


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

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

Bankers to the Fund

Allied Bank Limited
Arif Habib Bank Limited
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) Limited
The Bank of Khyber
The Bank of Punjab
United Bank 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: 042-111-111-632
Phone: 042-35778248-63
Fax: 042-35760373

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

NAFA INCOME FUND

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NAFA INCOME FUND

DIRECTORS' REPORT

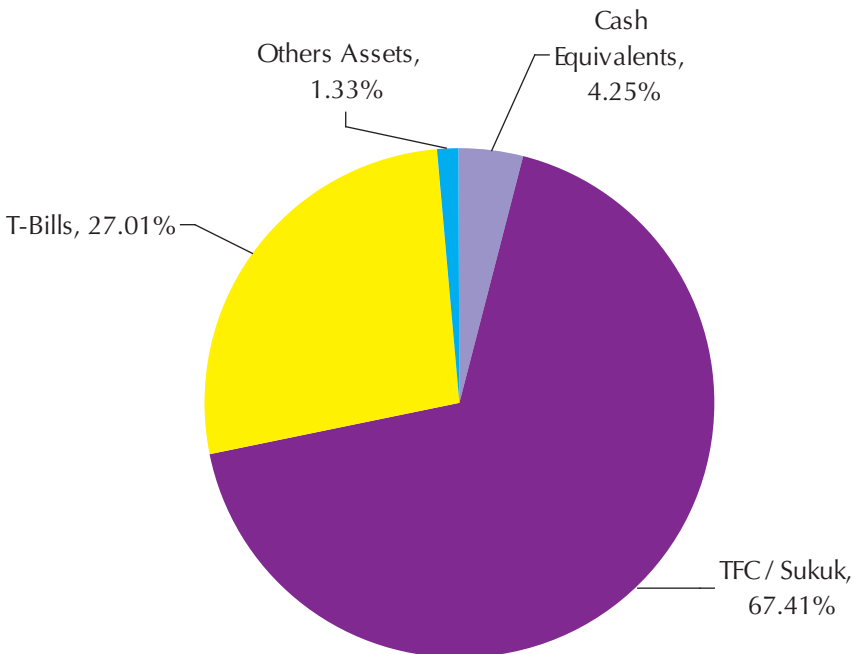
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Fund for the quarter ended September 30, 2011.

Fund's Performance

The size of NAFA Income Fund has reduced from Rs. 461 million to Rs. 444 million during the period, i.e. a decline of 3.69%. During the said period, the unit price of NAFA Income Fund has decreased from Rs. 9.7109 on June 30, 2011 to Rs.9.3654 on September 30, 2011, thus showing an annualized return of -13.39% as compared to its Benchmark (6-Month KIBOR) annualized return of 13.52% for the same period.

The coupon rates of all TFCs in your Fund are floating and linked to KIBOR, which depicted a falling trend during the quarter.

The Fund has earned total income of Rs.14.84 million during the period. After deducting expenses of Rs.31.25 million, the net loss is Rs.16.41 million; translating into loss per unit of Rs.0.3455. The asset allocation of the Fund as on September 30, 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: October 27, 2011
Place: Karachi.

NAFA INCOME FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

	Note	(Un-audited) September 30, 2011	(Audited) June 30, 2011
(Rupees in '000)			
Assets			
Balances with banks		18,052	7,330
Investments	4	419,020	441,844
Profit receivable	5	5,865	10,831
Advances, deposits, prepayments and other receivables		2,698	2,696
Preliminary expenses and floatation costs		1,492	1,744
Total assets		447,127	464,445
Liabilities			
Payable to Management Company		724	851
Payable to Central Depository Company of Pakistan Limited - Trustee		61	70
Payable to Securities and Exchange Commission of Pakistan		84	389
Accrued expenses and other liabilities	6	2,477	2,201
Total liabilities		3,346	3,511
Net Assets		443,781	460,934
Unit Holders' Fund (As per statement attached)		443,781	460,934
Contingencies and Commitments			
(Number of units)			
Number of units in issue		47,385,087	47,465,768
(Rupees)			
Net asset value per unit		9.3654	9.7109

The annexed notes 1 to 12 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, 2011 (Un-audited)

	Note	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
(Rupees in '000)			
INCOME			
Gain / (Loss) on sale of investments - net		58	-
Income from term finance certificates, sukuk bonds and commercial papers		10,133	3,908
Profit on bank deposits		259	1,060
Income from Government Securities		3,624	-
Unrealised gain / (loss) on investments at fair value through profit or loss - net		762	4,214
Total income		14,836	9,182
EXPENSES			
Remuneration of Management Company		2,247	2,720
Remuneration of Trustee		191	275
Annual fee - Securities and Exchange Commission of Pakistan		84	103
Settlement and bank charges		11	41
Annual listing fee		10	8
Auditors' remuneration		114	97
Amortisation of preliminary expenses and floatation costs		252	252
Printing and related cost		16	124
Fund Rating Fee		50	50
Brokerage and bank charges		4	-
Other expenses		362	-
Impairment loss on investments classied as 'Availabe for sale and Held for trading'		27,905	34,646
Total expenses		31,246	38,316
Net income / (loss) from operating activities		(16,410)	(29,134)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		-	755
Provision for Workers' Welfare Fund		-	-
Net income / (loss) for the period before taxation		(16,410)	(28,379)
Taxation	7	-	-
Net income / (loss) for the period after taxation		(16,410)	(28,379)
Earnings per unit	8		

The annexed notes 1 to 12 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, 2011 (Un-audited)

Note	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
	(Rupees in '000)	
Net income / (loss) for the year after taxation	(16,410)	(28,379)
Other comprehensive income		
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	-	(19,536)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	26,441
Total comprehensive income / (loss) for the year	<u>(16,410)</u>	<u>(21,474)</u>

The annexed notes 1 to 12 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, 2011 (Un-audited)

	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
	(Rupees in '000)	
(Accumulated losses) / undistributed income brought forward	(7,854)	51,455
Final distribution for the period ended June 30, 2011 : Nil (2010: 3.733%) (Date of Distribution: 04 July, 2011)		
- Bonus units	-	(19,011)
- Cash Distribution	-	(1,061)
Net income for the period	(16,410)	(28,379)
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	41 (16,369)	(943) (29,322)
(Accumulated losses) / undistributed income carried forward	(24,223)	2,061

The annexed notes 1 to 12 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, 2011 (Un-audited)

Note	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
	(Rupees in '000)	
Net assets at the beginning of the year / period	460,934	581,724
Issue of 98,401 units (September 30, 2010: 1,840,508 units including 1,819,996 bonus units)	957	205
Redemption of 179,082 units (September 30, 2010: 2,838,928 units)	(1,700) (743)	(28,578) (28,373)
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)
- amount representing income that form part of the unit holders' fund transferred to Distribution Statement	(41) (41)	943 188
Final distribution: Issue of Nil bonus units for the period ended June 30, 2011 (June 30, 2010: 1,819,996 bonus units)	-	19,011
Net unrealised diminution in the market value of investments classified as 'available for sale'	-	(19,536)
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	41	(943)
Loss on sale of investments	58	-
Unrealised diminution in the value of investments at fair value through profit or loss - net	762	4,214
Other net income for the year / period	(17,230)	(32,593)
Final distribution for the period ended June 30, 2011: Nil (2010: Rs.0.3733)		
- Bonus units	-	(19,011)
- Cash distribution	-	(1,061)
	(16,369)	(49,394)
Net assets as at the end of the period	443,781	530,061

The annexed notes 1 to 12 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, 2011 (Un-audited)

	Note	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Net income / (loss) for the period		(16,410)	(28,379)
Adjustments			
Unrealised loss on investments at fair value through profit or loss - net		(762)	(4,214)
Amortisation of preliminary expenses and floatation costs		252	252
Impairment loss on sukuk bond		27,905	34,646
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		-	(755)
		<u>10,985</u>	<u>1,550</u>
(Increase) / decrease in assets			
Investments		(4,319)	4,385
Profit receivable		4,966	6,502
Advances, deposits, prepayments and other receivables		(2)	(32)
		645	10,855
Increase / (decrease) in liabilities			
Payable to Management Company		(127)	165
Payable to Central Depository Company of Pakistan Limited - Trustee		(9)	(8)
Payable to Securities and Exchange Commission of Pakistan		(305)	(412)
Accrued expenses and other liabilities		276	92
		(165)	(163)
Payment made for preliminary expenses and floatation costs		-	-
Net cash inflow from / (used in) operating activities		<u>11,465</u>	<u>12,242</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		957	205
Payments on redemption of units		(1,700)	(27,888)
Distributions paid		-	(1,061)
Net cash (outflow) / inflow from financing activities		<u>(743)</u>	<u>(28,744)</u>
Net (decrease) / increase in cash and cash equivalents during the year / period		<u>10,722</u>	<u>(16,502)</u>
Cash and cash equivalents at the beginning of the period		7,330	48,844
Cash and cash equivalents at the end of the period		<u><u>18,052</u></u>	<u><u>32,342</u></u>

The annexed notes 1 to 12 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, 2011 (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 (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 (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

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 has assigned an asset manager rating of AM2- (Positive outlook) to the Management Company and a A-(f) to the Fund.

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

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 condensed interim financial statements for the quarter ended September 30, 2011 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2011.

3.1 Change in Accounting Policy on Recognition of Element of Income

Based on the proposal by MUFAP on the change in the treatment of "Element of Income and Capital Gains included in the prices of units issued less those on units redeemed" and subsequent correspondence by SECP and opinion by ICAP in this regard, the accounting treatment of recognition of element of income has been changed with effect from July 1, 2011. Accordingly, instead of following previous policy of recognizing element of income, the net balance of element of income

NAFA INCOME FUND

	Note	September 30, 2011	June 30, 2011
(Rupees in '000)			
4 INVESTMENTS			
At fair value through profit or loss - held for trading			
Term finance certificates - listed	4.1.1	73,793	84,267
Term finance certificates - unlisted	4.1.1	131,470	159,947
Sukuk bonds	4.2	-	-
Market Treasury Bills	4.3	119,868	102,439
		325,131	346,653
Available for sale			
Term finance certificates - listed	4.4	45,698	45,698
Sukuk bonds	4.4	48,191	49,493
		93,889	95,191
		419,020	441,844

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, 2011 (Rupees in '000)	Investment as a percentage of		
	As at July 01, 2011	Purchases during the year	Sales during the year	As at September 30, 2011		Net assets	Market value of total investment	Issue size
Term finance certificates - listed								
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	34,022	7.67%	8.12%	10.00%
United Bank Limited	10,000	-	2,000	8,000	39,771	8.96%	9.49%	2.50%
				23,000	73,793	16.63%	17.61%	
Term finance certificates - unlisted								
Engro Chemical Pakistan Limited	20,000	-	-	20,000	94,000	21.18%	22.43%	2.50%
Agritech Limited (Formerly Pak American Fertilizer Limited) (note 4.2.2)	30,000	-	-	30,000	37,470	8.44%	8.94%	2.17%
				50,000	131,470	29.62%	31.38%	
				73,000	205,263	46.25%	48.99%	
					316,846			
Carrying cost of investments as at September 30, 2011								
					112,410			

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, 2011 (Rupees in '000)	Investment as a percentage of		
	As at July 01, 2011	Purchases during the year	Sales during the year	As at September 30, 2011		Net assets	Market value of total investment	Issue size
New Allied Electronics Industries (Private) Limited (note 4.2.3)	10,000	-	-	10,000	-	-	-	6.67%
				10,000	-	-	-	
Carrying cost of investments as at September 30, 2011								
					49,054			
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 minimum amount of provision as per circular 1 of 2009 amounts to Rs 107.914 million. The management has recognised Rs.112.410 million till September 30, 2011. The income suspended on these term finance certificates amounted to Rs 27.229 million.

4.2.3 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 minimum amount of provision as per circular 1 of 2009 amounts to Rs 49.054 million which is retained by the management. The income suspended on these sukuk bonds amounted to Rs.22.969 million.

4.3 Market Treasury Bills

Issue Date	Tenor	Face Value				Market value as at September 30, 2011 (Rupees in '000)	Investment as a percentage of	
		As at July 01, 2011	Purchases during the year	Sales/ Matured during the year	As at September 30, 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	7,445	1.68%	1.78%
August 25, 2011	6 months	-	3,500	-	3,500	3,326	0.75%	0.79%
June 2, 2011	6 months	-	100,000	-	100,000	97,799	22.04%	23.34%
September 22, 2011	6 months	-	12,000	-	12,000	11,298	2.55%	2.70%
						<u>119,868</u>		
						<u>119,933</u>		

Carrying cost of investments as at September 30, 2011

119,933

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, 2011 (Rupees in '000)	Investment as a percentage of		
	As at July 01, 2011	Purchases during the year	Sales during the year	As at September 30, 2011		Net assets	Market value of total investment	Issue size
Term finance certificate - listed								
Worldcall Telecom Limited	14,000	-	-	14,000	45,698	10.30%	10.91%	3.00%
				<u>14,000</u>	<u>45,698</u>	<u>10.30%</u>	<u>10.91%</u>	
Carrying cost of investments as at September 30, 2011					<u>45,698</u>			
Sukuk bonds								
Eden Housing Limited	20,000	-	-	20,000	48,191	10.86%	11.50%	13.70%
				<u>20,000</u>	<u>48,191</u>	<u>10.86%</u>	<u>11.50%</u>	
Carrying cost of investments as at September 30, 2011					<u>69,375</u>			
Impairment loss recognised					<u>21,184</u>			

NAFA INCOME FUND

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 sukuk bonds issue 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 said sukuk was classified by the Fund due to non payment in June 30, 2010 and a provision of Rs 21.184 million (as per the provision of circular 1 of 2009 and circular 3 of 2010 issued by SECP) was recorded by the Fund. The income suspended on these sukuk bonds amounted to Rs.5.739 million.

	Note	September 30, 2011	June 30, 2011
(Rupees in '000)			
5 PROFIT RECEIVABLE			
Profit on savings and term deposit accounts		90	57
Income accrued on term finance certificates and sukuk bonds		61,712	56,087
Less: Suspended Income		(55,937)	(45,313)
		5,775	10,774
		<u>5,865</u>	<u>10,831</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditor's remuneration		370	256
Settlement charges payable		2	37
Withholding tax payable		23	20
Bank charges payable		24	28
Payable to brokers		27	23
WWF		1,710	1,710
Rating Fee		50	-
Printing charges payable		143	127
Listing Fee		10	-
Other Payable		118	-
		<u>2,477</u>	<u>2,201</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 EARNINGS PER UNIT

Earnings per unit (EPU) for the quarter ended September 30, 2011 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

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 Fund'.

NAFA 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
Cash and near cash instruments	N/A	18,052		18,052	4.07%	4.04%
Investment in Debe Securities	New Allied Electronics (Pvt) Ltd	49,054	49,054	-	-	-
	Agritech Limited (Formerly Pak American Fertilizer)	149,880	112,410	37,470	8.44%	8.38%
	Saudi Pak Leasing Co. **	51,530	-	34,022	7.67%	7.61%
	Eden Housing Ltd.	69,375	21,184	48,191	10.86%	10.78%
Excess exposure	Engro Fertilizer Limited (PPTFC)	100,000	-	94,000	21.18%	21.02%
	Eden Housing Limited - Sukuk II	69,375	21,184	48,191	10.86%	10.78%
	Chemical Sector	249,880		131,470	29.62%	29.40%

** Book value, performing but below investment grade

- 9.1 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.

10 TRANSACTIONS WITH CONNECTED PERSONS

- 10.1 Connected persons include NBP 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 is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 10.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA INCOME FUND

Quarter Ended September 30,2011 Quarter Ended September 30,2010
(Rupees in '000)

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

NBP Fullerton Asset Management Limited - Management company		
Management fee expense for the year / period	2,247	2,720
Bonus units issued (Nil units; 2010: 181,681 units)	-	-
Units Redeemed/Transferred Out (Nil units : 2010: 1,991,678 units)	-	20,000
Employees of the Management Company		
Units redeemed / transferred out (Nil units; 2010: 2,750 units)	-	28
Bonus units issued (Nil units; 2010: 157 units)	-	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	191	275
CDS charges	2	2
NAFA Employees Provident Fund		
Bonus units issued (705 units; 2010: 705 units)	-	-

As at September 30,2011 As at June 30,2010
(Rupees in '000)

10.6 Amounts outstanding as at year / period end

NBP Fullerton Asset Management Limited - Management company		
Management fee payable	724	821
Investment held by management company in the Fund (752,012 units; June 30, 2011: 752,012 units)	7,043	7,303
Others	-	30
National Bank of Pakistan - Sponsor		
Balance in current account	120	120
Employees of the Management Company		
Investment held in the Fund (1,138 units : June 30, 2011 : 1,138 units)	11	11
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	61	70
CDC charges	1	1
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund (45,033,858 units; June 30, 2011: 45,033,858 units)	421,760	437,319

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 27, 2011.

12 GENERAL

- 12.1 Corresponding figures have been rearranged wherever necessary, for the purposes of comparison and better presentation.
- 12.2 Figures have been rounded off to the nearest thousand rupees.
- 12.3 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