


MISSION STATEMENT



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

NAFA INCOME FUND

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FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

Trustee

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

Bankers to the Fund

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

NAFA INCOME FUND

Auditors

M. Yousuf Adil saleem & Co.
Chartered Accountants
Cavish Court
A-35, Block 7 & 8,
KCHSU, Shahra-e-Faisal,
Karachi - 75350 Pakistan.

Legal Advisor

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

Head Office:

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Toll Free: 0800-20001
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Lahore Office:

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UAN: (+92-42) 111-111-NFA (632)
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Islamabad Office:

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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 City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA INCOME FUND

DIRECTORS' REPORT

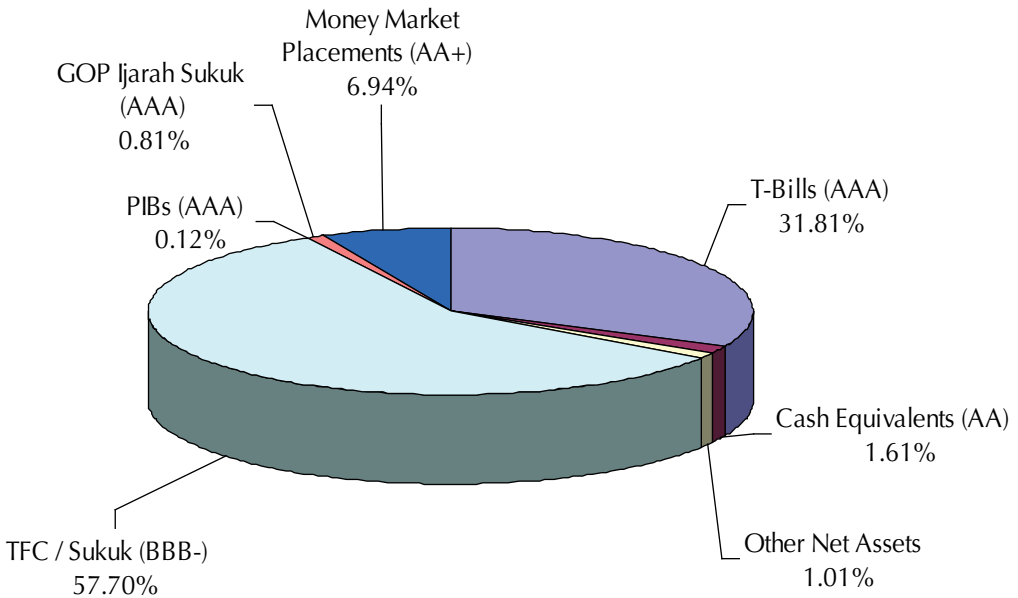
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Fund for the quarter ended September 30, 2012.

Fund's Performance

The size of NAFA Income Fund has increased from Rs. 417 million to Rs. 432 million during the quarter, i.e. a increase of 3.60%. During the said quarter, the unit price of NAFA Income Fund has increased from Rs. 9.0407 on June 30, 2012 to Rs. 9.3870 on September 30, 2012, thus showing an annualized return of 16.08% as compared to its Benchmark (6-Month KIBOR) annualized return of 11.13% for the same period.

All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. The Fund has been awarded stability rating of A-(f) by PACRA. The Fund is categorized as an Income Scheme.

The Fund has earned total income of Rs.27.61 million during the period. After deducting expenses of Rs.3.69 million, the net income is Rs.23.92 million. The asset allocation of the Fund as on September 30, 2012 is as follows:



NAFA INCOME FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 23, 2012

Place: Karachi.

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

	Note	(Un-audited) September 30, 2012	(Audited) June 30, 2012
(Rupees in '000)			
Assets			
Balances with banks		6,958	8,868
Investments	4	421,010	405,681
Profit receivable	5	7,328	4,857
Advances, deposits, prepayments and other receivables		318	298
Preliminary expenses and floatation costs		492	744
Total assets		436,106	420,448
Liabilities			
Payable to Management Company		812	793
Payable to Trustee		35	34
Payable to Securities and Exchange Commission of Pakistan		80	320
Accrued expenses and other liabilities	6	2,840	2,145
Total liabilities		3,767	3,292
Net Assets		432,339	417,156
Unit Holders' Fund (As per statement attached)		432,339	417,156
Contingencies and Commitments			
(Number of units)			
Number of units in issue		46,057,142	46,141,823
(Rupees)			
Net asset value per unit		9.3870	9.0407

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2012 (Un-audited)

	Note	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
(Rupees in '000)			
INCOME			
Gain / (Loss) on sale of investments - net		35	58
Income from term finance certificates, sukuk bonds and commercial papers		13,316	10,133
Profit on bank deposits		286	259
Income from Government Securities		3,835	3,624
Unrealised gain / (loss) on investments at fair value through profit or loss - net		(18,390)	762
Total income		(918)	14,836
EXPENSES			
Remuneration of Management Company		2,128	2,247
Sindh sales tax on remuneration of the Management Company		341	-
Remuneration of Trustee		106	191
Annual fee - Securities and Exchange Commission of Pakistan		80	84
Settlement and bank charges		66	11
Annual listing fee		10	10
Auditors' remuneration		130	114
Amortisation of preliminary expenses and floatation costs		252	252
Printing and related cost		29	16
Fund Rating Fee		55	50
Brokerage		2	4
Other expenses		2	362
(Reversal) / Impairment loss on investments classed as 'Available for sale and Held for trading'		(28,524)	27,905
Total expenses		(25,323)	31,246
Net income from operating activities		24,405	(16,410)
Provision for Workers' Welfare Fund		(488)	-
Net income for the period before taxation		23,917	(16,410)
Taxation	7	-	-
Net income for the period after taxation		23,917	(16,410)
Earnings per unit	9		

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2012 (Un-audited)

Note	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
Net income for the year after taxation	23,917	(16,410)
Other comprehensive income		
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	(7,958)	-
Total comprehensive income for the year	<u>15,959</u>	<u>(16,410)</u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2012 (Un-audited)

Note	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
(Accumulated losses) / undistributed income brought forward	(43,047)	(7,854)
Net income for the period	23,917	(16,410)
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' fund	(10) 23,907	41 (16,369)
(Accumulated losses) / undistributed income carried forward	<u>(19,140)</u>	<u>(24,223)</u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2012 (Un-audited)

Note	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
Net assets at the beginning of the year / period	417,156	460,934
Issue of 1,321 units (September 30, 2011: 98,401 units)	12	957
Redemption of 86,002 units (September 30, 2011: 179,082 units)	(788) (776)	(1,700) (743)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing income that form part of the unit holders' fund - transferred to Distribution Statement	10 10	(41) (41)
Net unrealised diminution in the market value of investments classified as 'available for sale'	(7,958)	-
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income that form part of the unit holders' fund	(10)	41
Loss on sale of investments	35	58
Unrealised diminution in the value of investments at fair value through profit or loss - net	(18,390)	762
Other net income for the year / period	42,272	(17,230)
	23,907	(16,369)
Net assets as at the end of the period	<u>432,339</u>	<u>443,781</u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2012 (Un-audited)

Note	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	23,917	(16,410)
Adjustments		
Unrealised loss on investments at fair value through profit or loss - net	18,390	(762)
Amortisation of preliminary expenses and floatation costs	252	252
Impairment loss on sukuk bond	(28,524)	27,905
	<u>14,035</u>	<u>10,985</u>
(Increase) / decrease in assets		
Investments	(13,153)	(4,319)
Profit receivable	(2,471)	4,966
Advances, deposits, prepayments and other receivables	(20)	(2)
	<u>(15,644)</u>	<u>645</u>
Increase / (decrease) in liabilities		
Payable to Management Company	19	(127)
Payable to Trustee	1	(9)
Payable to Securities and Exchange Commission of Pakistan	(240)	(305)
Accrued expenses and other liabilities	695	276
	<u>475</u>	<u>(165)</u>
Net cash inflow from / (used in) operating activities	<u>(1,134)</u>	<u>11,465</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	12	957
Payments on redemption of units	(788)	(1,700)
Net cash (outflow) / inflow from financing activities	<u>(776)</u>	<u>(743)</u>
Net (decrease) / increase in cash and cash equivalents during the year / period	<u>(1,910)</u>	<u>10,722</u>
Cash and cash equivalents at the beginning of the period	8,868	7,330
Cash and cash equivalents at the end of the period	<u><u>6,958</u></u>	<u><u>18,052</u></u>

The annexed notes 1 to 13 form an integral part of these Condensed Interim financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2012 (Un-audited)

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).

Central Depository Company of Pakistan Limited (CDC) retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC and further approved the amendments to the Trust Deed vide its letter number SCD/AMCWING/VS/NIF/458/2011 dated November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Deed executed between the Management Company, CDC and MCBFSL.

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

NIF 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 categorized as an Open-End "Income Scheme" as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorization of Collective Investment Scheme.

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 will comprise of investments of various investment horizons with the 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 and a stability rating of 'A-(f)' to the Fund.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited (MCBFSL) as trustee of the Fund.

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by 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'.

The directors of the asset management company declare that condensed interim financial statements give a true and fair view of the fund

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2012 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2012.

NAFA INCOME FUND

Note September 30, 2012 September 30, 2011
(Rupees in '000)

4 INVESTMENTS

At fair value through profit or loss - held for trading

Term finance certificates - listed

Term finance certificates - unlisted

Sukuk bonds

Market Treasury Bills

4.1.1	154,387	154,673
4.1.1	38,250	40,418
4.2	33,501	8,500
4.3	138,040	134,246
	364,178	337,837

Available for sale

Term finance certificates - listed

Sukuk bonds

4.4	22,024	29,982
4.4	34,808	37,862
	56,832	67,844
	421,010	405,681

4.1 Term finance certificates and sukuk bonds

4.1.1 Term finance certificates - At fair value through profit or loss

Name of the investee company	Number of Certificates				Market value as at September 30, 2012 (Rs in '000)	Investment as a percentage of		
	As at July 1, 2012	Purchases during the year	Sale during the year	As at September 30, 2012		Net assets	Market value of total investments	Issue size
Term finance certificates - listed								
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	32,215	7.45%	7.65%	6.63%
Bank Alfalah Limited	2,000	-	-	2,000	10,559	2.44%	2.51%	0.20%
Faysal Bank Limited	5,000	-	-	5,000	25,340	5.86%	6.02%	0.20%
NIB Bank Limited	1,200	-	-	1,200	6,005	1.39%	1.43%	0.75%
Allied Bank Limited	2,000	-	-	2,000	9,986	2.31%	2.37%	1.42%
Standard Chartered Bank (Pak) Limited	6,000	-	-	6,000	30,387	7.03%	7.22%	1.20%
Pakistan Mobile Communication Limited	5,000	-	-	5,000	24,754	5.73%	5.88%	0.10%
United Bank Limited	3,000	-	-	3,000	15,141	3.50%	3.60%	0.25%
				39,200	154,387	35.71%	36.67%	
Term finance certificates - unlisted								
Engro Chemical Pakistan Limited	8,500	-	-	8,500	38,250	8.85%	9.09%	0.62%
AgriTech Limited II (note 4.2.2)	30,000	-	-	30,000	-	-	-	-
AgriTech Limited V (note 4.2.3)	4,436	-	-	4,436	-	-	-	-
				42,936	38,250	8.85%	9.09%	
				82,136	192,637	44.56%	45.76%	
Carrying cost of investments as at September 30, 2012					383,135			
Impairment loss recognised					172,056			

4.2 Sukuk bonds - At fair value through profit or loss

Name of the investee company	Number of Certificates				Market value as at September 30, 2012 (Rs in '000)	Investment as a percentage of		
	As at July 1, 2012	Purchases during the year	Sale during the year	As at September 30, 2012		Net assets	Market value of total investments	Issue size
New Allied Electronics Industries (Private) Limited (note 4.2.4)	10,000	-	-	10,000	-	-	-	-
GOP Ijarah Sukuk (02-MAR-12 to 02-MAR-15)	700	-	-	700	3,501	0.81%	0.83%	-
HUBCO Short term Islamic Sukuk (03-Feb-12 to 03-Aug-12)	1,000	-	1,000	-	-	-	-	-
HUBCO Short term Islamic Sukuk (03-Aug-12 to 03-Feb-13)	5,000	-	-	5,000	25,000	5.78%	5.94%	-
HUBCO Short term Islamic Sukuk (16-Aug-12 to 16-Feb-13)	1,000	-	-	1,000	5,000	1.16%	1.19%	-
				16,700	33,501	7.75%	7.96%	
Carrying cost of investments as at September 30, 2012					82,555			
Impairment loss recognised					49,054			

NAFA INCOME FUND

- 4.2.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.
- 4.2.2 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.
- 4.2.3 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision as per circular 1 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.2.4 This represents investment in privately placed sukus 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.

4.3 Market Treasury Bills

Issue date	Tenor	Face value				Market value as at September 30, 2012 (Rs. in '000')	Investment as a percentage of	
		As at July 1, 2012	Purchases during the period	Sales / matured during the period	As at September 30, 2012		Net assets	Market value of total investments
Market Treasury Bills								
26-Jan-12	12 Months	7,500	-	-	7,500	7,267	1.68	1.73
11-Aug-11	12 Months	-	28,000	28,000	-	-	-	-
19-Apr-12	3 Months	7,500	-	7,500	-	-	-	-
3-May-12	3 Months	15,000	-	15,000	-	-	-	-
17-May-12	3 Months	86,000	-	86,000	-	-	-	-
14-Jun-12	3 Months	5,000	-	5,000	-	-	-	-
28-Jun-12	3 Months	15,000	-	15,000	-	-	-	-
12-Jul-12	3 Months	-	110,000	25,000	85,000	84,903	19.64	20.17
26-Jul-12	3 Months	-	14,000	-	14,000	13,929	3.22	3.31
9-Aug-12	3 Months	-	9,000	-	9,000	8,919	2.06	2.12
23-Aug-12	3 Months	-	1,500	-	1,500	1,481	0.34	0.35
6-Sep-12	6 Months	-	7,000	-	7,000	6,709	1.55	1.59
20-Sep-12	6 Months	-	15,000	-	15,000	14,324	3.31	3.40
Pakistan Investment Bond								
August 18, 2011	3 Years	500	-	-	500	508	0.12	0.12
July 19, 2012	3 Years	-	30,000	30,000	-	-	-	-
July 19, 2012	5 Years	-	25,000	25,000	-	-	-	-
July 19, 2012	10 Years	-	25,000	25,000	-	-	-	-
						138,040		
Carrying cost of investments as at September 30, 2012						137,988		

4.4 Term Finance Certificates and Sukuk Bonds - Available for Sale

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2012 (Rs. in '000')	Investment as a percentage of		
	As at July 1, 2012	Purchases during the year	Sale during the year	As at September 30, 2012		Net assets	Market value of total investments	Issue size
Term finance certificate - listed								
Worldcall Telecom Limited	14,000	-	-	14,000	22,024	5.09%	5.23%	1.00%
						29,982		
Carrying cost of investments as at September 30, 2012								
Sukuk bonds								
Eden Housing Limited (4.4.2)	20,000	-	-	20,000	34,808	8.05%	8.27%	2.91%
						53,437		
Carrying cost of investments as at September 30, 2012						18,629		
Impairment loss recognised						18,629		

- 4.4.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each.
- 4.4.2 This represents investment in privately placed sukus 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 classified the investment as "Non-Performing". 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.

NAFA INCOME FUND

Note	September 30, 2012	September 30, 2011
	(Rupees in '000)	
5 PROFIT RECEIVABLE		
Profit on savings and term deposit accounts	24	150
Income accrued on term finance certificates and sukuk bonds - net	7,303	4,677
Profit receivable on government securities	1	30
	7,304	4,707
	<u>7,328</u>	<u>4,857</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditor's remuneration	428	299
Settlement charges payable	-	14
Withholding tax payable	-	-
Bank charges payable	16	6
Brokerage	21	23
WWF	2,198	1,710
Rating Fee	55	-
Printing charges payable	101	73
Other Payable	21	20
	<u>2,840</u>	<u>2,145</u>

7 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 year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

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 Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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.

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 Rs. 2.198 million in these financial statements. Had the same not been made the net asset value per unit / return of the Fund would have been higher by Rs 0.0472 / 0.51% per unit respectively.

9 EARNINGS PER UNIT

Earnings per unit (EPU) for the quarter ended September 30, 2012 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

NAFA INCOME FUND

10 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 Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest atleast 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity . Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2011, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in Debe securities	New Allied Electronics (Pvt) Ltd II	49,054	49,054	-	-	-
	Agritech Limited II	149,876	149,876	-	-	-
	Agritech Limited V	22,180	22,180	-	-	-
	Eden Housing Ltd.	53,438	18,629	34,809	8.05%	7.98%
	Saudi Pak Leasing Co. **	48,829	-	32,215	7.45%	7.39%
	Worldcall Telecom Limited. **	29,982	-	22,024	5.09%	5.05%

** Book value, performing but below investment grade

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

11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, MCB Financial Services 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.

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

11.3 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.

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

Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
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(Rupees in '000)

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

NBP Fullerton Asset Management Limited - Management company		
Management fee expense for the year / period	2,128	2,247
MCB Financial Services Limited - Trustee		
Remuneration	106	191
CDS charges	2	2

NAFA INCOME FUND

	As at September 30, 2012	As at June 30, 2012
11.6 Amounts outstanding as at year / period end	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management company		
Management fee payable	700	684
Sindh sales tax	112	109
National Bank of Pakistan - Sponsor		
Balance in current account	4	5
Employees of the Management Company		
Investment held in the Fund (1,137 units : June 30, 2012 : 1,137 units)	11	10
MCB Financial Services Limited - Trustee		
Remuneration payable	35	34
Security deposit	100	100
Central Depository Company of Pakistan Limited - Ex-Trustee		
CDC charges	1	1
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund (45,033,858 units; June 30, 2012: 45,033,858 units)	422,733	407,138

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 23, 2012.

13 GENERAL

13.1 Corresponding figures have been rearranged wherever necessary, for the purposes of comparison and better presentation.

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

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 NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director