

**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 Funds

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## FUNDS' INFORMATION

### Management Company

National Fullerton Asset Management Limited.

### Board of Directors of the Management Company

Mr. Masood Karim Shaikh	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Gerard Lee How Cheng	Director
Khawaja Iqbal Hassan	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shahid Anwar Khan	Director
Mr. Masroor Ahmed Qureshi	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. Masroor Ahmed Qureshi	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

#### NAFA ISLAMIC INCOME FUND

Al-Baraka Islamic Bank  
Askari Commercial Bank Ltd.  
Bank Alfalah Limited  
BankIslami Pakistan Limited  
Dawood Islamic Bank  
Emirates Global Islamic Bank Ltd.  
Meezan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Habib Metropolitan Bank Ltd.  
Standard Chartered Bank Ltd.  
The Bank of Khyber  
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**

Aly Shah & Co. Advocates and Legal Consultants  
Suite 502, 5th Floor  
Marine Pride, BC-2, Block-7,  
Khayaban-e-Iqbal  
Clifton, Karachi.

## **Head Office**

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

## **Lahore Office**

83-A-E/1, Main Boulevard  
Gulberg III  
Lahore.

## **Islamabad Office**

4th Floor, Ali Plaza  
1-E, Blue Area  
Islamabad.

# NAFA ISLAMIC INCOME FUND

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## DIRECTORS' REPORT

The Board of Directors of National Fullerton Asset Management Limited is pleased to present the un-audited financial statements of **NAFA Islamic Income Fund** for the period from September 17, 2007 to December 31, 2007.

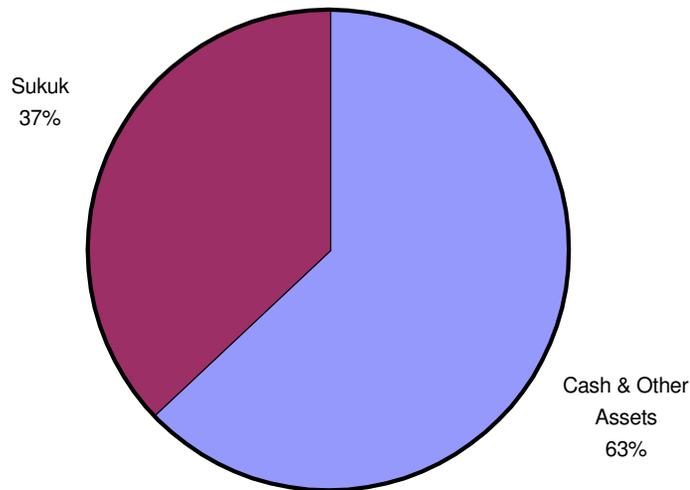
### Fund's Performance

NAFA Islamic Income Fund commenced its operations on October 29, 2007. Since launch its net assets have grown to Rs.910.57 million, with 89.88 million units outstanding as at December 31, 2007. NAFA Islamic Income Fund has earned a total income of Rs.15.40 million during the said period. After deducting total expenses of Rs.3.67 million, the net profit is Rs.11.73 million, which translates into an earning per unit of Rs.0.1305.

The performance of the Fund is compared against that of a benchmark (average 1-month deposit rate of Four Islamic Banks in Pakistan). During the said period the Benchmark recorded an annualized increase of 5.19%. As against this growth, the Fund recorded an annualized increase of 7.44% in Unit Price over the same period, thus registering an annualized out-performance of 2.25%.

The asset allocation of the Fund as at December 31, 2007 is as follows:

**Asset Allocation as on December 31, 2007**



## **Acknowledgement**

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the management, and providing us with 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 for their continued support and cooperation.

On behalf of the Board of  
National Fullerton Asset Management Limited

**Masood Karim Shaikh, FCA**  
**Chairman**

**Dr. Amjad Waheed, CFA**  
**Chief Executive**

Date: February 15, 2008  
Place: Karachi.

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

Report of the Trustee Pursuant to Regulation 58(f) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007

**NAFA Islamic Income Fund** (Fund), an open-end fund established under a trust deed executed between National Fullerton Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as Trustee on August 20, 2007. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007.

In our opinion, the Management Company has in all material respects managed the Fund for the period from September 17, 2007 to December 31, 2007 in accordance with the provisions of the constitutive documents of the Fund (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

Mohammad Hanif  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, Dated: February 27, 2008

## AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Income Fund** as at December 31, 2007, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the period from September 17, 2007 to December 31, 2007. The Management Company (National 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. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with 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 December 31, 2007 and for the period from September 17, 2007 to December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Date: February 26, 2008.  
Karachi.

**A . F. Ferguson & Co.**  
Chartered Accountants

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED) AS AT DECEMBER 31, 2007

	Note	December 31, 2007 (Rupees in '000')
<b>Assets</b>		
Bank balances	4	293,219
Investments	5	335,660
Loans and receivables	6	280,000
Dividend and profit receivable	7	14,323
Receivable against sale of investments		46,504
Receivable against sale of units		5,759
Advances, deposits, prepayments and other receivables		2,622
Preliminary expenses and floatation costs		2,410
<b>Total assets</b>		<b>980,497</b>
<b>Liabilities</b>		
Accrued expenses and other liabilities	8	1,155
Payable on redemption of units		60,557
Payable to National Fullerton Asset Management Limited - Management Company		7,868
Payable to Central Depository Company of Pakistan Limited - Trustee		169
Payable to Securities and Exchange Commission of Pakistan		182
<b>Total liabilities</b>		<b>69,931</b>
<b>Net assets</b>		<b>910,566</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>910,566</b>
		<b>(Number of units)</b>
<b>Number of units in issue</b>		<b>89,883,736</b>
		<b>Rupees</b>
<b>Net asset value per unit</b>		<b>10.1305</b>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

**Dr. Amjad Waheed**  
Chief Executive

**Masood Karim Shaikh**  
Chairman

# NAFA Islamic Income Fund

## CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO DECEMBER 31, 2007

For the Period  
from September  
17, 2007 to  
December 31,  
2007  
(Rupees in '000')

### Income

Profit on bank deposits	11,398
Income from spread transactions	1,215
Income from Sukuk bonds	4,119
	16,732

### Expenses

Remuneration of National Fullerton Asset Management Limited -Management Company	2,730
Remuneration of Central Depository Company of Pakistan Limited - Trustee	360
Annual fee - Securities and Exchange Commission of Pakistan	182
Brokerage and other transaction costs	154
Annual listing fee	8
Settlement and bank charges	25
Auditors' remuneration	117
Amortisation of preliminary expenses and floatation costs	90
	3,666

### Net income from operating activities

13,066

Net element of accrued income / (loss) and capital gains / (losses) included in prices  
of units issued less those in units redeemed

(1,335)

### Net income for the period

11,731

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO DECEMBER 31, 2007**

**For the Period  
from September  
17, 2007 to  
December 31,  
2007  
(Rupees in '000')**

Net income for the period	11,731
Undistributed income carried forward	<u>11,731</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

**Dr. Amjad Waheed**  
Chief Executive

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

**Masood Karim Shaikh**  
Chairman

## NAFA Islamic Income Fund

### CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED) FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO DECEMBER 31, 2007

	<b>For the Period from September 17, 2007 to December 31, 2007 (Rupees in '000')</b>
Issue of 146,959,387 units	1,473,727
Redemption of (57,075,650) units	<u>(576,227)</u>
	897,500
Net element of accrued (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed -transferred to Income Statement	1,335
Net income for the period available for distribution	11,731
<b>Net assets as at the end of the period</b>	<u><u>910,566</u></u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO DECEMBER 31, 2007**

	<b>For the Period from September 17, 2007 to December 31, 2007 (Rupees in '000')</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income for the period	11,731
<b>Adjustments</b>	
Remuneration of National Fullerton Asset Management Limited -Management Company	2,730
Remuneration of Central Depository Company of Pakistan Limited - Trustee	360
Amortisation of preliminary expenses and floatation costs	90
Net element of accrued (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	1,335
	16,246
<b>Increase in assets</b>	
Investments -net	(382,164)
Loans and receivables	(280,000)
Dividend and profit receivable	(14,323)
Advances, deposits, prepayments and other receivables	(2,622)
Preliminary expenses and floatation costs	(2,500)
	(681,609)
<b>Increase in liabilities</b>	
Accrued expenses and other liabilities	1,155
Payable to National Fullerton Asset Management Limited	6,578
Payable to Securities and Exchange Commission of Pakistan	182
	7,915
Remuneration paid to National Fullerton Asset Management Limited -Management Company	(1,440)
Remuneration paid to Central Depository Company of Pakistan Limited - Trustee	(191)
<b>Net cash outflow on operating activities</b>	(659,079)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Net receipts / (payments) made against sales / redemption of units	952,298
Cash and cash equivalents at the end of the period	293,219

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

**Dr. Amjad Waheed**  
Chief Executive

**Masood Karim Shaikh**  
Chairman

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UUAUDITED) FOR THE PERIOD FROM SEPTEMBER 17, 2007 TO DECEMBER 31, 2007

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Income Fund (the Fund) was established under a Trust Deed executed between National Fullerton Asset Management Limited (NAFA) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 3, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The Fund is listed on the Lahore Stock Exchange. The units are transferable and can be redeemed by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at par from October 22, 2007 to October 26, 2007.

The core objective of the Fund is to provide investors with the combination of capital growth and income by investing in a variety of Shariah compliant securities, other avenues of investments include ready future arbitrage in listed securities, and transactions under Musharakah, Murabahah, Ijarah etc.

In accordance with the trust deed, the first accounting period of the Fund commenced on the date on which the Trust Property was first paid or transferred to the Trustee.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (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 Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

These condensed interim financial statements are unaudited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and these condensed interim financial statements are being circulated to the unit holders as required under the NBFC Regulations.

## 2.2 Accounting Convention

These condensed interim financial statements have been prepared under the historical cost convention except that certain investments are carried at fair value in accordance with the criteria laid down in International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

## 2.3 Critical accounting estimates and judgments

The preparation of condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments, and
- ii) Amortization of preliminary expenses and floatation costs

These condensed interim financial statements have been prepared in Pak Rupees, which is the Fund's functional and presentation currency.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial Statements are set out below:

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances.

### 3.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

The management determines the appropriate classification of the investments made by the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis. Investments are categorised as follows:

#### a) Financial assets at fair value through profit or loss

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'Financial assets at fair value through profit or loss'. These investments are marked to market using the closing market rates at the end of each day and are

carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the Income Statement.

## **b) Held to maturity financial assets**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition these investments are carried at amortised cost.

## **c) Available for sale**

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices, are classified as 'available for sale'.

Investments categorised as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

## **d) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition these are carried at amortised cost.

### **3.3 Spread transactions (Ready-Future Transactions)**

The Fund enters into certain transactions involving purchase of a security in the ready market and simultaneous sale of the same security in the futures market. Securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative' in accordance with the requirements of International Accounting Standard 39: "Financial Instruments: Recognition and Measurement".

### 3.4 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

### 3.5 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently the Fund is charging sales load at the rate of 1%.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Currently the Fund is not charging any back-end load or duties or charges.

### 3.6 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed

An equalization account called the 'element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

### 3.7 Net Asset Value per unit

The Net Asset Value per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

### 3.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income is recognised on the date of book closure of the investee company / institution

declaring the dividend.

- Profit on deposit with banks is recognized on accrual basis.
- Unrealized gains / losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.

### 3.9 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

### 3.10 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 3.11 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realized or unrealized, 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 the intention 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.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Fund has not recognized any amount of deferred tax in these condensed interim financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realized or unrealized to its unit holders every year.

### 3.12 Financial assets and financial liabilities

Financial assets carried on the Statement of Assets and Liabilities include balances with banks, receivable against investments, loans and receivables, income receivable and certain other receivables.

Financial liabilities carried on the Statement of Assets and Liabilities include payable to National Fullerton Asset Management Limited – Management Company, payable to Central Depository Company of Pakistan Limited – Trustee, payable to Securities and Exchange Commission of Pakistan - annual fee

and accrued expenses and other liabilities.

### 3.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

	<b>Note</b>	<b>December 31, 2007</b>
		<b>(Rupees in '000')</b>
<b>4 BANK BALANCES</b>		
Saving accounts		263,444
Current accounts		29,775
		<u>293,219</u>
<b>5 INVESTMENTS</b>		
At fair value through profit or loss		
-Equity securities	5.1	-
Available for sale		
-Sukuks	5.2	335,660
		<u>335,660</u>

#### 5.1 AT FAIR VALUE THROUGH PROFIT OR LOSS - Equity securities

Name of the investee company	Number of shares				Market Value at December 31, 2007 (Rs. in "000")	Market value as a Percentage of net Assets
	Purchases during the period	Bonus/ the Right Issue	Sales during the period	At December 31, 2007		

All the holding are in shares of Rs. 10/- each or otherwise stated

#### Oil and Gas Marketing Companies

Pakistan State Oil Company Limited	33,000	-	33,000	-	-	-
<b>Oil and Gas Exploration Companies</b>						
Oil & Gas Development Company Limited	848,200	-	848,200	-	-	-
Pakistan Oilfields Limited	34,500	-	34,500	-	-	-
Pakistan Petroleum Limited	11,500	-	11,500	-	-	-
<b>Fertilizers</b>						
Fauji Fertilizer Bin Qasim Limited	182,000	-	182,000	-	-	-
	<u>1,109,200</u>	<u>-</u>	<u>1,109,200</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>

Cost of investment at December 31, 2007

-

# NAFA Islamic Income Fund

## 5.2 AVAILABLE FOR SALE - Sukuk Bonds

Name of the investee company	Number of units				Cost as at December 31, 2007 (Rs. in '000')	Cost as a Percentage of net Assets
	Purchases during the period	Bonus/ Right Issue	Sales during the period	At December 31, 2007		
New Allied Electronic Industries (Pvt) Limited	357,000	-	-	357,000	135,660	-
Mapple Leaf Cement Factory Limited	20,000	-	-	20,000	100,000	-
Kohat Cement Company Limited	200,000	-	-	200,000	100,000	-
					335,660	
					<b>December 31, 2007</b>	
					<b>(Rupees in '000')</b>	

## 6 LOANS AND RECEIVABLES

Term Deposits	280,000
	280,000

## 7 DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable	407
Profit receivable on bank deposits	4,996
Profit receivable on TDR	4,615
Profit receivable on Sukuk bonds	4,305
	14,323

## 8 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	117
Settlement charges payable	14
Withholding tax payable	42
Others	982
	1,155

## 9 EARNINGS PER UNIT

Earnings per unit (EPU) for the period from September 17, 2007 to December 31, 2007 has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

## 10 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include National Fullerton Asset Management Limited being the Management Company, National Bank of Pakistan, NIB Bank Limited and Alexandra Fund Management Pte. Limited being the Sponsors, the Directors of the Management Company and entities having common directorship with the Management Company.

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

Details of the transactions with connected persons and balances with them, if not disclosed in relevant notes, at December 31, 2007 are as follows:

	<b>For the Period from September 17, 2007 to December 31, 2007 (Rupees in '000')</b>
<b>10.1 Amount of transactions during the period</b>	
<b>National Fullerton Asset Management Limited - Management Company</b>	
Management fee	2,730
<b>National Bank of Pakistan - Sponsor</b>	
Investments made by the Sponsor in the Fund (7,500,000 units)	75,000
Profit paid by the Fund on pre-IPO investment	417
<b>NIB Bank Limited - Sponsor</b>	
Investments made by the Sponsor in the Fund (7,500,000 units)	75,000
Profit paid by the Fund on pre-IPO investment	417
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>	
Investments made by the Sponsor in the Fund (10,000,000 units)	100,000
Profit paid by the Fund on pre-IPO investment	556
<b>Executive staff</b>	
Units issued (71,538 units)	721
<b>NAFA Cash Fund - Associated Fund</b>	
Payment made for the purchase of Sukuk bond	60,360
<b>NAFA Multi Asset Fund - Associated Fund</b>	
Payment made for the purchase of Sukuk bond	50,300
	<b>December 31, 2007 (Rupees in '000')</b>
<b>10.2 Balances at period end</b>	
<b>National Fullerton Asset Management Limited - Management Company</b>	
Management fee payable as at December 31, 2007	1,290
Other payables	6,578
<b>National Bank of Pakistan - Sponsor</b>	
Investment made by the Sponsor in the Fund	75,979

December 31,  
2007  
(Rupees in '000')

**NIB Bank Limited - Sponsor**

Investment made by the Sponsor in the Fund	75,979
Profit payable by the Fund on pre-IPO investment	417

**Alexandra Fund Management Pte. Limited - Sponsor**

Investment made by the Sponsor in the Fund	101,305
Profit payable by the Fund on pre-IPO investment	556

**Executive Staff**

Investment held by Executive staff	726
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**11 DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on February 15, 2008 by the Board of Directors of the Management Company.

**12 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

For National Fullerton Asset Management Limited  
(Management Company)

Dr. Amjad Waheed  
Chief Executive

Masood Karim Shaikh  
Chairman