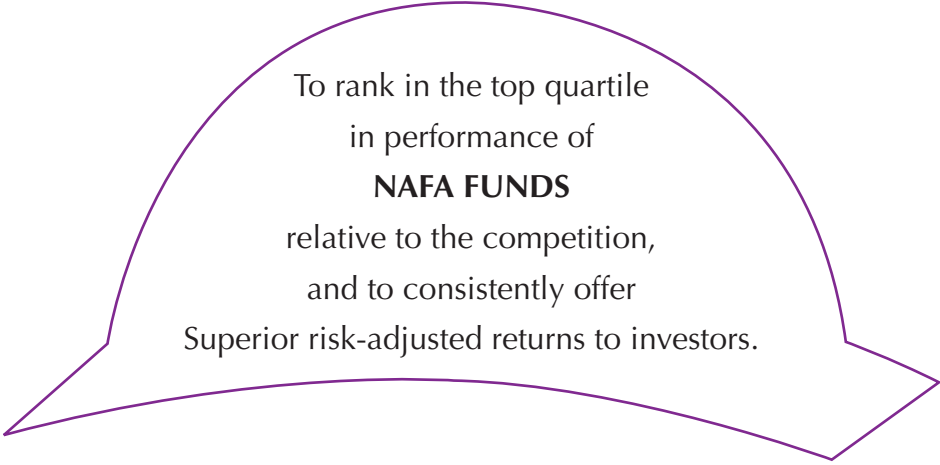


## MISSION STATEMENT



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

(Formerly; NAFA Cash Fund)

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Patrick Pang Chin Hwang	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Patrick Pang Chin Hwang	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

### Trustee

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

(Formerly; NAFA Cash 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: 042-111-111-632  
Phone: 042-35778248-63  
Fax: 042-35760373

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

NBP Corporate Branch  
3rd Floor, Park Lane Tower, Near Shahjahan Banquet Hall,  
Officers Colony, Khanewal Road. Multan.  
Tel : 92-061-6214070  
Fax: 92-061-6214062  
UAN: 92-061-111-111-632

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

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# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## DIRECTORS' REPORT

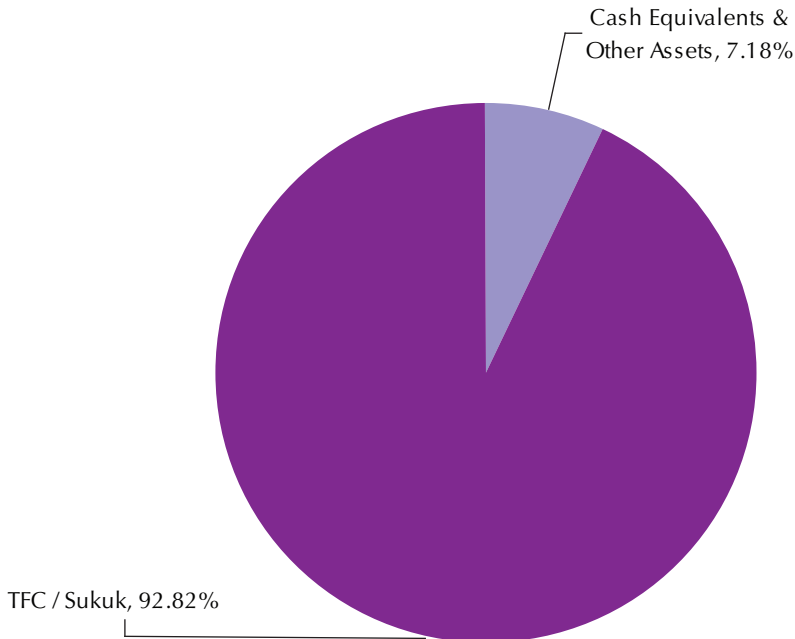
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of NAFA Income Opportunity Fund (formerly; NAFA Cash Fund) for the quarter ended September 30, 2011.

### **Fund's Performance**

The size of NAFA Income Opportunity fund (Formerly; NAFA Cash Fund) has reduced from Rs. 2,505 million to Rs. 2,243 million during the period, i.e. a decline of 10.46%. During the said period, the unit price of the Fund has decreased from Rs. 9.7139 (Ex – Div) on June 30, 2011 to Rs. 9.5332 on September 30, 2011, thus showing an annualized return of -7.18% as compared to its Benchmark (6-Month KIBOR) annualized return of 13.52% for the same period.

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

The Fund has earned total income of Rs.69.99 million during the period. After deducting expenses of Rs.267.18 million, the net loss is Rs.197.19 million; translating into loss per unit of Rs.0.1807. The asset allocation of the Fund as on September 30, 2011 is as follows:



# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: October 27, 2011  
Place: Karachi.

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

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

	Note	(Un-audited) September 30, 2011	(Audited) June 30, 2011
(Rupees in '000)			
<b>Assets</b>			
Balances with banks		36,512	31,179
Investments	4	2,081,580	2,309,639
Profit receivable	5	138,250	179,347
Advances, deposits, prepayments and other receivables		467,357	467,346
<b>Total assets</b>		<u>2,723,699</u>	<u>2,987,511</u>
<b>Liabilities</b>			
Payable to Management Company		2,847	3,312
Payable to Central Depository Company of Pakistan Limited - Trustee		231	256
Payable to Securities and Exchange Commission of Pakistan		450	2,461
Payable on redemption of units		440,427	440,072
Accrued expenses and other liabilities	6	37,040	36,246
<b>Total liabilities</b>		<u>480,995</u>	<u>482,347</u>
<b>Net Assets</b>		<u>2,242,704</u>	<u>2,505,164</u>
<b>Unit Holders' Funds (As per statement attached)</b>		<u>2,242,704</u>	<u>2,505,164</u>
<b>Contingencies and Commitments</b>	7		
(Number of units)			
<b>Number of units in issue</b>		<u>235,253,107</u>	<u>250,266,672</u>
(Rupees)			
<b>Net asset value per unit</b>		<u>9.5332</u>	<u>10.0100</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## CONDENSED INTERIM INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (Un-audited)

	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
	(Rupees in '000)	
<b>INCOME</b>		
(Loss) / gain on sale of investments - net	2,121	(78)
Income from term finance certificates	18,885	124,704
Profit on bank deposits and term deposits	1,464	14,681
Unrealised (loss) / gain on investments at fair value through profit or loss - net	47,518	(40,344)
<b>Total income</b>	<b>69,988</b>	<b>98,963</b>
<b>EXPENSES</b>		
Remuneration of Management Company	8,997	14,502
Remuneration of Central Depository Company of Pakistan Limited - Trustee	724	1,219
Annual fee - Securities and Exchange Commission of Pakistan	450	725
Securities transaction cost	-	-
Settlement and bank charges	107	138
Annual listing fee	10	9
Auditors' remuneration	155	129
Printing charges	47	69
Fund rating fee	55	51
Amortisation of preliminary expenses and floatation costs	-	125
Legal fee	-	15
Impairment loss on investments classified as 'available for sale' and 'held for trading'	255,197	(12,622)
Other expenses	1,440	-
<b>Total expenses</b>	<b>267,182</b>	<b>4,360</b>
<b>Net income from operating activities</b>	<b>(197,194)</b>	<b>94,603</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	-	(3,425)
Provision for Workers' Welfare Fund	-	(1,824)
<b>Net income for the period before taxation</b>	<b>(197,194)</b>	<b>89,354</b>
<b>Taxation</b>	<b>8</b>	<b>-</b>
<b>Net income for the period after taxation</b>	<b>(197,194)</b>	<b>89,354</b>
<b>Earnings per unit</b>	<b>9</b>	

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (Un-audited)

	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
	(Rupees in '000)	
Net income for the year after taxation	(197,194)	89,354
Other comprehensive income		
Net unrealised diminution on re-measurement of investments classified as 'available for sale'	155,806	(112,622)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	32,370
Total comprehensive income / (loss) for the period	<u>(41,388)</u>	<u>9,102</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (Un-audited)

	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
	(Rupees in '000)	
Undistributed income brought forward	327,285	198,814
Final distribution for the year ended June 30, 2011:2.961%: Nil (2010: Nil) (Date of distribution: 04 July, 2011)		
- 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	(1,127)	5,204
Net income for the period	(197,194)	89,354
Undistributed income carried forward	<u>54,861</u>	<u>293,372</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (Un-audited)

	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
	(Rupees in '000)	
Net assets at the beginning of the period	2,505,164	3,914,906
Issue of 3,054,639 units including 2,974,034 bonus units (2010: 138,397 units)	792	1,367
Redemption of 18,068,204 units (2010: 23,817,726 units)	(176,650) (175,858)	(236,381) (235,014)
Final distribution Issue of Nil bonus units for the year ended June 30, 2011: 2.961% (2010: Nil%)	28,889	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing losses / (income) and capital losses / (gains) - transferred to Income Statement	-	3,425
- amount representing income that form part of the unit holders' funds - transferred to Distribution Statement	1,127 1,127	(5,204) (1,779)
Net unrealised (diminution) / appreciation in the market value of investments classified as 'available for sale'	155,806	(112,622)
Reversal of unrealised diminution in the value of investment pertaining to impairment of non-performing assets	-	32,370
Unrealised (loss) / gain on investments at fair value through profit or loss - net	47,518	(40,344)
Unrealised gain on revaluation of futures sale contracts	-	-
(Loss) / gain on sale of investments - net	2,121	(78)
Other income (net of expenses)	(246,833)	129,776
Distribution:		
Final distribution for the year ended June 30, 2011: 2.961% (2010: Nil)		
- Cash Distribution	(45,214)	-
- Bonus units	(28,889)	-
	(271,297)	89,354
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	(1,127)	5,204
<b>Net assets at the end of the period</b>	<u>2,242,704</u>	<u>3,692,419</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (Un-audited)

	Note	Quarter Ended September 30, 2011	Quarter Ended September 30, 2010
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period		(197,194)	89,354
<b>Adjustments</b>			
Unrealised loss / (gain) on investments at fair value through profit or loss - net		(47,518)	40,344
Gain on sale of investments		(2,121)	78
Amortisation of preliminary expenses and floatation costs		-	125
Impairment loss on investment classified as "Available for Sale" and "Held for trading"		255,197	(12,622)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		-	3,425
		<u>8,364</u>	<u>120,704</u>
<b>(Increase) / decrease in assets</b>			
Investments		178,307	137,029
Profit receivable		41,097	(46,304)
Advances, deposits, prepayments and other receivables		(11)	(31)
		<u>219,393</u>	<u>90,694</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to Management Company		(465)	(226)
Payable to Trustee		(25)	(15)
Payable to Securities and Exchange Commission of Pakistan		(2,011)	(3,471)
Accrued expenses and other liabilities		794	2,283
		<u>(1,707)</u>	<u>(1,429)</u>
<b>Net cash inflow from / (outflow on) operating activities</b>		226,050	209,969
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		792	1,367
Payments on redemption of units		(176,295)	(236,721)
Distributions paid		(45,214)	-
<b>Net cash (outflow on) / inflow from financing activities</b>		<u>(220,717)</u>	<u>(235,354)</u>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>		5,333	(25,385)
Cash and cash equivalents at the beginning of the period		31,179	707,537
<b>Cash and cash equivalents at the end of the period</b>		<u><u>36,512</u></u>	<u><u>682,152</u></u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (Un-audited)

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity Fund (Formerly; NAFA Cash Fund) (the 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- (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 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, 2011 are same as those applied in the preparation of annual audited financial statements for the year ended June 30, 2011.

#### 3.1 Change in Accounting Policy on Recognition of Element of Income

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

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

	Note	September 30, 2011	June 30, 2011
(Rupees in '000)			
<b>4 INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Equity Securities - Listed	4.1	-	-
Term finance certificates - listed	4.2	253,315	257,961
		<u>253,315</u>	<u>257,961</u>
<b>Available for sale</b>			
Term finance certificates - listed	4.3	587,350	579,835
Term finance certificates - unlisted	4.3	678,064	810,224
Sukuk bonds	4.3	562,851	661,619
		<u>1,828,265</u>	<u>2,051,678</u>
		<u><u>2,081,580</u></u>	<u><u>2,309,639</u></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, 2011	Investment as a percentage of		
	As at July 01, 2011	Purchases during the year	Sales during the year	As at September 30, 2011		Net assets	Market value of total investment	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 investments as at September 30, 2011

Impairment losses					13			
					<u>13</u>			

## 4.2 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, 2011	Investment as a percentage of		
	As at July 01, 2011	Purchases during the year	Sales during the year	As at September 30, 2011		Net assets	Market value of total investment	Issue size
					(Rupees in '000)		----- % -----	

Bank Alfalah Limited - II	128	-	-	128	641	0.03	0.03	0.05
Escort Investment Bank Limited	10,000	-	-	10,000	11,241	0.50	0.54	10.00
Gharibwal Cement Limited (note 4.3.4)	5,000	-	-	5,000	-	-	-	6.25
Jahangir Siddiqui & Company Limited	18,000	-	-	18,000	90,626	4.04	4.35	9.00
Orix Leasing Pakistan Limited	10,000	-	-	10,000	16,029	0.71	0.77	4.60
Pace (Pakistan) Limited (note 4.3.5)	30,000	-	-	30,000	100,756	4.49	4.84	10.00
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	34,022	1.52	1.63	10.00
					<u>88,128</u>	<u>253,315</u>	<u>11.30</u>	<u>12.17</u>

Carrying value of investments as at September 30, 2011

					<u>279,217</u>			
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Impairment losses					<u>73,420</u>			
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# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

4.2.1 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.

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

### 4.3 Term finance certificates and sukuk bonds - available for sale

Name of the investee company	Number of certificates				Market value as at September 30, 2011	Investment as a percentage of		
	As at July 01, 2011	Purchases during the year	Sales during the year	As at September 30, 2011		Net assets	Market value of total investment	Issue size
					(Rupees in '000)		%	
<b>Term finance certificate - listed</b>								
Pakistan Mobile Communications (Private) Limited	78,000	-	2,000	76,000	374,690	16.71	18.00	9.18
World Telecom Limited	45,000	-	-	45,000	146,885	6.55	7.06	5.63
Allied Bank Limited	13,400	-	-	13,400	65,775	2.93	3.16	4.00
				<b>134,400</b>	<b>587,350</b>	<b>26.19</b>	<b>28.22</b>	
<b>Term finance certificate - unlisted</b>								
Avani Hotels International	35,040	-	-	35,040	148,077	6.60	7.11	5.57
Azgard Nine Limited (note 4.3.6)	50,000	-	-	50,000	-	-	-	10.00
Dewan Cement Limited (note 4.3.7)	30,000	-	-	30,000	-	-	-	-
Engro Chemical Pakistan Limited	62,000	-	-	62,000	291,400	12.99	14.00	7.75
New Allied Electronics Industries (Private) Limited (note 4.3.8)	15,000	-	-	15,000	-	-	-	8.33
Orix Leasing Pakistan Limited	3,900	-	-	3,900	196,621	8.77	9.45	0.44
Agritech Ltd. (Pak American Fertilizer Ltd- note 4.3.9)	30,000	-	-	30,000	41,966	1.87	2.02	10.00
				<b>225,940</b>	<b>678,064</b>	<b>30.23</b>	<b>32.57</b>	
<b>Sukuk bonds</b>								
BRR Guardian Modaraba	10,000	-	-	10,000	37,266	1.66	1.79	6.25
Century Paper and Board Mills Limited	28,200	-	28,200	-	-	-	-	4.03
Eden Builders Limited	7,956	-	-	7,956	24,651	1.10	1.18	1.59
Eden Housing Limited (note 4.3.10)	9,200	-	-	9,200	22,168	0.99	1.06	-
Kohat Cement Company Limited	50,000	-	-	50,000	161,328	7.19	7.75	10.00
Maple Leaf Cement Factory Limited - I (note 4.3.11)	80,000	-	-	80,000	250,538	11.17	12.04	5.00
Maple Leaf Cement Factory Limited - II (note 4.3.12)	3,000	-	-	3,000	-	-	-	-
New Allied Electronics Industries (Private) Limited (note 4.3.13)	9,000	-	-	9,000	-	-	-	6.00
Orix Leasing Pakistan Limited	10,000	-	-	10,000	16,746	0.75	0.80	9.52
Pak Elektron Limited	24,000	-	-	24,000	50,154	2.24	2.41	10.00
				<b>203,156</b>	<b>562,851</b>	<b>25.10</b>	<b>27.04</b>	
				<b>563,496</b>	<b>1,828,265</b>	<b>81.52</b>	<b>87.83</b>	
Carrying value of investments as at September 30, 2011					<u>2,429,725</u>			
Impairment losses					<u>757,266</u>			

4.3.1 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.

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

4.3.3 During the period from July 01, 2008 to September 30, 2011, the Fund did not receive redemption of principal and / or profit amounts on some of its investments, the details of which are as follows:

4.3.4 This represents investment in privately placed term finance certificates. On July 18, 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 has recognized an impairment loss of Rs.24.356 million till September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs. 24.356 million. The income suspended on these term finance certificates amounted to Rs.9.763 million.

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- 4.3.5 This represents investment in listed term finance certificates with a term of five years. On August 15, 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 management has recognised an impairment loss of Rs 49.064 million till September 30, 2011. The minimum amount of provision as per SECP circular no. 01 of 2009 amounts to Rs.49.064 million. The income suspended on these term finance certificates amounted to Rs.14.749 million.
- 4.3.6 This represents investment in privately placed term finance certificates. On June 04, 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 recognized an impairment loss of Rs.249.80 million till September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs. 249.80 million. The income suspended on these term finance certificates amounted to Rs.65.148 million.
- 4.3.7 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 January 9, 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 September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 also amounts to Rs. 150 million. The income suspended on these term finance certificates amounted to Rs.83.083 million.
- 4.3.8 This represents investment in privately placed term finance certificates. On November 15, 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.31.7065 million till September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.31.7065 million. The income suspended on these term finance certificates amounted to Rs.18.341 million.
- 4.3.9 This represents investment in privately placed term finance certificates. On May 30, 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.107.914 million till September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.107.914 million. The income suspended on these term finance certificates amounted to Rs.40.211 million.
- 4.3.10 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.0.863 million were not received by the Fund. The Management has recognized provision for impairment amounting to Rs.9.745 million till September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.9.745 million. The income suspended on these sukuk bonds amounted to Rs.2.626 million.
- 4.3.11 This represent investment in Maple Leaf privately placed sukuk bonds I. The coupon payment on Maple Leaf Sukuk I was due on September 03, 2011 which was not received by the Fund. Therefore as a matter of prudence, the management has recognised an impairment loss amounting to Rs.148.952 million till September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs.148.952 million. The income suspended on these bonds amounted to Rs. 57.482 million.
- 4.3.12 This represent investment in Maple Leaf privately placed sukuk bonds II. The coupon payment on Maple Leaf Sukuk II was due on June 29, 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 September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 amounts to Rs. 15 million. The income suspended on these bonds amounted to Rs. 0.555 million.
- 4.3.13 This represents investment in privately placed sukuk bonds on December 03, 2008 i.e. 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 September 30, 2011. The minimum amount of provision required as per SECP circular no. 01 of 2009 also amounts to Rs. 44.149 million. The income suspended on these term finance certificates amounted to Rs.20.672 million.



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	September 30, 2011	June 30, 2011
	(Rupees in '000)	
<b>5 PROFIT RECEIVABLE</b>		
Profit on savings and term deposits	34,280	34,032
Income accrued on term finance certificates and sukuk bonds	416,600	145,315
Less: Suspended Income	(312,630)	-
	<u>103,970</u>	<u>145,315</u>
	<u>138,250</u>	<u>179,347</u>
<b>6 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration	470	315
Settlement charges payable	36	42
Payable to brokers	5	-
Printing charges	241	194
WWF	12,230	12,230
Listing Fee	10	-
Fund Rating Fee	55	-
Others	23,993	23,465
	<u>37,040</u>	<u>36,246</u>

## 7 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and as at September 30, 2011.

## 8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 9 EARNINGS PER UNIT

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

## 10 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the Fund as 'Income Fund'.

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest atleast 25% of the net assets in cash and near cash instruments which include cash in bank accounts(excluding TDRs), treasury bills not exceeding 90 days maturity . Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at September 30, 2010, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

# NAFA INCOME OPPORTUNITY FUND

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Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Cash and near cash instruments	N/A	36,512	-	36,512	1.63%	1.34%
Investment in Debt securities & Sukuks**	Azgard Nine Limited	249,800	249,800	-	-	-
	Agritech Limited	149,880	107,914	41,966	1.87%	1.54%
	BRR Guardian Modaraba - Sukuk***	49,688	-	37,266	1.66%	1.37%
	Dewan Cement Limited	150,000	150,000	-	-	-
	Eden Housing Limited - Sukuk II	31,913	9,745	22,168	0.99%	0.81%
	Escort Investment Bank Limited ***	14,988	-	11,241	0.50%	0.41%
	Gharibwal Cement Limited	24,356	24,356	-	-	-
	Kohat Cement Company Limited - Sukuk***	241,500	-	161,328	7.19%	5.92%
	Maple Leaf Cement Factory Limited Sukuk	399,490	148,952	250,538	11.17%	9.20%
	Maple Leaf Cement Factory Limited - Sukuk II	15,000	15,000	-	-	-
	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	49,064	100,756	4.49%	3.70%
	Saudi Pak Leasing Company Limited ***	51,530	-	34,022	1.52%	1.25%
Excess exposures	Engro Fertilizer Limited (PPTFC)	310,000	-	291,400	12.99%	10.70%
	Maple Leaf Cement Factory Limited Sukuk	399,490	148,952	250,538	11.17%	9.20%
	Pakistan Mobile Communication	380,000	-	374,691	16.71%	13.76%

\*\* 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

## 11 TRANSACTIONS WITH CONNECTED PERSONS

11.1 Connected persons include NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

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

11.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

	Quarter Ended September 30,2011	Quarter Ended September 30,2010
<b>11.5 Details of the transactions with connected persons are as follows:</b>		
	(Rupees in '000)	
<b>NBP Fullerton Asset Management Limited - Management Company</b> Management fee expense for the quarter	8,997	14,502
<b>NAFA Provident Fund Trust</b> Bonus units issued (Nil units; 2010: 5,303 units)	-	-
<b>National Bank of Pakistan - Sponsor</b> Cash dividend	1,066	-
<b>Alexandra Fund Management Pte. Limited - Sponsor</b> Bonus units issued (23,727 units; 2010: Nil units) Units redeemed / transferred out (Nil units; 2010: 704,785 units)	- -	- 7,000
<b>Central Depository Company of Pakistan Ltd. - Trustee</b> Remuneration CDS charges	724 2	1,219 2
<b>Mr. Shahid Anwar Khan - Director</b> Bonus units issued (2,891 units ; 2010 : Nil units) Units redeemed / transferred out (Nil units : 2010 : 662 units)	- -	- 7
<b>NBP Employees Pension Fund</b> Bonus units issued (1,656,399 units : 2010 : Nil units)	-	-
<b>NBP Endowment Fund Student Loan Scheme</b> Bonus units issued (535,044 units : 2010 : Nil units) Units redeemed / transferred out (2,556,420 units)	- 25,000	- -
<b>NBP Employees Benevolent Fund Trust</b> Bonus units issued (57 units)	-	-
	As at September 30,2011	As at June30,2011
<b>11.6 Amounts outstanding as at year end</b>	(Rupees in '000)	
<b>NBP Fullerton Asset Management Limited - Management Company</b> Management fee payable Legal charges payable	2,847 -	3,282 30
<b>National Bank of Pakistan - Sponsor</b> Investment held by the sponsor in the Fund (3,601,691 units; June 30, 2011: 3,601,691 units) Balances in current account	34,336 788	36,053 521
<b>Alexandra Fund Management Pte. Limited - Sponsor</b> Investment held by the Sponsor in the Fund (802,116 units : June 30, 2011: 778,389 units)	7,647	7,792
<b>Mr. Shahid Anwar Khan - Director</b> Investment held in the Fund (97,742 units; June 30, 2011: 94,851 units)	932	949
<b>Employees of Management Company</b> Investment held in the Fund (4 units; June 30, 2011: 4 units)	-	-
<b>Central Depository Company of Pakistan Ltd. - Trustee</b> Remuneration payable CDS charges Security deposit	231 1 100	256 - 100
<b>NBP Employees Pension Fund</b> Investment held in the Fund (55,996,457 units; June 30, 2011: 54,340,058 units)	533,825	543,944
<b>NBP Endowment Fund Student Loan Scheme</b> Investment held in the Fund (15,531,387 units; June 30, 2011: 17,552,762 units)	148,064	175,703
<b>NBP Employees Benevolent Fund Trust</b> Investment held in the Fund (1,929 units; June 30, 2011: 1,872 units)	18	19

# NAFA INCOME OPPORTUNITY FUND

(Formerly; NAFA Cash Fund)

## 12 DATE OF AUTHORISATION FOR ISSUE

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

## 13 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 NBFC Regulations has not been disclosed as such bifurcation is not practicable.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director