investments	30,512	160,947	30,505	24,428
Profit receivable	(7,607)	4,154	(4,109)	(1,351)
Deposits, prepayments and other receivables	21	(3,743)	(42)	(3,721)
	22,926	161,358	26,354	19,356
Increase / (decrease) in liabilities				
Payable to Management Company	110	(849)	2	(172)
Payable to Trustee	8	(29)	10	(4)
Annual fee payable to Securities and Exchange Commission of Pakistan	(140)	(476)	35	52
Accrued expenses and other liabilities	386	(229)	180	(84)
	364	(1,583)	227	(208)
Net cash inflow from operating activities	37,076	173,499	32,384	22,189
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts from issue of units	1,901	63,664	356	17,964
Net payments on redemption of units	(10,145)	(259,691)	(4,391)	(84,047)
Distributions paid during the period	(10,822)	-	-	-
Net cash outflow on financing activities	(19,066)	(196,027)	(4,035)	(66,083)
Net increase / (decrease) in cash and cash equivalents during the period	18,010	(22,528)	28,349	(43,894)
Cash and cash equivalents at the beginning of the period	23,983	65,272	13,644	86,638
Cash and cash equivalents at the end of the period	41,993	42,744	41,993	42,744

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

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

Chief Executive

Director

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Aggressive Income Fund (NIAIF / the Fund) (Formerly NAFA Islamic Income Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) (Formerly National Fullerton Asset Management Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

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 Fund is categorised as an Open-End Shariah Compliant (Islamic) Aggressive Income Scheme as per criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).

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 June 30, 2010, it has assigned stability rating of 'BBB-(f)' for short term (tailoring 12 months) to the Fund.

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

The name of the Fund has been changed from NAFA Islamic Income Fund to NAFA Islamic Aggressive Income Fund with effect from December 14, 2010.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Financing Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. In cases where requirements differ, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

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 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 state of affairs of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used 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, 2010.

3.1 Standards, interpretations and amendments to published approved accounting standards effective from July 1, 2010

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 January 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these condensed interim financial statements.

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

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

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 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 Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 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 these condensed interim financial statements.

3.3 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 circulation at the period end.

3.4 Earning / (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 earning per unit is not practicable.

Note	(Un-Audited) December 31 2010	(Audited) June 30, 2010
	(Rupees in '000)	

4 INVESTMENTS

Available for sale
- Sukuk bonds

4.1	<u>133,494</u>	<u>172,558</u>
	<u>133,494</u>	<u>172,558</u>

4.1 Sukuk and Ijara bonds - available for sale

Name of the investee company	Number of bonds				Market value as at December 31, 2010	Investment as a percentage of		
	As at July 1, 2010	Purchases during the period	Sale during the period	As at December 31, 2010		Market value of Net assets	Market value of total investments	Issue size
	Rupees in '000					-----%-----		
Engro Fertilizer Limited	11,000	-	5,600	5,400	27,000	14.35	20.23	0.90
Kohat Cement Company Limited	20,000	-	-	20,000	65,059	34.57	48.74	4.00
Maple Leaf Cement Factory Limited (note 4.1.3)	5,312	-	-	5,312	16,643	8.84	12.47	0.33
Maple Leaf Cement Factory Limited - Sukuk II (note 4.1.2)	199	-	-	199	-	-	-	-
New Allied Electronics Industries (Private) Limited-1st issue - (note 4.1.4)	352,000	-	-	352,000	-	-	-	18.33
New Allied Electronics Industries (Private) Limited-2nd issue - (note 4.1.5)	1,000	-	-	1,000	-	-	-	0.67
Pak Electron Limited	7,000	-	-	7,000	19,711	10.47	14.77	2.92
Government of Pakistan Ijara bond	50	-	-	50	5,081	2.70	3.81	0.08
					<u>133,494</u>			
					<u>265,861</u>			
Cost of investments as at December 31, 2010					<u>115,996</u>			
Provision held								

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

- 4.1.1 All sukuk bonds have a face value of Rs 5,000 each except sukuk bonds of New Allied Electronics (Private) Limited - 1st issue and Government of Pakistan Ijara bond which have a face value of Rs 312.5 and Rs 100,000 each respectively.
- 4.1.2 This represents 2nd issue of sukuk by Maple Leaf Cement Factory Limited under a restructuring agreement with a face value of Rs 0.996 million. As this issue represents overdue mark-up, the management has fully provided the amount of issue and has suspended income of Rs 0.035 million of this issue.
- 4.1.3 During the period, sukuk of Maple Leaf Cement Factory Limited has been classified as performing debt security in accordance with Circular no. 1 of 2009 and Circular no. 3 of 2010 issued by the Securities and Exchange Commission of Pakistan and accordingly provision amounting to Rs 7.26 million held in respect of the sukuk has been reversed during the period.
- 4.1.4 This represents sukuk bonds with a term of five years. The principal was to be redeemed from the fifteenth month of draw down by the investee company. However, on October 25, 2008 i.e. the scheduled redemption dates, principal redemptions of Rs.61.875 million were not received by the Fund the management has recognized an impairment loss amounting to Rs.110 million till December 31, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 also amounts to Rs. 110 million. The income suspended amounting to Rs. 26.195 million.
- 4.1.5 This represents investment in privately placed sukuk bonds. On December 3, 2008 i.e. the scheduled redemption date, profit redemption of Rs 1.662 million was not received by the Fund the management has recognized an impairment loss amounting to Rs. 5 million till December 31, 2010. The minimum amount of provision required as per SECP circular no. 01 of 2009 also amounts to Rs. 5 million. The income suspended amounting to Rs. 1.724 million.

	(Un-Audited) December 31, 2010	(Audited) June 30, 2010
	(Rupees in '000)	
5 PROFIT RECEIVABLE		
Profit on savings deposits	787	859
Income accrued on sukuk bonds	38,631	28,538
Less: Suspended Income	(27,954)	(25,540)
	10,677	2,998
	<u>11,464</u>	<u>3,857</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	225	230
Withholding tax payable	1	4
Bank charges payable	72	19
Payable to brokers	22	22
Charity payable	1	1
Provision for Workers' Welfare Fund	1,055	630
Printing charges payable	236	356
Others	296	260
	<u>1,908</u>	<u>1,522</u>

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

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

The Securities and Exchange Commission of Pakistan (SECP) vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Management Company classified NAFA Islamic Aggressive Income Fund (the Fund) (Formerly NAFA Islamic Income Fund) as 'Shariah Compliant (Islamic) Scheme' and Aggressive Fixed Income Scheme' in accordance with the said circular. As at December 31, 2010, 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.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000-----		-----%		
i) Investment in debt securities - (note 7.1)	a) New Allied Electronics - Sukuk - 1st issue	110,000	110,000	-	-	-
	b) New Allied Electronics - Sukuk - 2nd issue	5,000	5,000	-	-	-
	c) Maple Leaf Cement Factory Limited - Sukuk*	16,643	-	16,643	8.84	8.73
	d) Maple Leaf Cement Factory Limited - Sukuk II*	996	996	-	-	-
	e) Kohat Cement Company Limited - Sukuk*	65,059	-	65,059	34.57	34.13

* Performing but below investment grade

7.1 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 markup.

8 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, 2010.

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. However, on December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 1.055 million in these condensed interim financial statements.

9 TRANSACTIONS WITH CONNECTED PERSONS

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

Connected persons include NBP Fullerton Asset Management Limited (NAFA) (Formerly National Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

9.3 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.

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

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

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

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
------(Rupees in '000)-----				
Management Company				
Management fee expense for the period	1,899	2,701	931	1,042
Front end load for the period	9	111	4	14
National Bank of Pakistan - Sponsor				
Cash Dividend	8,996	-	-	-
Alexandra Fund Management Pte. Limited - Sponsor				
Bonus units issued (1,660,396 units: December 31, 2009: Nil units)	-	-	-	-
Central Depository Company of Pakistan Limited - Trustee				
Trustee fee for the period	354	398	178	177
CDS charges	8	1	8	-
NAFA Islamic Multi Asset Fund				
Payment received for the sale of sukuk bonds	-	21,175	-	21,175
NAFA Multi Asset Fund				
Units redeemed (Nil units: December 31, 2009: 3,891,359 units)	-	36,920	-	-
Payment received for the sale of sukuk bonds	-	134,475	-	-
Key management personnel of the Management Company				
Units issued (Nil units: December 31, 2009: Nil units)	-	-	-	-
Units redeemed (1,693 units: December 31, 2009: Nil units)	13	-	13	-
Bonus units issued (227 units: December 31, 2009: Nil units)	-	-	-	-
		(Un-Audited)		(Audited)
		As at		As at
		December 31,		June 30,
		2010		2010
		------(Rupees in '000)-----		

9.6 Amounts outstanding as at period end

Management Company		
Management fee payable	318	216
Front end load for the period	4	6
Others	10	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	61	59
CDS Charges	7	1
Security deposits	100	100
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund (7,500,000 units; June 30, 2010: 7,500,000 units)	59,672	67,115
Balance in current account	59	3,483
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (12,388,042 units; June 30, 2010: 10,727,646 units)	98,562	95,997
Bonus units issued (196,761 units)		

NAFA ISLAMIC AGGRESSIVE INCOME FUND

(FORMERLY NAFA ISLAMIC INCOME FUND)

10 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2011 as reduced by capital gains (whether realised or unrealised) to its unit holders.

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as outstanding at December 31, 2010.

12 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 18, 2011.

13 GENERAL

13.1 Figures have been rounded off to the nearest thousand rupees.

13.2 No significant rearrangements and reclassifications to corresponding figures were made in these condensed interim financial statement.

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

Chief Executive

Director