


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

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

Trustee

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

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:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

NBP Corporate Branch
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,
Officers Colony, Khanewal Road. Multan.
Tel : 92-061-6214070
Fax: 92-061-6214062
UAN: 92-061-111-111-632

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NAFA INCOME FUND

DIRECTORS' REPORT

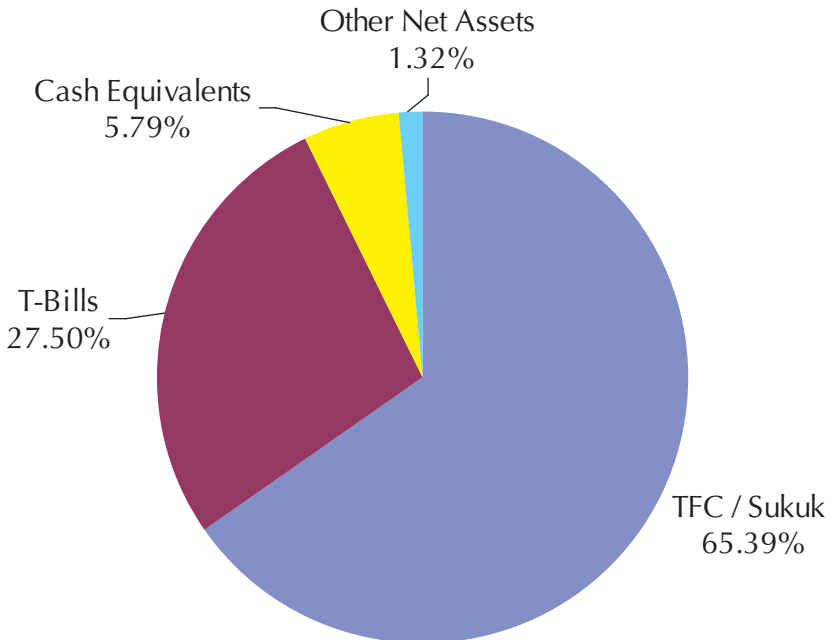
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited (reviewed) financial statements of NAFA Income Fund for the half year ended December 31, 2011.

Fund's Performance

The size of NAFA Income Fund has reduced from Rs. 461 million to Rs. 406 million during the period, i.e. a decline of 11.93%. During the said period, the unit price of NAFA Income Fund has decreased from Rs. 9.7109 on June 30, 2011 to Rs.8.7313 on December 31, 2011, thus showing an annualized return of -19.02% as compared to its Benchmark (6-Month KIBOR) annualized return of 12.78% for the same period. The decline is due to provisioning in some Sukuks in the Fund.

The coupon rates of all TFCs in the Fund are floating and linked to KIBOR, which depicted a falling trend during the half year. Some TFCs have been fully or partially provided and recoveries may be possible in future.

The Fund has incurred a loss of Rs.36.46 million during the period. After accounting for expenses of Rs.8.42 million, the total loss is Rs.44.88 million. The asset allocation of the Fund as on December 31, 2011 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: February 17, 2012
Place: Karachi.

NAFA INCOME FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA INCOME FUND

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

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

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

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

Karachi: February 28, 2012

NAFA INCOME FUND

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

NAFA INCOME FUND

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

NAFA Income Fund, an open-end Scheme established under a Trust Deed dated January 03, 2008 executed between NBP Fullerton Asset Management Limited (Formerly: National Fullerton Asset Management Limited), as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on January 29, 2008.

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

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

Karachi: February 21, 2012

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

NAFA INCOME FUND

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNITHOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Income Fund** as at December 31, 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2011. 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 statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.
Chartered Accountants

Dated: February 28, 2012

Karachi

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

	Un-audited Note December 31, 2011	Audited June 30, 2011
------(Rupees in '000)-----		
ASSETS		
Balances with banks	23,504	7,330
Investments	377,045	441,844
Advances, deposits, prepayments and other receivables	313	2,696
Profit receivable	7,077	10,831
Preliminary expenses and floatation costs	1,244	1,744
Total assets	409,183	464,445
LIABILITIES		
Payable to the Management Company	832	851
Payable to the Trustee	52	70
Payable to the Securities and Exchange Commission of Pakistan	167	389
Accrued expenses and other liabilities	2,259	2,201
Total liabilities	3,310	3,511
NET ASSETS	405,873	460,934
Unit holders' fund (As per statement attached)	405,873	460,934
CONTINGENCIES AND COMMITMENTS		
	7	
-----Number of units-----		
Number of units in issue	46,485,022	47,465,768
-----Rupees-----		
Net asset value per unit	3.4 8.7313	9.7109

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended		Quarter ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----					
INCOME					
Profit on bank deposits		527	3,090	268	2,030
Gain on sale of investments - net		357	383	299	383
Income from term finance certificates and sukus		19,378	27,119	9,245	23,211
Income from government securities		7,168	142	3,544	142
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(63,881)	(35,176)	(36,166)	17,131
Total (loss) / income		(36,451)	(4,442)	(22,810)	42,897
EXPENSES					
Remuneration of the Management Company		4,438	5,323	2,191	2,603
Sindh sales tax on remuneration of the Management Company	5	710	-	348	-
Remuneration of the Trustee		369	535	178	260
Annual fee - Securities and Exchange Commission of Pakistan		167	201	83	98
Annual listing fee		15	20	5	12
Securities transaction cost		24	1	20	1
Settlement charges and bank charges		53	(109)	42	(150)
Auditors' remuneration		274	228	160	131
Rating fee and printing related costs		100	100	34	(74)
Amortisation of preliminary expenses and floatation costs		500	500	248	248
Impairment loss / (Reversal) on term finance certificates and sukus	4.3.2	1,774	(21,875)	2,346	-
Other expenses		-	10	-	10
Total expenses		8,424	(15,066)	5,655	3,139
Net (loss) / income from operating activities		(44,875)	10,624	(28,465)	39,758
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		-	(492)	-	(1,247)
Provision for workers' welfare fund		-	(203)	-	(203)
Net (loss) / income for the period before taxation		(44,875)	9,929	(28,465)	38,308
Taxation	8	-	-	-	-
Net income for the period after taxation		(44,875)	9,929	(28,465)	38,308
Loss / Earnings per unit	3.5				

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----			
Net (loss) / income for the period after taxation	(44,875)	9,929	(28,465)	38,308
Other comprehensive income for the period				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(925)	(19,899)	(925)	(363)
Total comprehensive (loss) / income for the period	<u>(45,800)</u>	<u>(9,970)</u>	<u>(29,390)</u>	<u>37,945</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----			
(Accumulated loss) / Undistributed income brought forward	(7,854)	51,455	(24,223)	2,061
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	264	371	223	1,314
Net income for the period after taxation	(44,875)	9,929	(28,465)	38,308
(Accumulated loss) / undistributed income carried forward	<u>(52,465)</u>	<u>41,683</u>	<u>(52,465)</u>	<u>41,683</u>

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

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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees in '000)-----			
Net assets at the beginning of the period	460,934	581,724	443,781	530,061
Issue of 155,478 units including Nil bonus units (2010: 1,840,508 units including 1,819,996 bonus units)	1,457	205	500	-
Redemption of 1,136,224 units (2010:5,023,220 units)	(10,718)	(50,352)	(9,018)	(21,774)
Final distribution for the year ended June 30, 2011: Nil (2010: 3.733%)	(9,261)	(50,147)	(8,518)	(21,774)
- 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	-	492	-	1,247
- amount representing (income) / loss that form part of unit holders' fund - transferred to distribution statement	(264)	371	(223)	1,314
	(264)	863	(223)	2,561
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(925)	(19,899)	(925)	(363)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	-	-	(26,441)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(63,881)	25,724	(64,643)	21,510
Capital gain on sale of investments	357	383	299	383
Other operating (loss) / income	18,649	(16,178)	35,879	16,415
Net (loss) / income for the period	(44,875)	9,929	(28,465)	38,308
Distribution:				
Final distribution for the year ended June 30, 2011: Nil (2010: 3.733%)				
- Bonus distribution	-	(19,011)	-	-
- Cash distribution	-	(1,061)	-	-
Other comprehensive income				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	264	(371)	223	(1,314)
Net assets as at the end of the period	405,873	521,038	405,873	521,038

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / income for the period before taxation	(44,875)	9,929	(28,465)	38,308
Adjustments				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	63,881	(25,724)	64,643	(21,510)
Amortisation of preliminary expenses and floatation costs	500	500	248	248
Gain on sale of investments - net	(357)	(383)	(299)	(383)
Impairment loss on term finance certificates and sukuks	1,774	39,025	(26,131)	4,379
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	-	492	-	1,247
	20,923	23,839	9,996	22,289
(Increase) / decrease in assets				
Investments	(1,424)	(1,964)	2,837	(6,349)
Advances, deposits, prepayments and other receivables	2,383	980	2,385	1,012
Profit receivable	3,754	10,150	(1,212)	3,648
	4,713	9,166	4,010	(1,689)
Increase / (decrease) in liabilities				
Payable to the Management Company	(19)	142	108	(23)
Payable to the Trustee	(18)	(9)	(9)	(1)
Payable to Securities and Exchange Commission of Pakistan	(222)	(314)	83	98
Accrued expenses and other liabilities	58	84	(218)	(8)
	(201)	(97)	(36)	66
Net cash inflow from operating activities	25,435	32,908	13,970	20,666
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of units	1,457	205	500	-
Payment on redemption of units	(10,718)	(50,296)	(9,018)	(22,408)
Distribution paid	-	(1,061)	-	-
Net cash outflow on financing activities	(9,261)	(51,152)	(8,518)	(22,408)
Net increase / (decrease) in cash and cash equivalents during the period	16,174	(18,244)	5,452	(1,742)
Cash and cash equivalents at the beginning of the period	7,330	48,844	18,052	32,342
Cash and cash equivalents as at the end of the period	23,504	30,600	23,504	30,600

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

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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

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 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

This condensed interim financial information has 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 This condensed interim financial information does 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 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. 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.

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 0.264 million; and
- amount taken to distribution statement would have been higher by Rs 0.019 million.

NAFA INCOME FUND

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.

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)
	December 31 2011	June 30, 2011

(Rupees in '000)

4 INVESTMENTS

Financial assets 'at fair value through profit or loss'

Term finance certificates - listed	4.1.1	90,935	84,267
Term finance certificates - unlisted	4.1.2	95,738	159,947
Sukuks		-	-
Market Treasury Bills	4.2	111,625	102,439
		<u>298,298</u>	<u>346,653</u>

Available for sale

Term finance certificates - listed	4.3.1	34,778	45,698
Sukuk bonds	4.3.2	43,969	49,493
		<u>78,747</u>	<u>95,191</u>
		<u>377,045</u>	<u>441,844</u>

4.1 Term Finance Certificates and Sukuks and Market Treasury Bills

Term Finance Certificates

Name of the investee company	Number of Certificates				Market value as at December 31, 2011	Investment as a percentage of		
	As at July 1, 2011	Purchases during the period	Sale during the period	As at December 31, 2011		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	34,023	8.38	9.02	10.00
Bank Alfalah Limited	-	2,000	-	2,000	10,261	2.53	2.72	-
Faysal Bank Limited	-	5,000	-	5,000	25,845	6.37	6.85	-
NIB Bank Limited	-	1,200	-	1,200	5,872	1.45	1.56	-
United Bank Limited	10,000	-	7,000	3,000	14,934	3.68	3.96	0.83
Total as at December 31, 2011					<u>90,935</u>	<u>22.41</u>	<u>24.11</u>	<u>10.83</u>

Carrying Value as at December 31, 2011

90,525

Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

410

Total as at June 30, 2011

84,267

4.1.2 Term finance certificates - unlisted

Engro Fertilizers Limited	20,000	-	-	20,000	95,738	23.59	25.39	2.50
AgriTech Limited (note: 4.1.6)	30,000	-	-	30,000	-	-	-	2.17
Total as at December 31, 2011					<u>95,738</u>	<u>23.59</u>	<u>25.39</u>	<u>4.67</u>

Carrying Value as at December 31, 2011

159,947

Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

(64,209)

Total as at June 30, 2011

159,947

NAFA INCOME FUND

4.1.3 Sukuk

Name of the investee company	Number of Bonds				Market value as at December 31, 2011	Investment as a percentage of		
	As at July 1, 2011	Purchases during the period	Sale during the period	As at December 31, 2011		Net assets	Market value of total investments	Issue size
New Allied Electronics Industries (Private) Limited (note 4.1.7)	10,000	-	-	10,000	-	-	-	-
Total as at December 31, 2011					-			
Total as at June 30, 2011					-			

Rupees in '000

-----%

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.

4.2 Market Treasury Bills

Issue Date	Tenor	Face Value				Market value as at December 31, 2011	Investment as a percentage of	
		As at July 1, 2011	Purchases during the period	Sale during the period	As at December 31, 2011		Net assets	Market value of total investments
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	3,439	0.85	0.91
June 2, 2011	6 months	-	100,000	100,000	-	-	-	-
September 22, 2011	6 months	-	12,000	10,000	2,000	1,948	0.48	0.52
October 20, 2011	3 months	-	8,000	-	8,000	7,969	1.96	2.11
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	98,269	24.21	26.06
Total as at December 31, 2011						111,625	27.50	29.60
Carrying Value as at December 31, 2011						111,707		
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'						(82)		
Total as at June 30, 2011						102,439		

NAFA INCOME FUND

4.3 Term Finance Certificates and Sukuks

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

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

4.3.1 Term finance certificate - listed

Worldcall Telecom Limited	14,000	-	-	14,000	34,778	8.57	9.22	3.00
Total as at December 31, 2011					<u>34,778</u>			
Carrying Value as at December 31, 2011					35,703			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'					<u>(925)</u>			
Total as at June 30, 2011					<u>45,698</u>			

4.3.2 Sukuks

Eden Housing Limited (note 4.3.4)	20,000	-	-	20,000	43,969	10.83	11.66	3.33
Carrying Value as at December 31, 2011					67,500			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'					(23,531)			
Less: Provision already held					21,757			
Impairment to be recognised in income statement					(1,774)			
Total as at December 31, 2011					<u>42,195</u>			
Total as at June 30, 2011					<u>49,493</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 23.531 million against the investment. The income on these sukuks amounting to Rs 2.732 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 Honourable High Court of Sindh ("the Court", "SHC"), challenging the applicability of WWF to the CISs, which is pending adjudication.

NAFA INCOME FUND

In this respect, 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 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 Court.

Subsequent to the year ended June 30, 2011, the Honourable 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 and struck them down. 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. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs1.710 million in this condensed interim financial information.

7 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2011 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 December 31, 2011, 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	4.1.2	149,876	149,876	-	-	-
	Saudi Pak Leasing Company Limited	4.1.1	51,530	17,507	34,023	8.38%	8.31%
	New Allied Electronics Industries (Private) Limited - Sukuk	4.1.3	49,054	49,054	-	-	-
	Eden Housing - Sukuk II	4.3.2	67,500	23,531	43,969	10.83%	10.75%

NAFA INCOME FUND

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 mark-up.

10 TRANSACTIONS WITH CONNECTED PERSONS

10.1 Connected persons include NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) 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)-----			
Half year ended		Quarter ended	
December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees in '000)-----			

10.4 Transactions during the period

NBP Fullerton Asset Management Limited - Management Company

Management fee expense for the period	4,438	5,323	2,191	5,323
Sindh sales tax on remuneration of the Management Company	710	-	348	-
Front end load	2	2	2	2
Bonus units issued (Nil units; 2010: 18,681 units)	-	-	-	-
Units redeemed / transferred out (752,012 units; 2010: 3,184,713 units)	7,084	31,900	7,084	31,900
Legal expense paid on behalf of the Fund	-	10	-	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration	357	535	166	535
Custodian charges	3	3	1	3

MCB Financial Services Limited- Trustee

Remuneration for the year	12	-	12	-
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Executives of the Management Company

Units redeemed (Nil units; 2010 : 704 units)	-	7	-	7
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NAFA INCOME FUND

	(Un-Audited)	(Audited)
	December 31 2011	June 30, 2011
	------(Rupees in '000)-----	
10.5 Balances outstanding as at period / year end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	717	821
Sindh sales tax payable on remuneration of the Management Company	115	-
Investment held by Management Company in the Fund (Nil units; June 30, 2011: 752,012 units)	-	7,303
Other payables	-	30
National Bank of Pakistan - Sponsor		
Balance in current account	4	120
Central Depository Company of Pakistan Limited - Trustee *		
Remuneration payable	40	70
CDC Charges	1	1
Security deposit	100	100
MCB Financial Services Limited- Trustee		
Remuneration payable	12	-
Security deposit	100	-
NBP Employees Pension Fund		
Investment held in the Fund (45,033,858 units; June 30, 2011: 45,033,858)	393,204	437,319
Executives of the Management Company		
Investment held in the Fund (1,138 units; June 30, 2011: 1,138 units)	10	11

11 DATE OF AUTHORISATION FOR ISSUE

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

12 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. No significant changes to corresponding figures have been made during the current period except for the following:

NAFA INCOME FUND

Reclassification from component	Reclassification to component	For the half year ended December 31, 2010	For the quarter ended December 31, 2010
Impairment loss on term finance certificates and sukus	Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	60,900	4,379

13 GENERAL

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director