


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.

Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	07
CONDENSED INTERIM INCOME STATEMENT	08
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	09
CONDENSED INTERIM DISTRIBUTION STATEMENT	10
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	11
CONDENSED INTERIM CASH FOLW STATEMENT	12
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	13

NAFA INCOME OPPORTUNITY 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. 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

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 Limited
Askari Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
My Bank Limited
National Bank of Pakistan
NIB Bank Limited
SILK Bank Limited
Soneri Bank Limited
Standard Chartered Bank (PAK) Limited
The Bank of Khyber
The Bank of Punjab
Royal Bank of Scotland Limited
United Bank Limited
Samba Bank Limited

NAFA INCOME OPPORTUNITY FUND

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi, 75530 Pakistan.

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
UAN: 021-111-111-NFA (632)
Toll Free: 0800-20001
Fax: 021-32467605

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

NAFA INCOME OPPORTUNITY FUND

DIRECTORS' REPORT

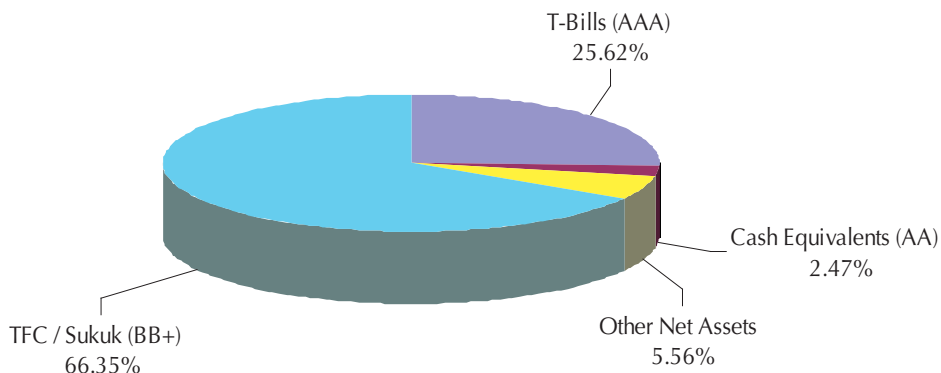
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Opportunity Fund for the quarter ended September 30, 2012.

Fund's Performance

The size of NAFA Income Opportunity Fund has reduced from Rs. 1,546 million to Rs. 1,539 million during the period, i.e. a decline of 0.45%. During the said period, the unit price of the Fund has decreased from Rs. 9.6618 on June 30, 2012 to Rs. 9.7457 on September 30, 2012, thus showing an annualized return of 3.49% as compared to its Benchmark (6-Month KIBOR) annualized return of 11.13% for the same period. The return was low because of provisioning in cement and consumer electronics sector Sukuks.

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

The Fund has earned total income of Rs.138.15 million during the period. After deducting expenses of Rs.99.32 million, the net income is Rs.38.83 million. The asset allocation of the Fund as on September 30, 2012 is as follows:



NAFA INCOME OPPORTUNITY 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 OPPORTUNITY FUND

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

	Note	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
(Rupees in '000)			
Assets			
Balances with banks		38,036	261,841
Investments	4	1,415,424	1,196,892
Profit receivable	5	100,677	102,073
Advances, deposits, prepayments and other receivables		464,894	464,857
Total assets		2,019,031	2,025,663
Liabilities			
Payable to Management Company		2,210	2,190
Payable to Central Depository Company of Pakistan Limited - Trustee		209	177
Payable to Securities and Exchange Commission of Pakistan		292	1,504
Payable on redemption of units		440,064	440,064
Accrued expenses and other liabilities	6	37,251	36,196
Total liabilities		480,026	480,131
Net Assets		<u>1,539,005</u>	<u>1,545,532</u>
Unit Holders' Funds (As per statement attached)		<u>1,539,005</u>	<u>1,545,532</u>
Contingencies and Commitments	7		
		Number of Units	
Number of units in issue		<u>157,916,605</u>	<u>159,963,866</u>
		Rupees	
Net asset value per unit		<u>9.7457</u>	<u>9.6618</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY 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		
(Loss) / gain on sale of investments - net	-	2,121
Income from term finance certificates	145,273	18,885
Income from government securities	4,977	
Profit on bank deposits and term deposits	4,517	1,464
Unrealised (loss) / gain on investments at fair value through profit or loss - net	(16,621)	47,518
Total income	138,146	69,988
EXPENSES		
Remuneration of Management Company	5,847	8,997
Sind sales tax on management fee	936	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	546	724
Annual fee - Securities and Exchange Commission of Pakistan	292	450
Securities transaction cost	1	-
Settlement and bank charges	93	107
Annual listing fee	12	10
Auditors' remuneration	163	155
Printing charges	29	47
Fund rating fee	55	55
sale' and 'held for trading'	90,550	255,197
Other expenses	3	1,440
Total expenses	98,527	267,182
Net income from operating activities	39,619	(197,194)
Provision for Workers' Welfare Fund	(792)	-
Net income for the period before taxation	38,827	(197,194)
Taxation	8	-
Net income for the period after taxation	38,827	(197,194)
Earnings per unit	9	

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

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

	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
Net income for the year after taxation	38,827	(197,194)
Other comprehensive income		
Net unrealised diminution on re-measurement of investments classified as 'available for sale'	(25,385)	155,806
Total comprehensive income / (loss) for the period	<u>13,442</u>	<u>(41,388)</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

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

	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
Undistributed income brought forward	28,453	327,285
Final distribution for the year ended June 30, 2012: Nil (2011: 2.961%) (Date of distribution: 09 July, 2012)		
- Cash Distribution	-	(45,214)
- Bonus units	-	(28,889)
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' funds	(188)	(1,127)
Net income for the period	38,827	(197,194)
Undistributed income carried forward	<u>67,092</u>	<u>54,861</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

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

	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
Net assets at the beginning of the period	1,545,532	2,505,164
Issue of 31,856 units including Nil bonus units (2011: 3,054,639 units)	312	792
Redemption of 2,079,117 units (2011: 18,068,204 units)	(20,281) (19,969)	(176,650) (175,858)
Final distribution Issue of Nil bonus units for the year ended June 30, 2012: Nil (2011: 2.961%)	-	28,889
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' funds - transferred to Distribution Statement	188 188	1,127 1,127
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	(25,385)	155,806
Unrealised (loss) / gain on investments at fair value through profit or loss - net Unrealised gain on revaluation of futures sale contracts (Loss) / gain on sale of investments - net Other income (net of expenses)	(16,621) - - 55,448	47,518 - 2,121 (246,833)
Distribution: Final distribution for the year ended June 30, 2011: 2.961% (2010: Nil) - Cash Distribution - Bonus units	- - 38,827	(45,214) (28,889) (271,297)
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' funds	(188)	(1,127)
Net assets at the end of the period	<u>1,539,005</u>	<u>2,242,704</u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

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

	Quarter Ended September 30, 2012	Quarter Ended September 30, 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	38,827	(197,194)
Adjustments		
Unrealised loss / (gain) on investments at fair value through profit or loss - net	16,621	(47,518)
Gain on sale of investments	-	(2,121)
Amortisation of preliminary expenses and floatation costs	-	-
Impairment loss on investment classified as "Available for Sale" and "Held for trading"	90,550	255,197
	<u>145,998</u>	<u>8,364</u>
(Increase) / decrease in assets		
Investments	(351,088)	178,307
Dividend and profit receivable	1,396	41,097
Advances, deposits, prepayments and other receivables	(37)	(11)
	<u>(349,729)</u>	<u>219,393</u>
Increase / (decrease) in liabilities		
Payable to NBP Fullerton Asset Management Limited - Management Company	20	(465)
Payable to Central Depository Company of Pakistan Limited - Trustee	32	(25)
Payable to Securities and Exchange Commission of Pakistan	(1,212)	(2,011)
Accrued expenses and other liabilities	1,055	794
	<u>(105)</u>	<u>(1,707)</u>
Net cash inflow from / (outflow on) operating activities	<u>(203,836)</u>	<u>226,050</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	312	792
Payments on redemption of units	(20,281)	(176,295)
Distributions paid	-	(45,214)
Net cash (outflow on) / inflow from financing activities	<u>(19,969)</u>	<u>(220,717)</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(223,805)</u>	<u>5,333</u>
Cash and cash equivalents at the beginning of the period	261,841	31,179
Cash and cash equivalents at the end of the period	<u><u>38,036</u></u>	<u><u>36,512</u></u>

The annexed notes 1 to 14 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

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

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity Fund was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Trust Deed amended through first supplemental trust deed for the change of name and categorisation of the Fund as an Income Scheme as per the criteria for categorisation of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and allied matters. Accordingly, w.e.f. 21 December 2010, the name of the fund has changed from NAFA Cash Fund to NAFA Income Opportunity Fund.

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 also the member of MUFAP.

NIOF is an open ended mutual fund and is listed on the Lahore Stock Exchange. The Fund offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return by investing primarily in money market and debt securities having a good credit rating and liquidity.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of AM2 to the Management Company and a stability rating of BBB+ to the Fund.

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

September 30 30 June
2012 2011
Note (Un-audited) (Audited)

(Rupees in '000)

4 INVESTMENTS

At fair value through profit or loss - held for trading

Equity Securities - Listed	4.1	-	-
Market Treasury Bills	4.2	394,279	-
Term finance certificates - listed	4.3	41,638	42,256
		435,917	42,256

Available for sale

Term finance certificates - listed	4.4	306,029	328,643
Term finance certificates - unlisted	4.4	372,081	443,372
Sukuk bonds	4.4	301,397	382,621
		979,507	1,154,636
		<u>1,415,424</u>	<u>1,196,892</u>

4.1 Equity securities - listed - At fair value through profit or loss - held for trading

Name of the investee company	Number of shares				Value as at September 30, 2012	Investment as a percentage of		
	As at 1 July 2012	Purchases during the year	Sales during the year	As at 30 September 2012		Net assets	Market value of total investment	Paid up capital of investee company

(Rupees in '000) ----- % -----

Fully paid ordinary shares of Rs 10 each.

Textile composite

Azgard Nine Limited (Non-voting)	308	-	-	308	-
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Cost of investments as at September 30, 2012

13

Impairment losses

13

NAFA INCOME OPPORTUNITY FUND

4.2 Market Treasury Bills

Issue date	Tenor	Face Value				Market Value as at September 30, 2012	Investment as a percentage of	
		As at July 01, 2012	Purchases during the period	Sales / matured during the period	As at September 30, 2012		Net assets	Market value of total investments
-----Rupees in '000-----						-----%-----		
Market Treasury Bills								
11-Aug-11	12 Months	-	180,000	180,000	-	-	-	-
31-May-12	3 Months	-	5,500	5,500	-	-	-	-
9-Aug-12	3 Months	-	180,000	-	180,000	178,378	11.59	12.60
23-Aug-12	3 Months	-	35,000	-	35,000	34,550	2.24	2.44
6-Sep-12	3 Months	-	30,000	-	30,000	29,501	1.92	2.08
14-Jun-12	6 Months	-	105,000	-	105,000	102,866	6.68	7.27
20-Sep-12	3 Months	-	50,000	-	50,000	48,984	3.18	3.46
						<u>394,279</u>		
Carrying cost of investments as at September 30, 2012						<u>394,288</u>		

4.3 Term finance certificates - listed - At fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Market value as at September 30, 2012	Investment as a percentage of		
	As at July 1, 2012	Purchases during the year	Sales during the year	As at September 30, 2012		Net assets	Market value of total investments	Issue Size
(Rupees in '000)						-----%-----		
Bank Alfalah Limited - II	128	-	-	128	213	0.01	0.02	0.02
Escort Investment Bank Limited	10,000	-	-	10,000	9,210	0.60	0.65	10.00
Gharibwal Cement Limited (note 4.4.4)	5,000	-	-	5,000	-	-	-	6.25
Pace (Pakistan) Limited (note 4.4.5)	30,000	-	-	30,000	-	-	-	10.00
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	32,215	2.09	2.28	10.00
					<u>60,128</u>	<u>41,638</u>	<u>2.71</u>	<u>2.94</u>
Carrying value of investments as at September 30, 2012					<u>232,426</u>			
Impairment losses					<u>174,176</u>			

4.3.1 Fair value of listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan.

4.3.2 All term finance certificates have a face value of Rs 5,000 each.

NAFA INCOME OPPORTUNITY FUND

4.4 Term finance certificates and sukuk bonds - available for sale

Name of the investee company	Number of certificates				Market value as at September 30, 2012	Investment as a percentage of		
	As at July 1, 2012	Purchases during the period	Sales during the period	As at September 30, 2012		Net assets	Market value of total investments	Issue Size
(Rupees in '000) -----%								
Term finance certificate - listed								
Pakistan Mobile Communications (Private) Limited	34,000	-	-	34,000	168,328	10.94	11.89	9.18
World Telecom Limited	45,000	-	-	45,000	70,791	4.60	5.00	5.63
Allied Bank Limited	13,400	-	-	13,400	66,910	4.35	4.73	4.00
				92,400	306,029	19.88	21.62	
Term finance certificate - unlisted								
Avari Hotels International	35,040	-	-	35,040	145,788	9.47	10.30	5.57
Azgard Nine Limited III (note 4.4.6)	50,000	-	-	50,000	-	-	-	10.00
Azgard Nine Limited V (note 4.4.7)	-	16,436	-	16,436	-	-	-	-
Dewan Cement Limited (note 4.4.8)	30,000	-	-	30,000	-	-	-	-
Engro Fertilizer Limited	35,800	-	-	35,800	161,100	10.47	11.38	7.75
New Allied Electronics Industries (Private) Limited (note 4.4.9)	15,000	-	-	15,000	-	-	-	8.33
Orix Leasing Pakistan Limited	3,900	-	-	3,900	65,193	4.24	4.61	0.44
Agritech Ltd. I (note 4.4.10)	30,000	-	-	30,000	-	-	-	10.00
Agritech Ltd. V (note 4.4.11)	6,464	-	-	6,464	-	-	-	-
				222,640	372,081	24.18	26.29	
Sukuk bonds								
BRR Guardian Modaraba	10,000	-	-	10,000	35,859	2.33	2.53	6.25
Eden Builders Limited	7,956	-	-	7,956	14,944	0.97	1.06	1.59
Eden Housing Limited (note 4.4.12)	9,200	-	-	9,200	16,012	1.04	1.13	-
Kohat Cement Company Limited	50,000	-	-	50,000	49,952	3.25	3.53	10.00
Maple Leaf Cement Factory Limited - I (note 4.4.13)	80,000	-	-	80,000	155,660	10.11	11.00	5.00
Maple Leaf Cement Factory Limited - II (note 4.4.14)	3,000	-	-	3,000	-	-	-	-
New Allied Electronics Industries (Private) Limited (note 4.4.15)	9,000	-	-	9,000	-	-	-	-
Pak Elektron Limited (note 4.4.16)	24,000	-	-	24,000	28,970	1.88	2.05	6.00
				193,156	301,397	19.58	21.29	
				508,196	979,507	63.65	69.20	

Carrying value of investments as at September 30, 2012

1,938,912

Impairment losses

934,020

4.4.1 All term finance certificates and sukuk bonds have a face value of Rs 5,000 each except unlisted Term Finance Certificates issued by Orix Leasing Pakistan Limited on January 15, 2008 which has a face value of Rs.100,000.

4.4.2 Term finance certificates are valued as per the requirements of SECP circular No. 01/2009 dated January 06, 2009.

4.4.3 During the period from July 01, 2008 to September 30, 2012, the Fund did not receive redemption of principal and / or profit amounts on some of its investments, the details of which are as follows:

4.4.4 This represents investment in privately placed term finance certificates. On 18 July 2009, the scheduled redemption date, principal redemption of Rs. 5 thousand and profit redemption of Rs. 2.291 million were not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.

4.4.5 This represents investment in listed term finance certificates with a term of five years. On 15 August 2011, 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 amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.

4.4.6 This represents investment in privately placed term finance certificates. On 04 June 2010, the scheduled redemption date, principal redemption of Rs 24.980 million and profit redemption of Rs.18.260 million were not received by the Fund. 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 OPPORTUNITY FUND

- 4.4.7 This represents investment in privately placed term finance certificates of Azgard Nine V received against due markup of Azgard III. The management has classified these PPTFC's 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.
- 4.4.8 The Fund had advanced an amount of Rs 150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was 9 January 2008). DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.4.9 This represents investment in privately placed term finance certificates. On 15 November 2008, the scheduled redemption date, principal redemption of Rs.6.250 million and profit redemption of Rs.2.774 million were not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.4.10 This represents investment in privately placed term finance certificates. On 30 May 2010, the scheduled redemption date, principal redemption of Rs.14.988 million and profit redemption of Rs.10.524 million were not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.4.11 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 required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.4.12 This represents investment in privately placed sukuk bonds issue with a term of five years. On 31 March 2011 and 29 June 2011 i.e. the scheduled redemption date, principal redemption of Rs.1.725 million were not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.4.13 This represent investment in privately placed Sukuk Certificates issued with a term of six years. During the six months period ended ,the status of these Sukuk Certificates again has been changed from performing to non-performing (performing as at 30 June 2011). The coupon payment on Maple Leaf Sukuk I was due on 03 September 2011 which was not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.4.14 This represent investment in Maple Leaf privately placed sukuk bonds II. The coupon payment on Maple Leaf Sukuk II was due on 29 June 2010 which was not received by the Fund. Therefore as a matter of prudence, the management has classified 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.
- 4.4.15 This represents investment in privately placed sukuk bonds. On 03 December 2008, the scheduled redemption date, profit redemption of Rs. 3.415 million was not received by the Fund. The amount of provision required as per SECP circular no. 01 of 2009 has been maintained by valuing the investment in terms of the said circular.
- 4.4.16 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 1.93 million was not received by the Fund. 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 OPPORTUNITY FUND

	September 30, 2012	June 30, 2012
	(Rupees in '000)	
5 PROFIT RECEIVABLE		
Profit on savings and term deposits	33,975	34,761
Income accrued on term finance certificates and sukuk bonds - net	66,702	67,312
	<u>100,677</u>	<u>102,073</u>
6 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	508	345
Settlement charges payable	14	44
Payable to brokers	1	-
Printing charges	169	140
WWF	13,022	12,230
Listing Fee	9	-
Fund Rating Fee	55	-
Others	23,473	23,437
	<u>37,251</u>	<u>36,196</u>
7 CONTINGENCIES AND COMMITMENTS		
There were no contingencies and commitments outstanding as at June 30, 2012 and as at September 30, 2012.		
8 PROVISION FOR WORKERS' WELFARE FUND		
<p>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.</p> <p>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.</p> <p>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. 13.022 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 0.0824 / 0.86% per unit respectively.</p>		
9 Taxation		
<p>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.</p>		

NAFA INCOME OPPORTUNITY FUND

10 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.

11 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 9 (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest at least 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, 2012, 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 Debt securities & Sukuks**	Agritech Limited	149,860	149,860	-	-	-
	Agritech Limited V	32,320	32,320	-	-	-
	Azgard Nine Limited	249,800	249,800	-	-	-
	Azgard Nine Limited V	82,180	82,180	-	-	-
	BRR Guardian Modaraba - Sukuk***	47,813	-	35,859	2.33%	1.78%
	Dewan Cement Limited	150,000	150,000	-	-	-
	Eden Housing Limited - Sukuk II	24,581	8,569	16,012	1.04%	0.79%
	Escort Investment Bank Limited ***	12,490	-	9,210	0.60%	0.46%
	Gharibwal Cement Limited	24,356	24,356	-	-	-
	Kohat Cement Company Limited - Sukuk***	66,603	-	49,952	3.25%	2.47%
	Maple Leaf Cement Factory Limited Sukuk	389,150	233,490	155,660	10.11%	7.71%
	Maple Leaf Cement Factory Limited - Sukuk II	11,667	11,667	-	-	-
	New Allied Electronics Industries (Private) Limited - PPTFC	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk	44,149	44,149	-	-	-
	PACE Pakistan Limited	149,820	149,820	-	-	-
	Pak Elektron Limited (Sukuk)	51,429	22,459	28,970	1.88%	1.43%
	Saudi Pak Leasing Company Limited ***	48,829	-	32,215	2.09%	1.60%
World Call Telecom Limited	96,371	-	70,791	4.60%	3.51%	
Excess exposures	Engro Fertilizer Limited (PPTFC)	179,000	-	161,100	10.47%	7.98%
	Maple Leaf Cement Factory Limited Sukuk	389,150	233,490	155,660	10.11%	7.71%
	Pakistan Mobile Communication	170,000	-	168,328	10.94%	8.34%

** At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

*** Performing but below investment grade

12 TRANSACTIONS WITH CONNECTED PERSONS

12.1 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.

NAFA INCOME OPPORTUNITY FUND

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

12.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

12.4 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
12.5 Details of the transactions with connected persons are as follows:	(Rupees in '000)	
NBP Fullerton Asset Management Limited - Management Company		
Management fee expense for the quarter	5,847	8,997
National Bank of Pakistan - Sponsor		
Cash dividend	-	1,066
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration	546	724
CDS charges	2	2
NBP Employees Pension Fund		
Bonus units issued (Nil units : 2011 : 1,656,399 units)	-	-
NBP Endowment Fund Student Loan Scheme		
Bonus units issued (Nil units : 2011 : 535,044 units)	-	-
Units redeemed / transferred out (Nil Units: 2011:2,556,420 units)	-	25,000
NBP Employees Benevolent Fund Trust		
Bonus units issued (Nil Units:2011:57 units)	-	-

NAFA INCOME OPPORTUNITY FUND

	As at September 30, 2012	As at June 30, 2012
	(Rupees in '000)	
12.6 Balances outstanding as at period / year end		
Amounts outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Management fee payable	1,905	1,888
Sindh Sales tax on management fee	305	302
National Bank of Pakistan - Sponsor		
Investment held by the sponsor in the Fund (3,601,691 units; June 30, 2012: 3,601,691 units)	35,101	34,799
Balances in current account	584	801
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund (Nil units : June 30, 2012: Nil units)	-	-
Mr. Shahid Anwar Khan - Director		
Investment held in the Fund (97,742 units; June 30, 2012: 97,742 units)	953	944
Employees of Management Company		
Investment held in the Fund (4 units; June 30, 2012: 4 units)	-	-
Central Depository Company of Pakistan Ltd. - Trustee		
Remuneration payable	209	177
CDS charges	1	-
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund (55,996,457 units; June 30, 2012: 55,996,457 units)	545,725	541,027
NBP Endowment Fund Student Loan Scheme		
Investment held in the Fund (Nil units; June 30, 2012: Nil units)	-	-
NBP Employees Benevolent Fund Trust		
Investment held in the Fund (1,929 units; June 30, 2012: 1,929 units)	19	19

13 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.

14 GENERAL

Figures have been rounded off to the nearest thousand rupees.

The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFRC Regulations has not been disclosed as such bifurcation is not practicable.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director