

NAFA INCOME FUNDS

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 FUNDS

FUND'S INFORMATION

Management Company

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

Board of Directors of the Management Company

Mr. Qamar Hussain	Chairman
Mr. Shahid Anwar Khan	Director
Mr. Gerard Lee How Cheng	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Farooque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Amjad Waheed	Chief Executive Officer
Dr. Asif A. Brohi	Director

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Gerard Lee How Cheng	Chairman
Mr. Shahid Anwar Khan	Member
Mr. Shehryar Farooque	Member

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99-B, Block "B" S.M.C.H.S.,
Main Shahra-e-Faisal, Karachi.

Bankers to the Fund

Allied Bank Limited
Arif Habib Bank Ltd.
Atlas Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (PAK) Ltd.
The Bank of Khyber
The Bank of Punjab
United Bank Limited

NAFA INCOME FUNDS

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

82 Khan Centre, Near SP Chowk
Abdali Road, Multan Cantt,
Multan.

NAFA INCOME FUNDS

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NAFA INCOME FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited (formerly: National Fullerton Asset Management Limited) is pleased to present the unaudited financial statements of NAFA Income Fund for the quarter ended September 30, 2010.

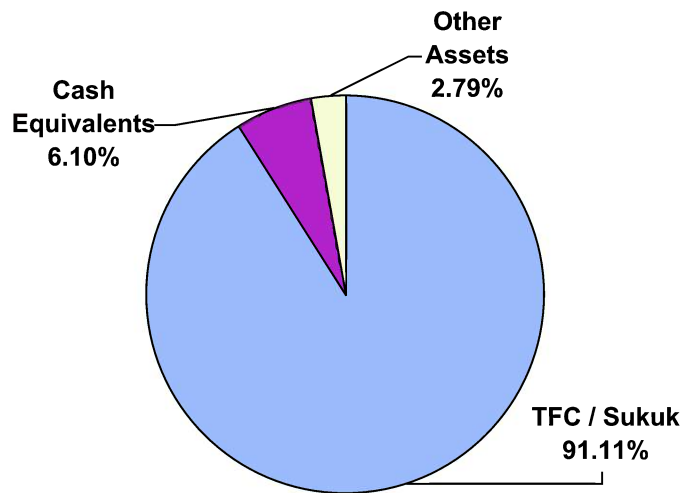
Fund's Performance

The size of NAFA Income Fund has declined from Rs. 582 million to Rs. 530 million during the period from July 1, 2010 to September 30, 2010. During this period the Unit Price of your Fund has decreased from Rs.10.4457 (Ex-Dividend) to Rs.10.0446, translating into a loss of 3.84%. This is due to provisioning in a TFC. This non-performing TFC is expected to be restructured in the coming quarter.

Rising Government borrowing and inflation has forced the SBP to raise the Discount Rate by another 50 basis points over the last two months. The circular debt in the energy sector has exceeded Rs 200 billion, which has resulted in tight liquidity conditions in the market. Such an environment has not been conducive for corporate debt. Several companies have been forced to restructure their listed and unlisted debt. Mutual funds have made significant provisioning in such TFCs. This has substantially increased the Yield to Maturity on such TFCs. Increase in KIBOR has also improved the return on TFCs, since almost all TFCs in the market are floating rate instruments.

NAFA Income Fund has earned total income of Rs.9.94 million during the quarter. After deducting expenses of Rs.38.32 million, the net loss is Rs.28.38 million, translating into per unit loss of Rs.0.4011.

The asset allocation of the Fund as on September 30, 2010 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
(formerly: National Fullerton Asset Management Limited)

Chief Executive

Director

Date: October 18, 2010
Place: Karachi.

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2010

	Note	(Un-audited) September 30, 2010	(Audited) June 30, 2010
----- (Rupees in '000) -----			
Assets			
Balances with banks		32,342	48,844
Investments	4	482,947	510,859
Profit receivable	5	16,855	23,357
Advances, deposits, prepayments and other receivables	6	3,728	3,696
Preliminary expenses and floatation costs		2,492	2,744
Total assets		538,364	589,500
Liabilities			
Payable to Management Company		4,902	4,737
Payable to Central Depository Company of Pakistan Limited - Trustee		88	96
Payable to Securities and Exchange Commission of Pakistan		103	515
Payable on redemption of units		690	-
Accrued expenses and other liabilities	7	2,520	2,428
Total liabilities		8,303	7,776
Net Assets		530,061	581,724
Unit Holders' Fund (As per statement attached)		530,061	581,724
Contingencies and Commitments			
(Number of units)			
Number of units in issue		52,770,515	53,768,935
(Rupees)			
Net asset value per unit		10.0446	10.8190

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

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

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

	Note	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
----- (Rupees in '000) -----			
INCOME			
Gain / (Loss) on sale of investments - net		-	2,620
Income from term finance certificates, sukuk bonds and commercial papers		3,908	28,608
Profit on bank deposits		1,060	2,184
Unrealised gain / (loss) on investments at fair value through profit or loss - net		4,214	7,798
Total income		9,182	41,210
EXPENSES			
Remuneration of Management Company		2,720	3,234
Remuneration of Central Depository Company of Pakistan Limited - Trustee		275	429
Annual fee - Securities and Exchange Commission of Pakistan		103	162
Settlement and bank charges		41	203
Annual listing fee		8	7
Auditors' remuneration		97	117
Amortisation of preliminary expenses and floatation costs		252	252
Printing and related cost		124	186
Fund Rating Fee		50	-
Impairment loss on investments classed as 'Available for sale and Held for trading'		34,646	8,028
Total expenses		38,316	12,618
Net income from operating activities		(29,134)	28,592
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		755	(3,847)
Provision for Workers' Welfare Fund		-	-
Net income for the period before taxation		(28,379)	24,745
Taxation	8	-	-
Net income for the period after taxation		(28,379)	24,745
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
(Formerly National Fullerton Asset Management Limited)
(Management Company)**

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

Note	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
----- (Rupees in '000) -----		
Net income for the year after taxation	(28,379)	24,745
Other comprehensive income		
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	(19,536)	(8,297)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	26,441	-
Total comprehensive income for the year	<u>(21,474)</u>	<u>16,448</u>

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

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

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

Note	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	----- (Rupees in '000) -----	
Undistributed income brought forward	51,455	21,284
Final distribution for the period ended June 30, 2010 : 3.733% (2009: 1.70%) (Date of Distribution: 05 July, 2010)		
- Bonus units	(19,011)	(16,900)
- Cash Distribution	(1,061)	(497)
Net income for the period	(28,379)	24,745
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	(943) (29,322)	1,502 26,247
Undistributed income carried forward	2,061	30,134

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

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

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

Note	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	----- (Rupees in '000) -----	
Net assets at the beginning of the year / period	581,724	1,036,057
Issue of 1,840,508 units including 1,819,996 bonus units (September 30, 2009: 15,122,874 units including 1,697,894 bonus units)	205	136,212
Redemption of 2,838,928 units (September 30, 2009: 42,911,852 units)	(28,578) (28,373)	(433,427) (297,215)
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	(755)	3,847
- amount representing income that form part of the unit holders' fund - transferred to Distribution Statement	943 188	(1,502) 2,345
Final distribution: Issue of 1,819,996 bonus units for the period ended June 30, 2009 (June 30, 2009: 1,697,894 bonus units)	19,011	16,900
Net unrealised diminution in the market value of investments classified as 'available for sale'	(19,536)	(8,297)
Reversal of unrealised diminution in the value of investment classified as available for sale'	26,441	-
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	(943)	1,502
Loss on sale of investments	-	2,620
Unrealised diminution in the value of investments at fair value through profit or loss - net	4,214	7,798
Other net income for the year / period	(32,593)	14,327
Final distribution for the period ended June 30, 2010: Rs 0.3733 per unit (2009: Rs.0.1700)		
- Bonus units	(19,011)	(16,900)
- Cash distribution	(1,061)	(497)
Net assets as at the end of the period	<u>530,061</u>	<u>758,640</u>

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

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

Chief Executive

Director

NAFA INCOME FUND

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

	Note	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		(28,379)	24,745
Adjustments			
Unrealised loss on investments at fair value through profit or loss - net		(4,214)	(7,798)
Amortisation of preliminary expenses and floatation costs		252	252
Impairment loss on sukuk bond		34,646	8,028
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		(755)	3,847
		1,550	29,074
(Increase) / decrease in assets			
Investments		4,385	193,933
Profit receivable		6,502	15,151
Advances, deposits, prepayments and other receivables		(32)	(12,500)
		10,855	196,584
Increase / (decrease) in liabilities			
Payable to Management Company		165	(1,753)
Payable to Central Depository Company of Pakistan Limited - Trustee		(8)	(39)
Payable to Securities and Exchange Commission of Pakistan		(412)	(914)
Accrued expenses and other liabilities		92	20
		(163)	(2,686)
Payment made for preliminary expenses and floatation costs		-	-
Net cash inflow from / (used in) operating activities		12,242	222,972
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		205	136,212
Payments on redemption of units		(27,888)	(439,287)
Distributions paid		(1,061)	(497)
Net cash (outflow) / inflow from financing activities		(28,744)	(303,572)
Net (decrease) / increase in cash and cash equivalents during the year / period			
Cash and cash equivalents at the beginning of the period		48,844	179,595
Cash and cash equivalents at the end of the period		32,342	98,995

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

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

Chief Executive

Director

NAFA INCOME FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-audited)

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Fund (NIF, the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (Formerly: 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 January 03, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2008 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

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

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended September 30, 2010 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2010.

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

4 INVESTMENTS

At fair value through profit or loss - held for trading

	Note	September 30, 2010	June 30, 2010
----- (Rupees in '000) -----			
Term finance certificates - listed	4.1.1	88,142	88,421
Term finance certificates - unlisted	4.1.1	227,001	252,598
Sukuk bonds	4.2		
		315,143	341,019
Available for sale			
Term finance certificates - listed	4.3	114,198	112,340
Sukuk bonds	4.3	53,606	57,500
		167,804	169,840
		<u>482,947</u>	<u>510,859</u>

NAFA INCOME FUND

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, 2010 (Rs in '000)	Investment as a percentage of		
	As at July 1, 2010	Purchases during the year	Sales during the year	As at September 30, 2010		Net assets	Market value of total investments	Issue size

Term finance certificates - listed

Saudi Pak Leasing Company Limited (note	15,000	-	-	15,000	40,924	7.72%	8.47%	10.00%
United Bank Limited	10,000	-	-	10,000	47,218	8.91%	9.78%	2.50%
				25,000	88,142	16.63%	18.25%	

Term finance certificates - unlisted

Engro Chemical Pakistan Limited	20,000	-	-	20,000	93,394	17.62%	19.34%	2.50%
AgriTech Limited (Formerly Pak American Fertilizer Limited) (note 4.2.3)	30,000	-	-	30,000	108,663	20.50%	22.50%	2.17%
Pakistan Mobile Communications Limited	10,000	-	-	10,000	24,944	4.71%	5.16%	4.29%
				60,000	227,001	42.83%	47.00%	
				85,000	315,143	59.45%	65.25%	

Carrying cost of investments as at September 30, 2010

367,450

Impairment loss recognised

56,521

4.2 Sukuk bonds - At fair value through profit or loss

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2010 (Rs in '000)	Investment as a percentage of		
	As at July 1, 2010	Purchases during the year	Sales during the year	As at September 30, 2010		Net assets	Market value of total investments	Issue size

New Allied Electronics Industries (Private) Limited (note 4.2.4)	10,000	-	-	10,000	-	0.00%	0.00%	6.67%
				10,000	-	0.00%	0.00%	

Carrying cost of investments as at September 30, 2010

50,000

Impairment loss recognised

50,000

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 listed term finance certificates with a term of five years. On September 13, 2010, the scheduled profit payment date, principal redemption of Rs.9.371 million and profit redemption of Rs.3.916 million were not received by the Fund. The management has recognised an impairment loss of Rs 15.304 million till September 30, 2010. The minimum amount of provision as per SECP circular no. 01 of 2009 amounts to Rs.9.788 million. The income suspended on these term finance certificates amounted to Rs.4.297 million.

4.2.3 This represents investment in privately placed unlisted term finance certificates with a term of Seven years. On July 14, 2010, the scheduled profit payment date, principal redemption of Rs.14.988 million and profit redemption of Rs.10.465 million were not received by the Fund. The management has recognised an impairment loss of Rs 41.217 million till September 30, 2010. The minimum amount of provision as per SECP circular no. 01 of 2009 amounts to Rs.34.472 million. The income suspended on these term finance certificates amounted to Rs.15.045 million.

4.2.4 This represents investment in privately placed sukuk bonds with a term of five years. On December 3, 2008, the investee company defaulted on its obligation on account of repayment. The minimum amount of provision required as per SECP Circular no. 01 of 2009 amounts to Rs.50 million. The management has made the said provision till September 30, 2010.

NAFA INCOME FUND

4.3 Term Finance Certificates and Sukuk Bonds - Available for Sale

Name of the investee company	Number of certificates / bonds				Market value as at September 30, 2010 (Rs in '000)	Investment as a percentage of		
	As at July 1, 2010	Purchases during the year	Sales during the year	As at September 30, 2010		Net assets	Market value of total investments	Issue size
Term finance certificate - listed								
Worldcall Telecom Limited	24,000	-	-	24,000	114,198	21.54%	23.65%	3.00%
				<u>24,000</u>	<u>114,198</u>	<u>21.54%</u>	<u>23.65%</u>	
Carrying cost of investments as at September 30, 2010					<u>112,340</u>			
Sukuk bonds								
Eden Housing Limited	20,000	-	-	20,000	53,606	10.11%	11.10%	13.70%
				<u>20,000</u>	<u>53,606</u>	<u>10.11%</u>	<u>11.10%</u>	
Carrying cost of investments as at September 30, 2010					<u>75,000</u>			

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

4.3.2 The term finance certificates and sukuk bonds held by the fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

	Note	(Un-audited) September 30, 2010	(Audited) June 30, 2010
----- (Rupees in '000) -----			
5 PROFIT RECEIVABLE			
Profit on savings and term deposit accounts		11	10
Income accrued on term finance certificates and sukuk bonds		51,560	39,725
Less: Suspended Income		(34,716)	(16,378)
		<u>16,844</u>	<u>23,347</u>
		<u>16,855</u>	<u>23,357</u>
6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposit with:			
- National Clearing Company of Pakistan Limited		3,500	3,500
- Central Depository Company of Pakistan Limited		100	100
Prepayments		32	-
Advance tax		96	96
		<u>3,728</u>	<u>3,696</u>
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditor's remuneration		101	235
Settlement charges payable		55	16
Withholding tax payable		34	-
Bank charges payable		68	72
Payable to brokers		19	19
WWF		1,710	1,710
Rating Fee		50	-
Printing charges payable		483	376
		<u>2,520</u>	<u>2,428</u>

NAFA INCOME FUND

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 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.

9 EARNINGS PER UNIT

Earnings per unit (EPU) for the Quarter ended September 30, 2010 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

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, 2010, 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	New Allied Electronics (Pvt) Ltd	50,000	50,000	-	-	-
Securities	Agritech Limited (Formerly Pak American Fertilizer)	149,880	41,217	108,663	20.50%	20.18%
	Saudi Pak Leasing Co.	56,228	15,304	40,924	7.72%	7.60%
	Eden Housing Ltd.*	75,000	21,394	53,606	10.11%	9.95%

At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted.

* below investment grade

10.1 SECP vide circular no. 16 of 2010 dated July 7, 2010 requires that a scheme presently non-compliant with this requirement complies with this requirement by December 31, 2010.

11 TRANSACTIONS WITH CONNECTED PERSONS

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,NAFA Provident Fund Trust, 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 INCOME FUND

	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
----- (Rupees in '000) -----		
11.1 Details of the transactions with connected persons are as follows:		
NBP Fullerton Asset Management Limited - (Formerly : National Fullerton Asset Management Limited - Management Company)		
Management fee expense for the year / period	2,720	3,234
Bonus units issued (181,681 units; 2009: 178,995 units)	-	1,782
Units Redeemed/Transferred Out (1,991,678 units : 2009: 3,381,480 units)	20,000	34,125
Chief Executive Officer		
Bonus units issued (Nil units; 2009: Nil units)	-	-
Units Redeemed/Transferred Out (Nil units : 2009: 31,338 Units)	-	314
Employees of the Management Company		
Units issued / transferred in (Nil units; 2009: 286,948 units)	-	2,930
Units redeemed / transferred out (2,750 units; 2009: 300,198 units)	28	3,055
Bonus units issued (157 units; 2009: 833 units)	8	8
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	275	429
CDS charges	2	2
NAFA Employees Provident Fund		
Bonus units issued (705 units; 2009: 4,354 units)	-	43
	As at September 30, 2010	As at June 30, 2010
----- (Rupees in '000) -----		
11.2 Amounts outstanding as at year / period end		
NBP Fullerton Asset Management Limited - (Formerly : National Fullerton Asset Management Limited - Management Company)		
Management fee payable	882	717
Investment held by management company in the Fund (3,273,810 units; June 30, 2010: 5,083,807 units)	32,884	55,002
Front end load payable	20	20
Preliminary charges and floatation cost	4,000	4,000
National Bank of Pakistan - Sponsor		
Balance in current account	12	92
Chief Executive Officer		
Investment held in the Fund (Nil units: June 30, 2010 : Nil units)	-	-
Employees of the Management Company		
Investment held in the Fund (1,809 units : June 30, 2010 : 4,401 units)	18	48
NAFA Employees Provident Fund		
Investment held in the Fund (20,422 units; June 30, 2010: 19,717 units)	205	213
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	88	96
CDC charges	1	1
Security deposit	100	100

NAFA INCOME FUND

12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 18, 2010.

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

Chief Executive

Director