

**NAFA ISLAMIC INCOME FUND**

**NAFA ISLAMIC INCOME FUND**

**QUARTERLY REPORT  
FOR THE PERIOD ENDED  
MARCH 31, 2010  
(UN-AUDITED)**

## NAFA ISLAMIC INCOME FUND

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# NAFA ISLAMIC INCOME FUND

## DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Islamic Income Fund for the period ended March 31, 2010.

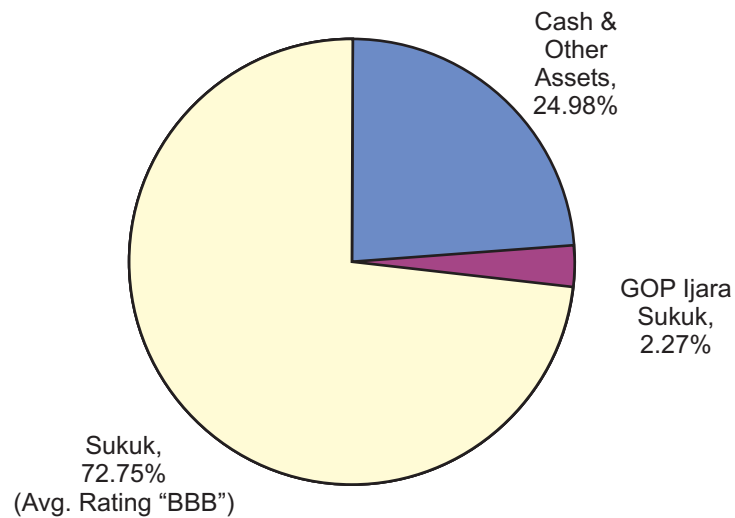
### Fund's Performance

During the said period, the unit price of NAFA Islamic Income Fund has decreased from Rs. 9.4069 on June 30, 2009 to Rs. 7.0435 on March 31, 2010, thus showing a decline of 25.12% (net of management fee and all other expenses). The size of NAFA Islamic Income Fund has reduced from Rs. 5.17 million to Rs. 2.24 million during the period, i.e. a decline of 56.67%.

NAFA Islamic Income Fund has earned total income of Rs. 45.87 million during the period. After deducting expenses of Rs. 110.22 million, the net loss is Rs. 64.35 million, translating into loss per unit of Rs. 2.3634.

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

### Asset Allocation as on March 31, 2010



# 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  
National Fullerton Asset Management Limited

Chief Executive

Director

Date: April 29, 2010  
Place: Karachi.

# NAFA ISLAMIC INCOME FUND

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

	Note	Unaudited March 31, 2010	Audited June 30, 2009
----- Rupees in '000 -----			
<b>Assets</b>			
Balances with banks	4	50,999	65,272
Investments	5	167,872	440,291
Profit receivable	6	1,933	10,609
Advances, deposits, prepayments and other receivables		2,694	2,698
Preliminary expenses and floatation costs		1,285	1,660
<b>Total assets</b>		<b>224,783</b>	<b>520,530</b>
<b>Liabilities</b>			
Payable to National Fullerton Asset Management Limited - Management Company		285	1,171
Payable to Central Depository Company of Pakistan Limited - Trustee		61	89
Payable to Securities and Exchange Commission of Pakistan		177	611
Payable on redemption of units		-	1,052
Accrued expenses and other liabilities	7	491	496
<b>Total liabilities</b>		<b>1,014</b>	<b>3,419</b>
<b>Net Asset</b>		<b>223,769</b>	<b>517,111</b>
<b>Unit Holders' Funds (as per statement attached)</b>		<b>223,769</b>	<b>517,111</b>
<b>Contingencies and commitments</b>	8		
<b>Number of units</b>			
<b>Number of units in issue</b>		<b>31,769,436</b>	<b>54,971,537</b>
<b>Rupees</b>			
<b>Net asset value per unit</b>		<b>7.0435</b>	<b>9.4069</b>

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

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

Note	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
----- Rupees in '000 -----				
<b>INCOME</b>				
Loss on sale of investments - net	(143)	(3,015)	-	(3,042)
Income from sukuk bonds	18,506	52,057	5,347	9,700
Income from spread transactions	-	18	-	-
Income from term deposit musharika certificates	-	8,672	-	-
Profit on bank deposits	5,571	7,856	1,233	3,410
<b>Total Income</b>	<b>23,934</b>	<b>65,588</b>	<b>6,580</b>	<b>10,068</b>
<b>EXPENSES</b>				
Remuneration of National Fullerton Asset Management Limited - Management Company	3,545	8,266	844	2,151
Remuneration of Central Depository Company of Pakistan Limited - Trustee	571	1,101	173	287
Annual fee - Securities and Exchange Commission of Pakistan	177	500	42	107
Securities transaction cost	1	28	-	13
Settlement and bank charges	218	139	127	46
Annual listing fee	34	23	11	8
Auditors' remuneration	299	324	52	52
Amortisation of preliminary expenses and floatation costs	375	375	123	123
Printing and related cost	216	217	197	86
Legal and professional charges	328	-	170	-
Impairment loss on sukuk bonds classified as investments 'available for sale'	104,453	73,304	2,582	10,940
<b>Total Expenses</b>	<b>110,217</b>	<b>84,277</b>	<b>4,321</b>	<b>13,813</b>
<b>Net (loss) / income from operating activities</b>	<b>(86,283)</b>	<b>(18,689)</b>	<b>2,259</b>	<b>(3,745)</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	21,938	608	3,083	(671)
<b>Net (loss) / income for the period before taxation</b>	<b>(64,345)</b>	<b>(18,081)</b>	<b>5,342</b>	<b>(4,416)</b>
Taxation	9	-	-	-
<b>Net (loss) / income for the period after taxation</b>	<b>(64,345)</b>	<b>(18,081)</b>	<b>5,342</b>	<b>(4,416)</b>
<b>Earnings per unit</b>	<b>10</b>			

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

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	----- Rupees in '000 -----			
Net income / (loss) for the period after taxation	(64,345)	(18,081)	5,342	(4,416)
<b>Other comprehensive income / (loss)</b>				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	6,330	(2,698)	588	(575)
Net unrealised appreciation / (diminution) during the period in the market value of investments classified as 'available for sale'	(3,306)	(18,093)	(2,550)	35,153
<b>Total comprehensive income / (loss) for the period</b>	<u>(61,321)</u>	<u>(38,872)</u>	<u>3,380</u>	<u>30,162</u>

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

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	Rupees in '000			
<b>(Accumulated loss) / undistributed income brought forward</b>	(15,029)	29,760	(78,974)	(31,042)
Net (loss) / income for the period	(64,345)	(18,081)	5,342	(4,416)
Distribution:				
Final distribution December 31, 2009: Nil (December 31, 2008: 2.60%)(Date of distribution: 3 July 2008)				
- Bonus units	-	(12,108)	-	-
- Cash Distribution	-	(10,004)	-	-
Interim distribution December 31, 2009: Nil (December 31, 2008: 2.60%)(Date of distribution: 16 October 2008)				
- Bonus units	-	(10,747)	-	-
- Cash Distribution	-	(12,155)	-	-
<b>Other comprehensive income</b>				
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	6,330	(2,698)	588	(575)
<b>Accumulated loss carried forward</b>	<u>(73,044)</u>	<u>(36,033)</u>	<u>(73,044)</u>	<u>(36,033)</u>

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

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA ISLAMIC INCOME FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	Rupees in '000			
<b>Net assets at the beginning of the period</b>	517,111	881,198	232,804	561,781
Issue of 7,336,930 units (March 31, 2009: 112,179,783 units - including 2,259,291 bonus units)	63,674	806,641	10	13,367
Redemption of 30,539,031 units (March 31, 2009: 131,281,725 units)	(267,427) (203,753)	(1,022,342) (215,701)	(8,754) (8,744)	- 13,367
Bonus distribution: Issue of bonus units				
Final distribution 2009: Nil (2008: 2.60%) (Date of distribution: July 3, 2008)	-	12,108	-	-
Interim distribution 2009: Nil (2008: 2.60%) (Date of distribution: October 16, 2008)	-	10,747	-	-
	-	22,855	-	-
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	(21,938)	(608)	(3,083)	671
- amount representing (income) / loss and capital (gains) / losses - transferred to the Statement of comprehensive income	(6,330) (28,268)	2,698 2,090	(588) (3,671)	575 1,246
Net unrealised (diminution) / appreciation during the year / period in the market value of investments classified as 'available for sale'	(3,306)	(18,093)	(2,550)	35,153
Net loss for the period after taxation	(64,345)	(18,081)	5,342	(4,416)
<b>Distribution:</b>				
Final distribution 2009: Nil (2008: 2.60%) (Date of distribution: 3 July 2008)				
- Bonus units	-	(12,108)	-	-
- Cash Distribution	-	(10,004)	-	-
Interim distribution 2009: Nil (2008: 2.60%) (Date of distribution: 16 October 2008)				
- Bonus units	-	(10,747)	-	-
- Cash Distribution	-	(12,155)	-	-
	-	(45,014)	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	6,330	(2,698)	588	(575)
<b>Net assets as at the end of the period</b>	<u>223,769</u>	<u>606,556</u>	<u>223,769</u>	<u>606,556</u>

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

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
----- Rupees in '000 -----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net (loss) / income for the period	(64,345)	(18,081)	5,342	(4,416)
<b>Adjustments</b>				
Amortisation of preliminary expenses and floatation costs	375	375	123	123
Loss / (gain) on sale of investments	143	3,015	-	3,042
Impairment loss on sukuk bonds classified as investments 'available for sale'	104,453	73,304	2,582	10,940
Element of loss and capital losses included in prices of units issued less those in units redeemed	(21,938)	(608)	(3,083)	671
	18,688	58,005	4,964	10,360
<b>(Increase) / decrease in assets</b>				
Investments	164,517	1,262	3,570	11,985
Loans and receivables	-	280,000	-	-
Profit receivable	8,676	17,397	4,522	12,770
Deposits, prepayments and other receivables	4	(1,405)	3,747	6,944
	173,197	297,254	11,839	31,699
<b>Increase / (decrease) in liabilities</b>				
Payable to National Fullerton Asset Management Ltd - Management Company	(886)	(54)	(37)	50
Payable to Central Depository Company of Pakistan Limited - Trustee	(28)	(47)	1	6
Payable to Securities and Exchange Commission of Pakistan	(434)	(192)	42	107
Payable on redemption of units	(1,052)	3,937	(34)	2,705
Accrued expenses and other liabilities	(5)	82	224	33
	(2,405)	3,726	196	2,901
<b>Net cash inflow / (outflow) from operating activities</b>	189,480	358,985	16,999	44,960
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	63,674	806,641	10	13,367
Payments on redemption of units	(267,427)	(1,022,342)	(8,754)	-
Distributions paid	-	(22,159)	-	-
<b>Net cash (outflow) / inflow from financing activities</b>	(203,753)	(237,860)	(8,744)	13,367
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	(14,273)	121,125	8,255	58,327
Cash and cash equivalents at the beginning of the period	65,272	19,295	42,744	82,093
<b>Cash and cash equivalents at the end of the period</b>	<b>50,999</b>	<b>140,420</b>	<b>50,999</b>	<b>140,420</b>

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

For National Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC INCOME FUND

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund (NIIF) 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 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 SECP. The registered office of the Management Company is situated at 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.

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

The core objective of the Fund is to seek preservation of capital and earn a reasonable rate of return by investing in Shariah compliant investments. The Fund will comprise 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. The Management Company has initiated the process of obtaining the rating of the Fund with PACRA. Pending completion of this process, the rating of the Fund has not been disclosed in these financial statements.

### 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 and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directive issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, 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 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 period ended June 30, 2009 except for the change mentioned below:

IAS 1 (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 IAS 1 (revised) from July 1, 2009, and has elected to present two 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 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 statement of assets and liabilities has not been presented.

## NAFA ISLAMIC INCOME FUND

3.2 The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2009:

IAS 39 (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 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.

IFRS 7 (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 a 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.

IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (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 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 subordinated 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 mandate 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 an accounting period beginning on or after July 1, 2009 but were considered not to be relevant or did not have any significant effect on the Fund's operations.

	Note	(Un-audited) March 31, 2010	(Audited) June 30, 2009
----- Rupees in '000 -----			
<b>4</b>	<b>BALANCES WITH BANKS</b>		
	Current accounts	6,637	6,558
	Savings accounts	44,362	58,714
		<u>50,999</u>	<u>65,272</u>
<b>5</b>	<b>INVESTMENTS</b>		
	<b>Available for sale financial assets</b>		
	Sukuk and Ijara bonds	5.1 167,872	440,291
		<u>167,872</u>	<u>440,291</u>

## NAFA ISLAMIC INCOME FUND

### 5.1 Sukuk and Ijara bonds - available for sale

Name of the investee company	Number of Bonds				Market value at March 31, 2010	Investment as a %age of		
	As at July 1, 2009	Purchases during the period	Sales during the period	As at March 31, 2010		Net assets	Market value of total investment	Issue size
(Rupees in '000)								
Engro Chemicals Pakistan Limited	16,000	-	-	16,000	76,762	34.30%	45.73%	2.67%
Eden Building Limited	3,312	-	3,312	-	-	0.00%	0.00%	0.00%
Eden Housing Limited	10,000	-	10,000	-	-	0.00%	0.00%	0.00%
Kohat Cement Company Limited (note 5.1.2.1)	20,000	-	-	20,000	34,191	15.28%	20.37%	4.00%
Maple Leaf Cement Factory Limited (note 5.1.2.2)	20,000	-	14,688	5,312	21,248	9.50%	12.66%	0.33%
New Allied Electronics Industries (Private) Limited-1st issue (note 5.1.2.3)	352,000	-	-	352,000	-	0.00%	0.00%	18.33%
New Allied Electronics Industries (Private) Limited-2nd issue (note 5.1.2.4)	1,000	-	-	1,000	-	0.00%	0.00%	0.67%
Pak Electron Limited	15,000	-	5,000	10,000	30,590	13.67%	18.22%	4.17%
Government of Pakistan Ijara bond	50	-	-	50	5,081	2.27%	3.03%	
					167,872			
<b>Cost of investments as at March 31, 2010</b>					353,899			
<b>Impairment loss / (gain)</b>					182,721			

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

5.1.2 As at March 31, 2010, the Fund had not received redemption of principal and / or profit amounts on some of its investments, the details of which are as follows:

5.1.2.1 This represents investment in privately placed sukuk bonds issue with a term of five years. On December 20, 2008 i.e. the scheduled redemption date, principal redemption of Rs 6,800 thousand was not received by the Fund. Therefore as a matter of prudence, the management has suspended income amounting to Rs. 9,957 thousand and have recognized impairment losses amounting to Rs 62,409 thousand till March 31, 2010.

5.1.2.2 This represents investment in rated secured sukuk bonds issue with term of six years. On December 03, 2009 i.e. the scheduled redemption date, profit payment amount of Rs 2,056 thousand was not received by the Fund. Therefore as a matter of prudence, the management has suspended income amounting to Rs. 3,209 thousand and have recognized impairment losses amounting to Rs. 5,312 thousand till March 31, 2010.

5.1.2.3 This represents sukuk bonds with a term of five years. The principal was to be redeemed from the fifteenth month of draw down by the investee company. However, on October 25, 2008, January 25, 2009, April 25, 2009, July 25, 2009, October 25, 2009 and January 25, 2010 i.e. the scheduled redemption dates, principal redemption of Rs. 41,250 thousand were not received by the Fund. Therefore as a matter of prudence, the management has suspended income amounting to Rs. 19,767 thousand and have recognized impairment losses amounting to Rs. 110,000 thousand till March 31, 2010.

5.1.2.4 This represents investment in privately placed sukuk bonds. However, on December 3, 2008, June 3, 2009 and December 3, 2009 i.e. the scheduled redemption date, profit redemption of Rs. 939 thousand was not received by the Fund. Therefore as a matter of prudence, the management has suspended income amounting to Rs. 1,176 thousand and have recognized impairment losses amounting to Rs. 5,000 thousand till March 31, 2010.

# NAFA ISLAMIC INCOME FUND

	Unaudited March 31, 2010	Audited June 30, 2009
----- Rupees in '000 -----		
<b>6 PROFIT RECEIVABLE</b>		
Profit on savings deposits	1,167	3,591
Income accrued on sukuk bonds	34,875	21,937
Less: Suspended Income	(34,109)	(14,919)
	766	7,018
	1,933	10,609
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration	158	212
Bank charges payable	37	11
Payable to brokers	22	54
Charity payable	1	3
NCCPL Charges payable	40	-
Printing charges payable	233	216
	491	496
	491	496
<b>8 CONTINGENCIES AND COMMITMENTS</b>		
There were no contingencies and commitments outstanding as at March 31, 2010 and June 30, 2009.		
<b>9 TAXATION</b>		
The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. The Fund intend 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.		
<b>10 EARNING PER UNIT</b>		
Earning per unit (EPU) for the period ended March 31, 2010 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.		
<b>11 TRANSACTION WITH CONNECTED PERSONS</b>		
<b>11.1</b> Connected persons include National Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being Trustee, National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.		
The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.		

## NAFA ISLAMIC INCOME FUND

11.2 Details of the transactions with connected persons are as follows:

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	----- Rupees in '000 -----			
<b>National Fullerton Asset Management Limited - Management Company</b>				
Management fee expense for the period	3,545	8,266	844	2,151
Front end load for the period	112	1,193	1	541
<b>National Bank of Pakistan - Sponsor</b>				
Cash Dividend	-	3,900	-	-
<b>NIB Bank Limited - Sponsor</b>				
Cash Dividend	-	3,900	-	-
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>				
Bonus units issued (March 31, 2010; Nil units: March 31, 2009: 530,885 units)	-	5,371	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Trustee fee for the period	571	1,101	173	287
CDS charges	3	6	2	5
<b>NAFA Islamic Multi Asset Fund</b>				
Units issued (March 31, 2010; Nil units: March 31, 2009: 7,194,267 units)	-	70,000	-	-
Units redeemed (March 31, 2010; Nil units: March 31, 2009: 14,794,295 units)	-	141,894	-	65,272
Bonus units issued (March 31, 2010; Nil units: March 31, 2009: 299,202 units)	-	3,025	-	-
Payment received for the sale of sukuk bonds	21,175	-	-	-
<b>NAFA Multi Asset Fund</b>				
Units issued (March 31, 2010; Nil units: March 31, 2009: 6,737,137 units)	-	70,000	-	-
Units redeemed (March 31, 2010; 3,891,359 units: March 31, 2009: 8,918,819 units)	36,920	89,864	-	12,784
Bonus units issued (March 31, 2010; Nil units: March 31, 2009: 361,423 units)	-	3,656	-	-
Payment received for the sale of sukuk bonds	134,475	-	-	-
<b>NAFA Stock Fund</b>				
Units redeemed (March 31, 2010; Nil units: March 31, 2009: 18,271 units)	-	164	-	164
Bonus units issued (March 31, 2010; Nil units: March 31, 2009: 904 units)	-	9	-	-
<b>NAFA Cash Fund</b>				
Payment received for the sale of sukuk bonds	-	25,811	-	-
<b>Employees of the Management Company</b>				
Units issued (March 31, 2010; 214,152 units: March 31, 2009: 1,678,349 units)	1,874	15,110	-	11,648
Units redeemed (March 31, 2010; 837,945 units: March 31, 2009: 1,978,707 units)	7,262	17,976	-	13,963
Bonus units issued (March 31, 2010; Nil units: March 31, 2009: 18,017 units)	-	182	-	-

# NAFA ISLAMIC INCOME FUND

	As at March 31, 2010	As at June 30, 2009
	----- Rupees in '000 -----	
<b>11.3</b>		
<b>Amounts outstanding as at period/year end</b>		
<b>National Fullerton Asset Management Limited - Management Company</b>		
Management fee payable	285	644
Front end load payable	-	527
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	60	86
CDS Charges payable	1	3
Security deposits	100	100
<b>National Bank of Pakistan - Sponsor</b>		
Investment held by the Sponsor in the Fund (7,500,000 units; June 30, 2009: 7,500,000 units)	52,826	70,552
Balance in current account	255	231
<b>NIB Bank Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund (7,500,000 units; June 30, 2009: 7,500,000 units)	52,826	70,552
Balance in current account	5,331	2,068
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>		
Investment held by the Sponsor in the Fund (10,727,646 units; June 30, 2009: 10,727,646 units)	75,560	100,914
<b>Executives of Management Company</b>		
Investment held by the executives in the Fund (8,135 units; June 30, 2009: 648,870 units)	57	6,104
<b>NAFA Multi Asset Fund</b>		
Investment held in the Fund (Nil units; June 30, 2009: 3,891,359 units)	-	36,606

## 12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on April 29, 2010

## 13 GENERAL

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

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

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

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

Chief Executive

Director