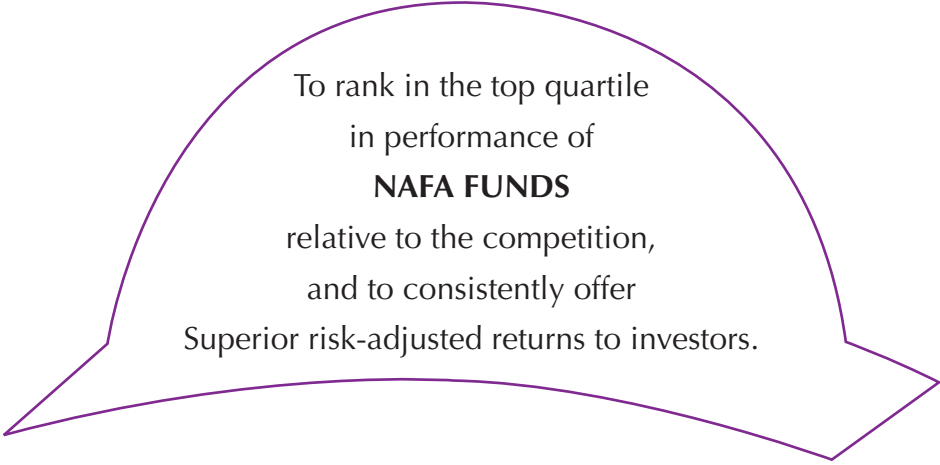


MISSION STATEMENT



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 OPPORTUNITY FUND

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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 Shakra-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

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 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 OPPORTUNITY FUND

DIRECTORS' REPORT

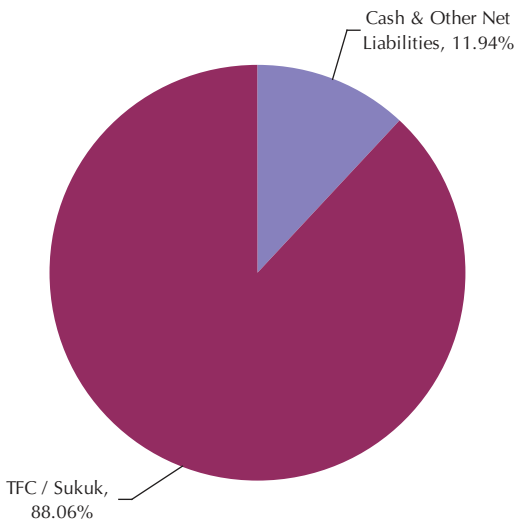
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Opportunity Fund (NIOF) for the period ended March 31, 2012.

Fund's Performance

The size of NAFA Income Opportunity Fund has reduced from Rs. 2,505 million to Rs. 1,706 million during the first nine months of FY 2012, i.e. a decline of 31.90%. During the period, the unit price of the Fund has decreased from Rs. 9.7139 (Ex - Div) on June 30, 2011 to Rs. 9.5428 on March 31, 2012, thus showing a cumulative return of -1.76 % as compared to its Benchmark (6-Month KIBOR) return of 9.27% for the same period. The performance of the Fund has been negatively impacted by provisioning in some of the TFCs held by the Fund. During the third quarter the size of the Fund declined by 18.06%. During this quarter the unit price of the Fund has decreased from Rs. 9.5780 on December 31, 2011 to Rs. 9.5428 on March 31, 2012, thus showing a cumulative return of -0.37% as compared to its Benchmark cumulative return of 2.85% for the same period.

During the quarter under review, we have seen no change in the Policy Rate by the State Bank of Pakistan. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR. Therefore, any increase in interest rates will increase the coupon income of the TFC portfolio. Going forward, some recovery in non-performing debt securities is possible.

The Fund has earned total income of Rs.265.04 million during the period. After incorporating expenses of Rs.506.27 million, the net loss is Rs.241.23 million. The asset allocation of the Fund as on March 31, 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: April 17, 2012
Place: Karachi.

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Assets and Liabilities (Un-audited) As at 31 March 2012

	Note	31 March 2012 (Un-audited)	30 June 2011 (Audited)
(Rupees in '000)			
ASSETS			
Balances with banks		217,904	31,179
Investments	5	1,502,131	2,309,639
Deposits, prepayments and other receivables		464,917	467,346
Profit receivable		104,559	179,347
Total assets		2,289,511	2,987,511
LIABILITIES			
Payable to Management Company		4,815	3,312
Payable to Central Depository Company of Pakistan Limited - Trustee		204	256
Payable to Securities and Exchange Commission of Pakistan		1,212	2,461
Payable against redemption of units		540,064	440,072
Accrued expenses and other liabilities		37,413	36,246
Total liabilities		583,708	482,347
Net assets		1,705,803	2,505,164
Unit holders' funds (as per statement attached)		1,705,803	2,505,164
Contingencies and commitments	6		
Number of Units			
Number of units in issue		178,753,385	250,266,672
Rupees			
Net asset value per unit		9.5428	10.0100

The annexed notes form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Income Statement (Un-audited) For the nine months and quarter ended 31 March 2012

	Note	Nine months ended		Quarter Ended	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011
----- (Rupees in '000)-----					
INCOME					
Gain / (loss) on sale of investments - net		5,154	12,815	3,033	10,016
Profit on bank deposits and term deposit receipts		5,778	39,628	2,860	8,871
Income from term finance certificates, sukuk bonds and commercial papers		188,157	312,531	40,570	83,410
Income from treasury bills		321	-	321	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		65,628	2,866	68,003	(10,162)
Total income		265,038	367,840	114,787	92,135
EXPENSES					
Remuneration of Management Company		24,250	39,179	7,062	11,466
Sindh sales tax on management fee	11	3,880	-	1,130	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,013	3,211	612	859
Annual fee - Securities and Exchange Commission of Pakistan		1,212	1,959	353	573
Annual listing fee		30	30	10	10
Brokerage and other transaction costs		80	-	80	-
Settlement charges and bank charges		249	572	91	252
Auditors' remuneration		402	372	87	86
Impairment loss on investments classified as 'available for sale & held for trading'		470,948	22,398	208,830	27,255
Provision against accrued income from term finance certificates & sukuk		-	-	(61,520)	-
Stability rating fee		150	150	50	50
Legal and professional charges		3,057	65	1,644	40
Amortisation of preliminary expenses and floatation costs		-	374	-	124
Other expenses		-	8	-	240
Total expenses		506,271	68,318	158,429	40,955
Net income / (loss) from operating activities		(241,233)	299,522	(43,642)	51,180
Element of loss and capital losses included in prices of units issued less those in units redeemed- net		-	(66,369)	-	(47,289)
Provision for Workers' Welfare Fund	7	-	(4,663)	-	(78)
Net income / (loss) for the period before taxation		(241,233)	228,490	(43,642)	3,813
Taxation	8	-	-	-	-
Net income / (loss) for the period after taxation		(241,233)	228,490	(43,642)	3,813

The annexed notes form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Comprehensive Income (Un-audited) For the nine months and quarter ended 31 March 2012

	Note	Nine months ended		Quarter Ended	
		31 March 2012	31 March 2011	31 March 2012	31 March 2011
----- (Rupees in '000)-----					
Net income / (loss) for the period after taxation		(241,233)	228,490	(43,642)	3,813
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'		46,988	(158,699)	28,929	(15,308)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets		148,952	7,051	-	(2,964)
Total comprehensive income for the period		<u>(45,293)</u>	<u>76,842</u>	<u>(14,713)</u>	<u>(14,459)</u>

The annexed notes form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Distribution Statement (Un-audited) For the nine months and quarter ended 31 March 2012

	Nine months ended		Quarter Ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	----- (Rupees in '000)-----			
Undistributed income brought forward	327,285	198,814	56,620	448,142
Final distribution for the year ended June 30, 2011: 2.961% (2010:Nil)				
- Bonus units	(28,889)	-	-	-
- Cash distribution	(45,214)	-	-	-
Interim distribution for the half year ended December 31, 2011: Nil (2010:1.974%)				
- Bonus units	-	(22,272)	-	(22,272)
- Cash distribution	-	(34,071)	-	(34,071)
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	14,709	73,109	13,680	48,458
Net income / (loss) for the period after taxation	(241,233)	228,490	(43,642)	3,813
Undistributed income carried forward	<u>26,658</u>	<u>444,070</u>	<u>26,658</u>	<u>444,070</u>

The annexed notes form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Movement in Unit Holder's Fund (Un-audited) For the nine months and quarter ended 31 March 2012

	Nine months ended		Quarter Ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
----- (Rupees in '000)-----				
Net assets at beginning of the period	2,505,164	3,914,906	2,082,539	3,486,287
Issue of 3,208,167 units including 2,974,034 bonus units (2011: 2,923,148 units including 2,272,866 bonus units)	2,230	6,480	841	3,088
Redemption of 74,721,454 units (2011: 11,794,217 units)	(711,084)	(1,161,180)	(362,864)	(618,788)
	(708,854)	(1,154,700)	(362,023)	(615,700)
Issue of bonus units in respect of final distribution for the year ended 30 June 2011: 2.961% (2010: Nil)	28,889	-	-	-
Issue of bonus units in respect of interim distribution for the half year ended December 31 2011: Nil (2010: 1.974%)	-	22,272	-	22,272
Net 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	-	66,369	-	47,289
- amount representing (income) / loss - that form part of the unit holders' funds	(14,709)	(73,109)	(13,680)	(48,458)
	(14,709)	(6,740)	(13,680)	(1,169)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	46,988	(158,699)	28,929	(15,308)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	148,952	7,051	-	(2,964)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	65,628	2,866	68,003	(10,162)
Gain / (loss) on sale of investments - net	5,154	12,815	3,033	10,016
Other operating income / (loss)	(312,015)	212,809	(114,678)	3,959
Net income / (loss) for the period after taxation	(241,233)	228,490	(43,642)	3,813
Distributions:				
Final distribution for the year ended June 30, 2011: 2.961% (2010: Nil)				
- Bonus distribution	(28,889)	-	-	-
- Cash distribution	(45,214)	-	-	-
Interim distribution for the half year ended 31 December 2011: Nil(2010:1.974%)				
- Bonus distribution	-	(22,272)	-	(22,272)
- Cash distribution	-	(34,071)	-	(34,071)
	(74,103)	(56,343)	-	(56,343)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed	14,709	73,109	13,680	48,458
Net assets as at end of the period	1,705,803	2,869,346	1,705,803	2,869,346

The annexed notes form an integral part of these condensed interim financial information.

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Cash Flow Statement (Un-audited) For the nine months and quarter ended 31 March 2012

	Nine months ended		Quarter Ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
----- (Rupees in '000)-----				
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	(241,233)	228,490	(43,642)	3,813
Adjustments:				
Net unrealised (appreciation) / diminution in the fair value of investments classified as financial assets at 'fair value through profit or loss' - net	(65,628)	(2,866)	(68,003)	10,162
Amortisation of preliminary expenses and floatation costs	-	374	-	124
(Gain) / loss on sale of investments	(5,154)	(12,815)	(3,033)	(10,016)
Impairment loss on investments classified as 'available for sale'	-	-	(262,118)	4,857
Element of loss and capital losses included in prices of units issued less those in units redeemed- net	-	66,369	-	47,289
	(312,015)	279,552	(376,796)	56,229
(Increase) / decrease in assets				
Investments - net	1,074,230	549,226	733,000	123,767
Loans and receivables	-	-	-	-
Deposits, prepayments and other receivables	2,429	940	1,587	(40)
Profit receivable	74,788	(73,079)	3,056	(12,689)
	1,151,447	477,087	737,643	111,038
Increase / (decrease) in liabilities				
Payable to Management Company	1,503	(725)	2,128	(291)
Payable to Central Depository Company of Pakistan Limited Trustee	(52)	(128)	(20)	(101)
Payable to Securities and Exchange Commission of Pakistan	(1,249)	(2,237)	353	573
Accrued expenses and other liabilities	1,167	27,979	690	23,526
	1,369	24,889	3,151	23,707
Net cash inflow from operating activities	840,801	781,528	363,998	190,974
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts against issue of units	2,230	6,480	841	3,088
Net payments against redemption of units	(611,092)	(721,794)	(262,864)	(178,724)
Distributions paid during the period	(45,214)	(34,071)	-	(34,071)
Net cash outflow from financing activities	(654,076)	(749,385)	(262,023)	(209,707)
Net decrease in cash and cash equivalents during the period	186,725	32,143	101,975	(18,733)
Cash and cash equivalents at beginning of the period	31,179	707,537	115,929	758,413
	217,904	739,680	217,904	739,680

The annexed notes form an integral part of these condensed interim financial information.

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 information (Un-audited) For the nine months and quarter ended 31 March 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

The NAFA Income Opportunity Fund was established under a Trust Deed executed between National Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 11 February 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 January 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). During the six months period ended, the Trust Deed amended through first supplemental trust deed executed between NBP Fullerton Asset Management Limited (NAFA) as Management Company and CDC as a Trustee 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 SECP and other allied matters.

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.

NIOF is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered 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-(Positive outlook) to the Management Company and a stability rating of A(f) to the Fund.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial information have been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the 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 IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

These condensed interim financial information comprise of condensed interim statement of assets and liabilities as at 31 March 2012 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement, and notes thereto, for the nine months period ended 31 March 2012. These condensed interim financial information are being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

2.2 Functional and presentation currency

These condensed interim financial information are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, except otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements for the preceding year ended 30 June 2011.

NAFA INCOME OPPORTUNITY FUND

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June 2011, except for change in methodology of calculation and classification of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in the units redeemed ("element").

During the current period, the Fund has revised its methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the period and unrealised appreciation / (diminution) arising during the period on available for sale securities and is taken directly to the distribution statement. Previously, the element was recognised based on cumulative values of undistributed income and unrealised gain / loss on available for sale securities present in the net asset value of units. The element represented by income earned during the period was recognised in the income statement and the remaining amount was taken directly to the distribution statement.

The revised methodology, in the opinion of the management, reflects a more appropriate manner for determination of element. The change in the presentation of element in the financial statements has been based on the recommendation of the Institute of Chartered Accountants of Pakistan (ICAP) to the Securities and Exchange Commission of Pakistan (SECP). As per ICAP's recommendation to the SECP, element of income, being in the nature of "equalization account" does not qualify for recognition either as expense or income as per International Financial Reporting Standards (IFRSs). Therefore, in order to enhance harmonization of mutual fund accounting with the primary accounting framework, the net balance of element of income at the end of the reporting period has been recognised directly in the distribution statement.

The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- loss for the year would have been lower by 14.709 million.
- amount taken to distribution statement would have been higher by 21.311 million.

5. INVESTMENTS

	Note	31 March 2012 (Un-audited)	30 June 2011 (Audited)
(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held for trading			
Equity securities - listed	5.1	-	-
Term finance certificates	5.2	96,832	257,961
		<u>96,832</u>	<u>257,961</u>
Available for sale			
Term finance certificates - listed	5.3	398,450	579,835
Term finance certificates - unlisted	5.3	564,413	810,224
Sukuk bonds	5.3	442,436	661,619
		<u>1,405,299</u>	<u>2,051,678</u>
		<u>1,502,131</u>	<u>2,309,639</u>

NAFA INCOME OPPORTUNITY FUND

5.1 Equity securities - listed

Name of the investee company	Number of shares				Market value / Carrying value as at 31 March 2012	Investment as a %age of		
	As at 1 July 2011	Purchases during the period	Sales during the period	As at 31 March 2012		Market value of 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	-	-	-	-
Cost of investment before fair value adjustment as at 31 March 2012					<u>13</u>			
Impairment loss					<u>13</u>			

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

5.2.1 All term finance certificates have a face value of Rs 5,000 each except otherwise stated .

Name of the investee company	Number of certificates				Market value / Carrying value as at 31 March 2012	Investment as a %age of		
	As at 1 July 2011	Purchases during the period	Sales during the period	As at 31 March 2012		Market value of net assets	Market value of total investment	Issue size
(Rupees in '000)								
Bank Alfalah Limited - II	128	-	-	128	430	0.03%	0.03%	0.05
Escort Investment Bank Limited	10,000	-	-	10,000	9,210	0.54%	0.61%	10.00
Jahangir Siddiqui & Company Limited	18,000	-	-	18,000	44,966	2.64%	2.99%	6.25
Orix Leasing Pakistan Limited	10,000	-	-	10,000	8,204	0.48%	0.55%	9.00
Gharibwal Cement Limited (note 5.2.3)	5,000	-	-	5,000	-	-	-	4.60
Pace (Pakistan) Limited (note: 5.2.4)	30,000	-	-	30,000	-	-	-	10.00
Saudi Pak Leasing Company Limited (note 5.2.5)	15,000	-	-	15,000	34,022	1.99%	2.26%	10.00
				<u>88,128</u>	<u>96,832</u>			
Carrying value as at 31 March 2012					<u>222,887</u>			
Provision for impairment losses as at 31 March 2012					<u>191,683</u>			

5.2.2 Fair value of performing 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 (MUFAP).

5.2.3 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 management company has recognized an impairment loss of Rs.24.356 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.11.303 million. Therefore, these are stated at cost less provision.

NAFA INCOME OPPORTUNITY FUND

5.2.4 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 minimum amount of provision as per SECP circular no. 01 of 2009 amounts to Rs.49.064 million . The management has recognised an impairment loss of Rs 149.820 million till 31 March 2012 which management company considered adequate and appropriate in the present circumstances. The income suspended on these term finance certificates amounted to Rs.25.936 million. Therefore, these are stated at cost less provision.

5.2.5 This represents investment in listed term finance certificates. On 13 October 2011, the scheduled principal payment date, principal redemption of Rs 0.78 million and profit redemption of Rs. 2.19 million were not received by the Fund. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.17.507 million . The management has recognised an impairment loss of Rs 17.507 million till 31 March 2012 which management company considered adequate and appropriate in the present circumstances. The income suspended on these term finance certificates amounted to Rs.2.525 million. Therefore, these are stated at cost less provision.

5.3 Term finance certificates and sukuk bonds - Available for sale

Name of the investee company	Number of certificates				Market value / Carrying value as at 31 March 2012	Investment as a %age of		
	As at 1 July 2011	Purchases during the period	Sales during the period	As at 31 March 2012		Market value of net assets	Market value of total investment	Issue size
(Rupees in '000)								
Term finance certificate - listed								
Pakistan Mobile Communications (Private) Limited	78,000	-	34,000	44,000	212,666	12.47%	14.16%	9.18
World Telecom Limited	45,000	-	-	45,000	118,951	6.97%	7.92%	5.63
Allied Bank Limited	13,400	-	-	13,400	66,833	3.92%	4.45%	4.00
				102,400	398,450			
Term finance certificate - unlisted								
Avari Hotels International	35,040	-	-	35,040	143,267	8.40%	9.54%	5.57
Azgard Nine Limited (note 5.3.2)	50,000	-	-	50,000	-	-	-	10.00
Dewan Cement Limited (note 5.3.3)	30,000	-	-	30,000	-	-	-	3.00
Engro Chemical Pakistan Limited	62,000	-	-	62,000	291,400	17.08%	19.40%	7.75
New Allied Electronics Industries (Private) Limited (note 5.3.4)	15,000	-	-	15,000	-	-	-	8.33
Orix Leasing Pakistan Limited	3,900	-	-	3,900	129,746	7.61%	8.64%	0.44
Agritech Ltd. I (note 5.3.5)	30,000	-	-	30,000	-	-	-	10.00
Agritech Ltd. V (noe 5.3.11)	-	6,464	-	6,464	-	-	-	10.00
				232,404	564,413			

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Name of the investee company	Number of certificates			As at 31 March 2012	Market value / Carrying value as at 31 March 2012	Investment as a %age of		
	As at 1 July 2011	Purchases during the period	Sales during the period			Market value of net assets	Market value of total investment	Issue size
(Rupees in '000)								
Sukuk bonds								
BRR Guardian Modaraba	10,000	-	-	10,000	36,562	2.14%	2.43%	6.25
Century Paper and Board Mills Limited	28,200	-	28,200	-	-	-	-	4.03
Eden Builders Limited	7,956	-	-	7,956	19,649	1.15%	1.31%	1.59
Eden Housing Limited (note 5.3.6)	9,200	-	-	9,200	18,821	1.10%	1.25%	0.63
Kohat Cement Company Limited	50,000	-	-	50,000	80,243	4.70%	5.34%	10.00
Maple Leaf Cement Factory Limited (note 5.3.7)	80,000	-	-	80,000	236,871	13.89%	15.77%	5.00
Maple Leaf Cement Factory Limited-II (note 5.3.8)	3,000	-	-	3,000	-	-	-	-
New Allied Electronics Industries (Private) Limited (note 5.3.9)	9,000	-	-	9,000	-	-	-	6.00
Orix Leasing Pakistan Limited	10,000	-	-	10,000	8,343	0.49%	0.56%	9.52
Pak Elektron Limited (note 5.3.10)	24,000	-	-	24,000	41,947	2.46%	2.79%	10.00
				203,156	442,436			
					<u><u>1,405,299</u></u>			
Carrying value as at 31 March 2012					<u><u>2,213,065</u></u>			
Provision for impairment losses as at 31 March 2012					<u><u>854,754</u></u>			

- 5.3.1 All term finance certificates (TFCs) and sukuk certificates have a face value of Rs. 5,000 each except unlisted Term Finance Certificates issues by Orix Leasing Pakistan Limited on 15 January 2008 which has a face value of Rs. 100,000.
- 5.3.2 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 management has recognised an impairment loss of Rs.249.80 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.82.181 million. Therefore, these are stated at cost less provision.
- 5.3.3 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 management has recognised an impairment loss amounting to Rs.150 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.94.367 million. Therefore, these are stated at cost less provision.
- 5.3.4 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 management has recognised an impairment loss of Rs.31.707 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.20.722 million. Therefore, these are stated at cost less provision.
- 5.3.5 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 management has recognised an impairment loss of Rs.149.860 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.18.606 million. Therefore, these are stated at cost less provision.

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- 5.3.6 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 management has recognized an impairment loss amounting to Rs.10.073 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these sukuk bonds amounted to Rs.1.065 million. Therefore, these are stated at cost less provision.
- 5.3.7 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 minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.148.952 million. However as a matter of prudence, the management has recognised an impairment loss amounting to Rs.162.364 million till 31 March 2012. The income suspended on these bonds amounted to Rs. 55.556 million. Therefore, these are stated at cost less provision.
- 5.3.8 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 recognised an impairment loss amounting to Rs. 15 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these bonds amounted to Rs. 0.491 million. Therefore, these are stated at cost less provision.
- 5.3.9 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 management has recognized an impairment loss amounting to Rs. 44.149 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.23.924 million. Therefore, these are stated at cost less provision.
- 5.3.10 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 management has recognized an impairment loss amounting to Rs. 9.482 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.3.763 million. Therefore, these are stated at cost less provision.
- 5.3.11 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 and recognised an impairment loss of Rs.32.320 million till 31 March 2012 as required by SECP circular no. 01 of 2009. The income suspended on these term finance certificates amounted to Rs.0.808 million. Therefore, these are stated at cost less provision.

6 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 30 June 2011 and as at March 31, 2012.

7 WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2011.

Subsequent to the year ended June 30, 2010, a 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. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

NAFA INCOME OPPORTUNITY FUND

Subsequent to the year ended June 30, 2011, the Honorable 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. 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. Accordingly, the Management Company has stopped making accrual of this provision with effect from March 14, 2012. However, as a matter of abundant caution, the Management Company has decided to maintain the provision for WWF made till this date amounting to Rs. 12.230 million in this financial information.

8 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The management company intends to distribute not less than 90% of the annual accounting income to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in this condensed interim financial information for the nine months period ended 31 March 2012.

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 6 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest atleast 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity. Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at 31 March 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
		----- (Rupees in '000) -----				
Cash and near cash instruments	N/A	217,904	-	217,904	12.77%	9.52%
"Investment in Debt securities and Sukuks**	Azgard Nine Limited	249,800	249,800	-	-	-
	Agritech Limited I	149,860	149,860	-	-	-
	Agritech Limited V	32,320	32,320	-	-	-
	Saudi Pak Leasing Company Limited	51,530	17,507	34,022	1.99%	1.49%
	Maple Leaf Cement Factory Limited Sukuk	399,235	162,364	236,871	13.89%	10.35%
	New Allied Electronics Industries (Private) Limited - TFC	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk	44,149	44,149	-	-	-
	Dewan Cement Limited - TFC	150,000	150,000	-	-	-
	Gharibwal Cement Limited - TFC	24,356	24,356	-	-	-
	Maple Leaf Cement Factory Limited - Sukuk II	15,000	15,000	-	-	-
	Pace Pakistan Limited	149,820	149,820	-	-	-
	Eden Housing - Sukuk II	28,894	10,073	18,821	1.10%	0.82%
	Pak Elektron Limited - Sukuk	51,429	9,482	41,947	2.46%	1.83%
	Kohat Cement Company Limited - Sukuk ***	108,500	-	80,243	4.70%	3.50%
	Escort Investment Bank Limited ***	12,490	-	9,210	0.54%	0.40%
	BRR Guardian Modaraba - Sukuk ***	48,750	-	36,562	2.14%	1.60%
Excess / (Short) Per Party Exposure	Engro Fertilizer Limited - PPTFC	310,000	-	291,400	17.08%	12.73%
	Maple Leaf Cement Factory Limited Sukuk	399,235	162,364	236,871	13.89%	10.35%
	Pakistan Mobile Communication - Listed II	220,000	-	212,666	12.47%	9.29%

** 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.

NAFA INCOME OPPORTUNITY FUND

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 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.

10.5 Transactions during the period

	(Un-audited)			
	Nine months period ended		Quarter ended	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	----- (Rupees in '000) -----			
NBP Fullerton Asset Management Ltd. Remuneration expense for the period	24,250	39,179	7,062	11,466
National Bank of Pakistan - Sponsor Cash dividend	1,066	711	-	711
Alexandra Fund Management Pte. Limited - Sponsor Bonus units issued: 23,727 units (2011: 15,077 units) Units redeemed / transferred out: 802,116 units (2011: 4,741,247 units)	-	47,000	-	-
NAFA Employees Provident Fund Trust Bonus units issued: Nil units (2011: 149 units) Units redeemed / transferred out: Nil units (2011: 7,536 units)	-	74	-	74
Executives of the Management Company Units redeemed / transferred out: Nil units (2011: 2,057 units)	-	20	-	-
Central Depository Company of Pakistan Limited Remuneration expense for the period CDS Charges	2,013 5	3,211 5	612 2	859 2
Mr. Shahid Anwar Khan - Director Bonus units issued: 2,891 units (2011: 1,984 units) Units redeemed / transferred out: Nil units (2011: 4,007 units)	-	40	-	-
Mr. Sheryar Faruqe - Director Units redeemed / transferred out: Nil units (2011: 32,173 units)	-	317	-	-
NBP Employees Pension Fund Bonus units issued: 1,656,399 units (2011: 1,052,523 units)	16,090	-	-	-
NBP Endowment Fund Student Loan Scheme Bonus units issued: 535,045 units (2011: 598,565 units) Units redeemed / transferred out: 18,087,807 units (2011: 2,512,866 units)	5,197	-	-	-
NBP Employees Benevolent Fund Trust Bonus units issued: 57 units (2011: 36 units)	169,970	25,000	129,970	25,000
	-	-	-	-

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	31 March 2012 (Un-audited)	30 June 2011 (Audited)
10.6 Balances outstanding as at period / year end	(Rupees in '000)	
NBP Fullerton Asset Management Limited.		
Remuneration payable to management company		3,282
Legal Charges Payable	4,815	30
	-	
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund: 3,601,691 units (30 June 2011: 3,601,691 units)		
Balances in current account	34,370	36,053
	923	521
Alexandra Fund Management Pte. Limited - Sponsor		
Investment held by the Sponsor in the Fund Nil units (30 June 2011: 778,389 units)		
	-	7,792
Executives of the Management Company		
Investment held in the Fund: 4 units (30 June 2011: 4 units)		
	-	-
Central Depository Company of Pakistan Limited		
Remuneration payable		256
Security deposit	204	100
	100	
Mr. Shahid Anwar Khan - Director		
Investment held in the Fund: 97,742 units (30 June 2011: 94,851 units)		
	933	949
NBP Employees Pension Fund		
Investment held in the Fund: 55,996,457 units (30 June 2011: 54,340,058 units)		
	534,363	543,944
NBP Endowment Fund Student Loan Scheme		
Investment held in the Fund: Nil units (30 June 2011: 17,552,762 units)		
	-	175,703
NBP Employees Benevolent Fund Trust		
Investment held in the Fund: 1,929 units (30 June 2011: 1,872 units)		
	18	19

11 SINDH SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

12 These condensed interim financial statements were authorised for issue on April 17, 2012 by the Board of directors of the Management Company.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director