



NBP FUNDS

Managing Your Savings

AM1

Rated by PACRA

NAFA INCOME OPPORTUNITY FUND

**ANNUAL
REPORT
2018**



MISSION STATEMENT

To rank in the top quartile
in performance of
NBP FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.

NAFA INCOME OPPORTUNITY FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Mr. Wajahat Rasul Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Humayun Bashir	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tariq Jamali	Member
Mr. Shehryar Faruque	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	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
Askari 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
National Bank of Pakistan
SILK Bank Limited
Soneri Bank Limited
The Bank of Punjab
Summit Bank Limited
Telenor Microfinance Bank Limited
U Microfinance Bank Limited

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Bankers to the Fund

United Bank Limited
Samba Bank Limited
Al Baraka Bank Limited
Meezan Bank Limited
Sindh Bank Limited
Dubai Islamic Bank Pakistan Limited
Khushhali Bank Limited
Bankislami Pakistan Limited
Zarai Taraqiati Bank Limited
Summit Bank Limited
NRSP Microfinance Bank Limited

Auditors

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharae Faisal
Karachi-75350 Pakistan

Legal Advisor

M/s Jooma Law Associates
205, E.I. Lines, Dr. Daudpota Road,
Karachi.

Head Office:

7th Floor Clifton Diamond Vuilding, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbp funds.com

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town, Lahore.
UAN: 042-111-111-632
Fax: 92-42-35861095

Islamabad Office:

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

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632
Fax: 091-5703202

Multan Office:

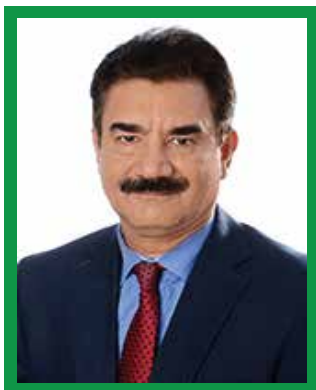
NBP City Branch, Hussain-a-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

NAFA INCOME OPPORTUNITY FUND

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Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Mudassir Husain Khan
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Tariq Jamali
Director



Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director



Mr. Abdul Hadi Palekar
Director



Mr. Wajahat Rasul Khan
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. M. Murtaza Ali
Chief Operating Officer
& Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Syed Rizwan Aziez
Country Head Sales Strategy



Mr. Muhammad Ali, CFA, FRM
Head of Fixed Income



Mr. Taha Khan Javed, CFA
Head of Equity



Mr. Hassan Raza, CFA
Head of Research



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed, CFA
Head of Risk Management



Mr. Zaheer Iqbal - ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head of Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

NAFA INCOME OPPORTUNITY FUND

DIRECTORS' REPORT

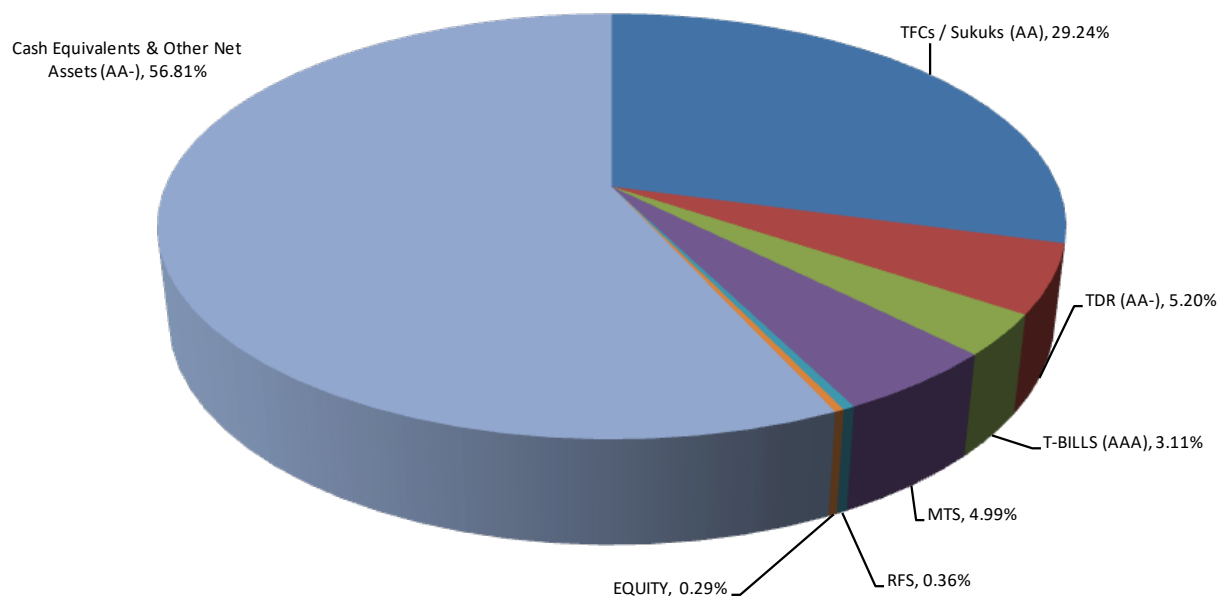
The Board of Directors of NBP Fund Management Limited is pleased to present the Thirteenth Annual Report of **NAFA Income Opportunity Fund (NIOF)** for the year ended June 30, 2018.

Fund's Performance

The size of NAFA Income Opportunity Fund has decreased from Rs. 8,199 million on June 30, 2017 to Rs. 6,351 million on June 30, 2018, i.e. a decrease of 23%. During the year, the unit price of the Fund has increased from Rs. 10.6964 on June 30, 2017 to Rs. 11.2668 on June 30, 2018, thus posting a return of 5.3% as compared to its Benchmark return of 6.3% for the same period. The return of the Fund is net of management fee and all other expenses.

NIOF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA. The trading activity in TFCs/Sukuks improved but remained skewed towards high quality debt issues with cumulative traded value of Rs. 20.8 billion in FY18 compared to Rs. 9.1 billion during the previous year. The trades were mainly concentrated in the banking sector debt securities with 66% contribution. During FY 2018, State Bank of Pakistan (SBP) held six (06) bi-monthly monetary policy reviews. During the first half of FY18, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipation of gain in exports due to improvement in domestic energy supplies and incentives given to exports industry. However, in the latter half, the SBP cumulatively increased the policy rate by 75 basis points to 6.5% in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD), preempt overheating of the economy, and rein in inflationary pressures. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills yields went up by 79 bps, 90 bps, and 116 bps, respectively.

The Fund has earned a total income of Rs.581.189 million during the year. After accounting for total expenses of Rs. 146.826 million, the net income is Rs. 434.363 million. The asset allocation of NAFA Income Opportunity Fund as on June 30, 2018 is as follows:



NAFA INCOME OPPORTUNITY FUND

Income Distribution

The Management Company has approved cash dividend of 5.33% of opening ex-NAV (5.70% of the par value) subsequent to the year end.

Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditors, Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2019.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 26 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 22 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2018, the Board included:

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Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed – Chief Executive Officer
Non-Executive Directors	1. Mr. Mudassir Husain Khan (Chairman) 2. Mr. Tariq Jamali 3. Mr. Abdul Hadi Palekar 4. Mr. Wajahat Rasul Khan 5. Dr. FOO Chiah Shiung (Kelvin Foo)

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 Fund Management Limited

Chief Executive
Date: September 05, 2018
Place: Karachi.

Director

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ڈائریکٹرز رپورٹ

این بی پی فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA انکم آپرچونٹی فنڈ (NIOF) کی تیرہویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

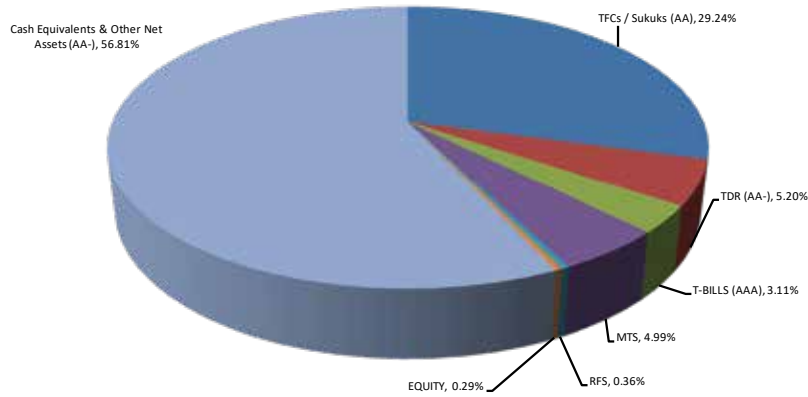
فنڈ کی کارکردگی

NAFA انکم آپرچونٹی فنڈ (NIOF) کا فنڈ سائز 30 جون 2017 کو 8,199 ملین روپے سے کم ہو کر 30 جون 2018 کو 6,351 ملین روپے ہو گیا ہے یعنی تقریباً 23% کی کمی وقوع پذیر ہوئی۔ اس سال کے دوران فنڈ کے پونٹ کی قیمت 30 جون 2017 کو 10.6964 روپے سے بڑھ کر 30 جون 2018 کو 11.2668 روپے ہو چکی ہے، اس طرح اپنے بیچ مارک منافع 6.3% کے مقابلے میں فنڈ نے 5.3% کا منافع دکھایا۔ فنڈ کا یہ منافع منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIOF کی درجہ بندی بطور ایک انکم اسکیم کی گئی ہے اور اسے PACRA کی طرف سے (f) A کی مستحکم ریٹنگ دی گئی ہے۔

TFCs / سکوک میں تجارتی سرگرمیوں میں بہتری آئی لیکن ان سرگرمیوں کی اعلیٰ کوالٹی اجراء کی کارروائیوں کی طرف جھکاؤ کے ساتھ مالی سال 18 میں تجارتی حجم 20.8 بلین روپے رہا جب کہ گزشتہ سال کے دوران یہ رقم 9.1 بلین روپے تھی۔ تجارت کی زیادہ توجہ بینکنگ کے شعبہ میں debt securities پر رہی اور اس کا حصہ 66% رہا۔ مالی سال 2018 کے دوران میں اسٹیٹ بینک آف پاکستان (ایس بی پی) نے مانیٹری پالیسی کے چھ (06) مرتبہ دو ماہی جائزے لئے۔ پہلے نصف عرصہ کے دوران، ترقی کی رفتار جاری رہنے کی قوی توقع، افراط زر کی موجودگی، اور ملکی توانائی کی فراہمی میں بہتری اور برآمدات کی صنعت کو دی گئی ترغیبات کے باعث برآمدات میں فروغ کے سلسلے میں پیش رفت کے پیش نظر، ایس بی پی نے 5.75% پالیسی کی شرح کو برقرار رکھا۔ تاہم اگلے نصف عرصہ میں، بیرونی محاذ پر کرنٹ اکاؤنٹ کے خسارے (CAD) میں اضافے کے باعث بڑھتے ہوئے دباؤ، معیشت میں پہلے سے موجود افراط زر اور افراط زر پر قابو کیلئے پانے کے لئے، ایس بی پی نے پالیسی کی شرح میں 75 پیسے پوائنٹ کا اضافہ کر دیا اور پالیسی کی شرح 6.5% ہو گئی۔ پالیسی کی شرح میں اضافہ سے اچھے نتائج برآمد ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ T-Bills کے منافع بالترتیب 79 bps، 90 اور 116 bps سے بڑھ گئے۔

فنڈ نے اس سال کے دوران 581.189 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 146.826 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 434.363 ملین روپے ہے۔ NAFA انکم آپرچونٹی فنڈ کی ایسیٹ الیکیشن 30 جون 2018 کو برعکس ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی نے سال کے اختتام کے بعد اوپننگ ex-NAV کا 5.33% (بنیادی قدر کا 5.70%) نقد ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سیکشن 10 کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

آڈیٹر

موجودہ آڈیٹر میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2019 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

NAFA INCOME OPPORTUNITY FUND

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو بھی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 25 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کی گئی ہے۔
- 13- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی مائٹرائی انٹرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

نام	کیٹگری
1- جناب کمال عامر چنائے 2- جناب شہریار فاروق 3- جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹرز
1- جناب مدثر حسین خان (چیئرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی بابیکر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونگ (کیلون فو)	نان ایگزیکٹو ڈائریکٹرز

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

بورڈ اپنے اسٹاف اور ڈسٹری بیوٹرز کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

05 ستمبر 2018ء

مقام: کراچی

NAFA INCOME OPPORTUNITY FUND

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Income Opportunity Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Aftab Ahmed Diwan

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 18, 2018

NAFA INCOME OPPORTUNITY FUND

FUND MANAGER REPORT

NAFA Income Opportunity Fund (NIOF) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NIOF is to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in money market & debt securities having good credit rating and liquidity.

Benchmark

6 Month – KIBOR.

Fund Performance Review

This is the Thirteenth Annual report since the launch of the Fund on April 21, 2006. The Fund size decreased by 23% during FY18 and stands at Rs. 6,351 million as on June 30, 2018. The Fund's return since its inception is 8.0% versus the benchmark return of 10.1%. During FY18, the Fund posted a return of 5.3% as compared to the benchmark return of 6.3%. The return of the Fund is net of management fee and all other expenses.

The Yield to Maturity of the Fund at year end FY18 is around 7.9% while that of TFC portfolio is 8.2%. The yield does not include potential recovery in fully provided TFCs (Face Value of around Rs 894 million), which is potential upside for the Fund. The Fund's TFC portfolio allocation is fairly diversified with exposure to Banking and Financial Services sectors.

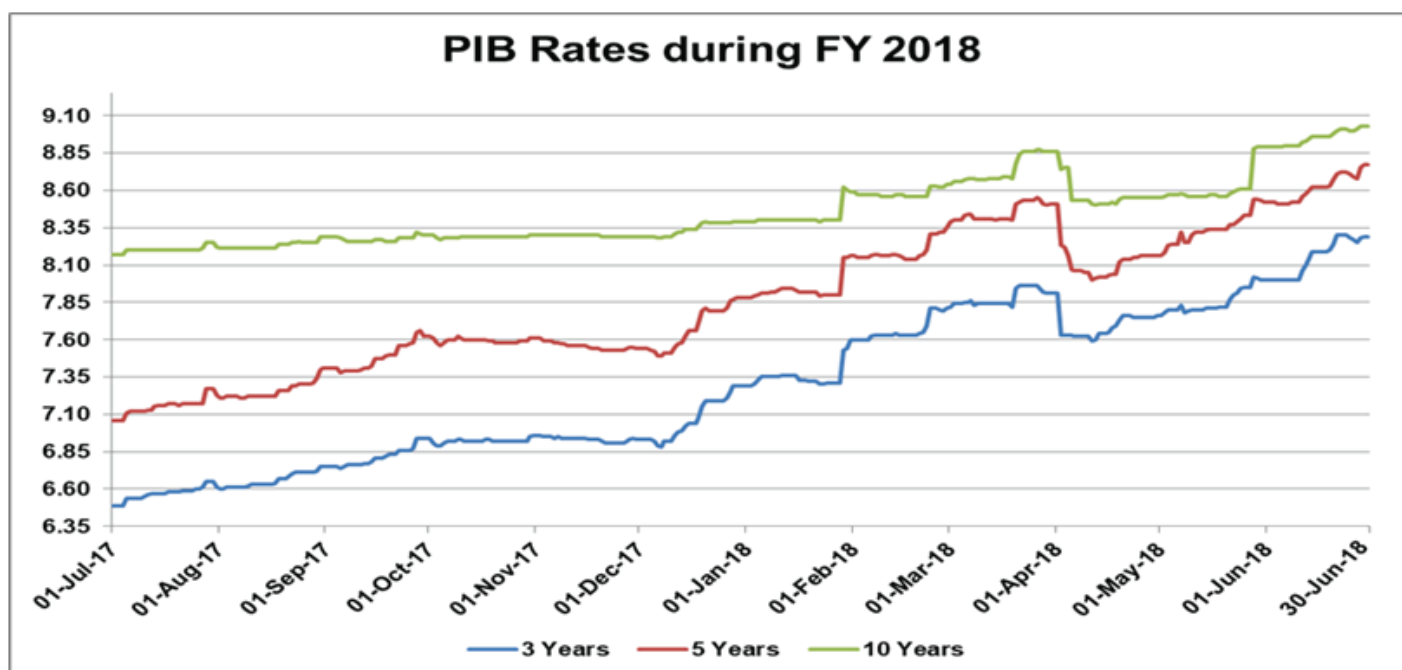
The trading activity in TFCs/Sukuks improved but remained skewed towards high quality debt issues with cumulative traded value of Rs. 20.8 billion in FY18 compared to Rs. 9.1 billion during the previous year. The trades were mainly concentrated in the banking sector debt securities with 66% contribution. During FY 2018, State Bank of Pakistan (SBP) held six (06) bi-monthly monetary policy reviews. During the first half of FY18, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipation of gain in exports due to improvement in domestic energy supplies and incentives given to exports industry. However, in the latter half, the SBP cumulatively increased the policy rate by 75 basis points to 6.5% in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD), preempt overheating of the economy, and rein in inflationary pressures. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills yields went up by 79 bps, 90 bps, and 116 bps, respectively.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-18	30-Jun-17
TFCs/Sukuks	29.24%	7.53%
PIBs	-	1.4%
T-Bills	3.11%	2.05%
Placements with Banks	5.2%	13.42%
Money Market Placements	-	2.38%
Margin Trading System (MTS)	4.99%	1.07%
Equity	0.65%	0.44%
Cash (Cash Equivalents) & Other Assets	56.81%	71.71%
Total	100%	100%

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PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2018

Final	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
.July 04, 2018	5.70	0.5704	10.6964

Details of Non-Compliant Investments

Particulars	Details of Non-Compliant Investment			Value of Investments after Provision	% of Net Assets	% of Gross Assets
	Type of Investment	Value of Investments before Provision	Provision held			
AgriTech Limited I - Revised II 29-NOV-07 29-NOV-19	TFC	149,860,200	149,860,200	-	-	-
AgriTech Limited V 01-JUL-11 01-JAN-20	TFC	32,320,000	32,320,000	-	-	-
Azgard Nine Limited III (PP) - Revised 04-DEC-07 04-DEC-18	TFC	108,376,850	108,376,850	-	-	-
Azgard Nine Limited V (PPTFC Markup) 31-MAR-12 31-MAR-19	TFC	82,180,000	82,180,000	-	-	-
BRR Guardian Modaraba - Sukuk Revised II 07-JUL-08 07-APR-19	Sukuk	6,400,136	6,400,136	-	-	-
Dewan Cement Limited (Pre-IPO) 17-JAN-08 17-JAN-19	TFC	150,000,000	150,000,000	-	-	-
Eden House Limited - Sukuk Revised 29-MAR-08 29-SEP-19	Sukuk	9,056,250	9,056,250	-	-	-
New Allied Electronics Limited (PP) 15-MAY-07 15-NOV-18	TFC	31,706,536	31,706,536	-	-	-
New Allied Electronics Limited II - Sukuk 03-DEC-07 03-DEC-18	Sukuk	44,148,934	44,148,934	-	-	-
PACE Pakistan Limited - Revised 15-FEB-08 15-FEB-19	TFC	149,820,000	149,820,000	-	-	-
Saudi Pak Leasing Company Limited - Revised II 13-MAR-08 13-MAR-19	TFC	41,321,115	41,321,115	-	-	-
Worldcall Telecom Limited - Revised 07-OCT-08 07-OCT-21	TFC	88,455,825	88,455,825	-	-	-
Azgard Nine Limited (Non-Voting Ordinary Shares)	Equity	12,854	12,854	-	-	-
AgriTech Limited Shares	Equity	140,948,150	122,302,723	18,645,427	0.3%	0.3%
Total		1,034,606,850	1,015,961,423	18,645,427	0.3%	0.3%

NAFA INCOME OPPORTUNITY FUND

Unit Holding Pattern of NAFA Income Opportunity Fund as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	1036
1001-5000	296
5001-10000	154
10001-50000	381
50001-100000	168
100001-500000	246
500001-1000000	38
1000001-5000000	52
5000001-10000000	15
10000001-100000000	8
	2394

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NAFA Income Opportunity Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs.19.335million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs.0.0343/0.32%. For details investors are advised to read note 17 of the Financial Statement of the Scheme for the year ended June 30, 2018.

NAFA INCOME OPPORTUNITY FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NAFA Income Opportunity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transaction for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p>Valuation and existence of investment</p> <p>As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss – held for trading amounted to Rs. 2,426 million as at June 30, 2018.</p> <p>The Fund's investments mainly include money market and debt securities including investments under ready future securities and marginal trading system therefore there is a risk that appropriate prices may not be used to determine fair value of the investments.</p> <p>Further, in respect of existence of investments, there is a risk that the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>Valuation and existence was assessed by:</p> <ul style="list-style-type: none">evaluating the design and implementation of key controls around investments;independently testing 100% of the valuations directly to pricing sources;any differences identified during our testing that were over our acceptable threshold were investigated further; andindependently matching the securities held by the Fund as per internal records with the certificates appearing in the CDC and IPS accounts and investigated any reconciling items.

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2	<p>Element of Income</p> <p>As disclosed in detail in note 3.5.1, the Securities and Exchange Commission of Pakistan (the SECP) issued SRO no. 756(1)/2017 dated August 03, 2017, whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). As part of such amendments as definition of Element of Income has been incorporated and certain amendments were also made in the 5th Schedule to the NBFC Regulations whereby distribution statement has been omitted from the financial statements and Element of Income has been made part of the 'Unit Holders' Fund' instead of the 'Income Statement' as suggested by ICAP and a new disclosure regarding allocation of accounting income is added to the 'Income Statement'.</p> <p>The abovementioned amendments require significant changes in the presentation of the financial statements and the accounting treatment of the 'Element of Income' and the policy for distribution/dividends made by the Fund.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> • Obtained understanding of the amendments made in the NBFC Regulations; • Obtained understanding of the changes required in the disclosures and accounting treatments in the financial statements of the Fund; • Held discussions with the Management regarding the changes required; and • On sample basis we have checked the calculation made and recorded in the financial statements as related to this key audit matter.
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Information other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the Director's report, Fund Managers' report, Trustee report to the unit holders, Statement of Compliance with the Shariah principles, Report of the Shariah Advisor, performance table and proxy voting disclosure.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management Company for the Financial Statements

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

NAFA INCOME OPPORTUNITY FUND

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Hena Sadiq.

Deloitte Yousuf Adil
Chartered Accountants

Date: September 25, 2018
Place: Karachi

NAFA INCOME OPPORTUNITY FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
ASSETS			
Bank balances	4	3,641,276	2,174,206
Investments	5	2,426,121	2,231,513
Receivable against margin trading system	6	316,768	87,869
Mark-up accrued	7	36,800	56,609
Receivable against sale of investments		60,711	3,203,158
Deposits, prepayments and other receivables	8	9,991	619,115
Total assets		6,491,667	8,372,470
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	9	13,367	24,056
Payable to Central Depository Company of Pakistan Limited - Trustee	10	619	1,910
Payable to the Securities and Exchange Commission of Pakistan	11	6,233	9,406
Payable against purchase of investments		23,200	-
Accrued expenses and other liabilities	12	97,092	137,970
Total liabilities		140,511	173,342
NET ASSETS		6,351,156	8,199,128
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		6,351,156	8,199,128
Contingencies and commitments			
	13	-----Number of units-----	
Number of units in issue	14	563,703,522	766,529,674
		-----Rupees-----	
Net asset value per unit	15	11.2668	10.6964

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME OPPORTUNITY FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
	Note	----- Rupees in '000 -----	
INCOME			
Return / mark-up on:			
- bank balances and term deposits		400,084	637,581
- term finance certificates and sukuks		106,688	58,608
- government securities		24,167	53,212
- letter of placement and commercial paper		16,038	26,664
- certificates of investment		12,964	-
- margin trading system		19,231	39,598
Net (loss) / income on spread transactions		(7,333)	24,920
Dividend income on spread transactions		17,221	86,933
Net loss on sale of investments		(3,313)	(3,394)
Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading	5.14	(13,969)	1,360
Reversal of provision in respect of non-performing investments	5.17	7,792	12,370
Reversal against accrued mark-up		-	16,000
Other income		1,619	-
Total income		581,189	953,852
EXPENSES			
Remuneration of NBP Fund Management Limited - Management Company	9.1	83,111	157,053
Sindh Sales Tax on remuneration of the Management Company	9.2	10,804	20,417
Reimbursement of operational expenses to the Management Company	9.3	8,311	12,541
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	7,418	10,379
Sindh Sales Tax on remuneration of the Trustee	10.2	964	1,349
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	6,233	9,406
Securities transaction cost		1,778	17,013
Settlement and bank charges		4,922	9,693
Auditors' remuneration	16	612	589
Fund rating fee		353	370
Legal and professional charges		1,080	551
Annual listing fee		28	55
Printing and other charges		-	75
Provision against non-performing term finance certificates and sukuks		12,346	-
Total expenses		137,960	239,491
Net income from operating activities		443,229	714,361
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	(444,204)
Reversal of provision of Workers' Welfare Fund	17	-	31,218
Provision for Sindh Workers' Welfare Fund	17	(8,866)	(10,469)
Net income for the year before taxation		434,363	290,906
Taxation	18	-	-
Net income for the year after taxation		434,363	290,906
Earnings per unit	19		
Allocation of net income for the year			
Net income for the year after taxation		434,363	
Income already paid on units redeemed		(151,292)	
		283,071	
Accounting income available for distribution:			
- Relating to capital gain		-	
- Excluding capital gain		283,071	
		283,071	

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME OPPORTUNITY FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees in '000	2017
Net income for the year after taxation		434,363	290,906
Other comprehensive income			
Items that may be reclassified subsequently to income statement:			
Net unrealised (loss) / gain on re-measurement of investments classified as 'available for sale'	5.15	(5,172)	1,576
Total comprehensive income for the year		429,191	292,482

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME OPPORTUNITY FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

	2018				2017			
	(Rupees in '000)							
	Capital Value	Undistributed Income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Capital Value	Undistributed Income	Unrealised appreciation / (diminution) 'available for sale' investments	Total
Net assets at beginning of the year	7,716,545	477,411	5,172	8,199,128	5,787,675	482,952	3,596	6,274,223
Issuance of 541,805,456 units (2017: 2,208,195,765 units)								
- Capital value	5,792,217	-	-	5,792,217				
- Element of income	117,709	-	-	117,709				
Total proceeds on issuance of units	5,909,926	-	-	5,909,926	23,631,228	570,978	-	24,202,206
Redemption of 744,631,608 units (2017: 2,027,954,499 units)								
- Capital value	(7,956,481)	-	-	(7,956,481)				
- Element of loss	(79,316)	(151,292)	-	(230,608)				
Total payments on redemption of units	(8,035,797)	(151,292)	-	(8,187,089)	(21,702,358)	(1,010,922)	-	(22,713,280)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	-	444,204	-	444,204
Total comprehensive income for the year	-	434,363	(5,172)	429,191	-	290,906	1,576	292,482
Distribution during the year	-	-	-	-	-	(300,707)	-	(300,707)
Net assets at end of the year	5,590,674	760,482	-	6,351,156	7,716,545	477,411	5,172	8,199,128
Undistributed income brought forward								
- Realised		474,475				464,419		
- Unrealised		2,936				18,533		
		477,411				482,952		
Accounting income available for distribution								
- Relating to capital gain		-						
- Excluding capital gains		283,071						
		283,071				290,906		
Distribution during the year		-				(300,707)		
Element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement		-				4,260		
Undistributed income carried forward		760,482				477,411		
Undistributed income carried forward								
- Realised		779,623				474,475		
- Unrealised		(19,141)				2,936		
		760,482				477,411		
				(Rupees)				(Rupees)
Net assets value per unit at beginning of the year				10.6964				10.7016
Net assets value per unit at end of the year				11.2668				10.6964

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

NAFA INCOME OPPORTUNITY FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees in '000	2017 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		434,363	290,906
Adjustments:			
Return / markup on:			
- bank balances and term deposits		(400,084)	(637,581)
- term finance certificates, sukuks and commercial paper		(106,688)	(58,608)
- government securities		(24,167)	(53,212)
- letter of placement and commercial paper		(16,038)	(26,664)
- certificates of investment		(12,964)	-
- margin trading system		(19,231)	(39,598)
Net loss / (income) on spread transactions		7,333	(24,920)
Dividend income on spread transactions		(17,221)	(86,933)
Net unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss - held for trading'		13,969	(1,360)
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	444,204
Provision for Sindh Workers' Welfare Fund		8,866	10,469
Reversal of provision in respect of non-performing investments		(7,792)	(12,370)
Reversal against accrued mark-up		-	(16,000)
Reversal of provision of Workers' Welfare Fund		-	(31,218)
		(574,017)	(533,791)
		(139,654)	(242,885)
(Increase) / decrease in assets			
Investments - net		2,952,517	(3,692,737)
Receivable against margin trading system		(228,899)	21,999
Deposits, prepayments and other receivables		592,182	(581,613)
		3,315,800	(4,252,351)
Increase / (decrease) in liabilities			
Payable to the Management Company		(10,689)	4,431
Payable to the Trustee		(1,291)	1,169
Payable to the Securities and Exchange Commission of Pakistan		(3,173)	2,570
Accrued expenses and other liabilities		(49,744)	17,742
		(64,897)	25,912
Mark-up on bank balances and term deposits received		411,788	684,885
Mark-up on term finance certificates and sukuks received		83,791	59,467
Mark-up on government securities received		29,427	56,765
Mark-up on margin trading system received		18,698	39,647
Mark-up on letter of placement and commercial paper received		16,038	26,664
Mark-up on certificate of investment		12,964	-
Income from spread transactions received		(7,333)	24,920
Dividend received on spread transactions		17,201	60,638
Net cash generated from / (used in) operating activities		3,693,822	(3,516,338)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received on issuance of units		5,926,868	24,649,249
Amounts paid on redemption of units		(8,153,620)	(25,770,738)
Dividend paid		-	(300,284)
Net cash used in financing activities		(2,226,752)	(1,421,773)
Net increase / (decrease) in cash and cash equivalents during the year		1,467,070	(4,938,111)
Cash and cash equivalents at the beginning of the year		2,174,206	7,112,317
Cash and cash equivalents at the end of the year	4.4	3,641,276	2,174,206

The annexed notes from 1 to 33 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

NAFA INCOME OPPORTUNITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity Fund ("the Fund") was established under a Trust Deed executed between NBP Fund 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 (the NBFC Rules). The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as an income scheme 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 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund classified as an 'income scheme' by the Management Company and is listed on the Pakistan Stock Exchange Limited. 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 objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return by investing in money market and debt securities having good credit rating and liquidity. Other avenues of investments include ready future arbitrage in listed securities and transactions under margin trading system.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' 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 CDC as a trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

NAFA INCOME OPPORTUNITY FUND

2.4 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
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Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
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Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

2.4.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments (except for IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Effective from accounting periods beginning on or after:

IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
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IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
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Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
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IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
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Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
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IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
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Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
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Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement	January 01, 2019
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NAFA INCOME OPPORTUNITY FUND

Effective from accounting periods beginning on or after:

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property January 01, 2018. Earlier application is permitted.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. January 01, 2018. Earlier application is permitted.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. January 01, 2019

Certain annual improvements have also been made to a number of IFRSs. Which are also not expected to have material impact on financial reporting of the Fund.

2.5 IFRS 9 'Financial Instruments' Impact Assessment

2.5.1 IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

Key requirements of IFRS 9 are as follows;

Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Classification and measurement of financial liabilities

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

NAFA INCOME OPPORTUNITY FUND

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

2.5.2 Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Market treasury bills classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will qualify to be classified and measured at "Amortised cost" upon application of IFRS 9.

2.6 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.7 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying Fund's accounting policies. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In the process of applying Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of financial assets (Note 3.2.1)
- (b) impairment of financial assets (Note 3.2.5)
- (c) provisions (Note 3.8)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements (except for note 3.5) are set out below.

3.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.2 Financial assets

3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available for sale.

NAFA INCOME OPPORTUNITY FUND

a) Investments at fair value through profit or loss - held for trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

b) Loans and receivables

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

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

All regular purchases / sales of financial assets are recognised on the trade date i.e. the date that the Fund commits to purchase / sell the assets.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the 'income statement'.

3.2.4 Subsequent measurement

a) Financial assets as 'at fair value through profit or loss' - held for trading and 'available for sale'

1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular no. 1 of 2009 dated January 6, 2009 and Circular no. 33 of 2012 dated October 24, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

2) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

3) Equity securities

The investment of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss - held for trading' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

NAFA INCOME OPPORTUNITY FUND

b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method. Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired and through the amortisation process.

3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the 'income statement'.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under Circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognised on debt securities can be reversed through the 'income statement'.

As allowed under Circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 'income statement', is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and financial liabilities

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

3.3 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as 'financial assets at fair value through profit or loss - held for trading' and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement in accordance with the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement.'

NAFA INCOME OPPORTUNITY FUND

3.4 Securities under margin trading system

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the income statement. Transaction costs are expensed in the income statement.

3.5 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

3.6 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.7 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

3.7.1 Amendment in the NBFC Regulations in the current year

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income should be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

NAFA INCOME OPPORTUNITY FUND

Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealized appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognized in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as allowed by the SECP vide their email to MUFAP dated February 8, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the profit of the Fund would have been lower by Rs. 110.641 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been higher by Rs. 0.0040. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.8 Provisions

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

3.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Mark-up / return on bank balances and term deposits, term finance certificates and sukuks, government securities, letter of placement and commercial papers are recognised on a time apportionment basis using the effective interest method.
- Income on transactions under margin trading system is recognised on an accrual basis.

3.10 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% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.11 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared.

NAFA INCOME OPPORTUNITY FUND

3.12 Earnings per unit

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

	Note	2018 Rupees in '000	2017
4. BANK BALANCES			
Current accounts	4.1	13,229	14,609
Saving accounts	4.2 & 4.3	3,628,047	2,159,597
		3,641,276	2,174,206

4.1 These include bank balances of Rs. 0.07 million and Rs. 13.15 million (June 30, 2017: Rs. 0.02 million and Rs. 14.58 million), maintained with National Bank of Pakistan and Summit Bank Limited (related parties) respectively.

4.2 These saving accounts carry mark-up at the rates ranging from 3.75% to 10.25% per annum (2017: 4.5% to 10.25% per annum).

4.3 These include bank balances of Rs. 12.23 million and Rs. 2.33 million (June 30, 2017: Rs. 25.67 million and Rs. 2.25), which are maintained with National Bank of Pakistan and Askari Bank Limited (related parties) respectively, and both parties carry mark-up at the rate of 3.75% (June 30, 2017: 3.75%) per annum.

	Note	2018 Rupees in '000	2017
4.4 Cash and cash equivalents			
Current accounts		13,229	14,609
Saving accounts		3,628,047	2,159,597
Term deposits - with original maturity of less than three months		-	1,100,000
		3,641,276	3,274,206

5. INVESTMENTS

At fair value through profit or loss - held for trading

Equity securities - listed	5.1	-	-
Equity securities - listed (spread transactions)	5.2	22,849	-
Government securities	5.3	197,785	282,911
Term finance certificates - listed	5.4	163,338	167,128
Term finance certificates - unlisted	5.5	1,209,538	449,941
Sukuks	5.6	483,966	-
		2,077,476	899,980

Available for sale

Equity securities - listed	5.7	18,645	36,281
Term finance certificates - listed	5.8	-	-
Term finance certificates - unlisted	5.9	-	-
Sukuks	5.10	-	-
		18,645	36,281

Loans and receivables

Term deposits	5.12	330,000	1,100,000
Commercial paper	5.13	-	195,252
		330,000	1,295,252
		2,426,121	2,231,513

NAFA INCOME OPPORTUNITY FUND

5.1 Equity securities - listed at fair value through profit or loss - held for trading

Name of the investee company	Number of shares					Market value as at June 30, 2018	Investment as a percentage of		
	As at July 1, 2017	Purchased during the year	Bonus / Right shares	Sold during the year	As at June 30, 2018		Net assets	Market value of total investments	Paid-up capital of the investee company
	Number of shares					Rs in '000		%	

All shares have a nominal face value of Rs 10 each.

PERSONAL GOODS

Azgard Nine Limited - Non-voting	308	-	-	-	308	-	-	-	-
Carrying value before mark to market as at June 30, 2018						13			
Accumulated impairment						13			

5.2 Equity securities - listed (spread transactions) at fair value through profit or loss - held for trading

The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready market and sells them in future market on the same day, resulting in spread income due to difference in ready and future stock prices. This way the Fund has no open exposure to the stock market.

Name of the investee company	Number of shares				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 1, 2017	Purchased during the year	Sold during the year	As at June 30, 2018		Net assets	Market value of total investments	Paid-up capital of the investee company
	Number of shares				Rs in '000		%	

All shares have a nominal face value of Rs. 10 each except for K-Electric Limited which have a face value of Rs. 3 each.

CEMENT

D.G Khan Cement Company Limited	-	1,518,000	1,518,000	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	865,500	865,500	-	-	-	-	-
Pioneer Cement Limited	-	500	500	-	-	-	-	-
Fauji Cement Company Limited	-	7,540,500	7,539,500	1,000	22,849	0.36%	0.94%	0.002%
Lucky Cement Limited	-	500	500	-	-	-	-	-

COMMERCIAL BANKS

United Bank Limited	-	43,500	43,500	-	-	-	-	-
Bank Al Falah Limited	-	123,000	123,000	-	-	-	-	-
Askari Bank Limited	-	143,500	143,500	-	-	-	-	-
Bank Al Habib Limited	-	36,000	36,000	-	-	-	-	-
Habib Bank Limited	-	42,500	42,500	-	-	-	-	-
Muslim Commercial Bank Limited	-	11,000	11,000	-	-	-	-	-

FERTILIZER

Engro Fertilizers Limited	-	499,500	499,500	-	-	-	-	-
Engro Corporation Limited	-	72,500	72,500	-	-	-	-	-
Fauji Fertilizer Company Limited	-	341,000	341,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	48,000	48,000	-	-	-	-	-

POWER GENERATION AND DISTRIBUTION

Hub Power Company Limited	-	237,500	237,500	-	-	-	-	-
K-Electric Limited	-	4,960,000	4,960,000	-	-	-	-	-
Kot Addu Power Company Limited	-	9,500	9,500	-	-	-	-	-

OIL AND GAS EXPLORATION COMPANIES

Oil and Gas Development Company Limited	-	74,000	74,000	-	-	-	-	-
Pakistan Petroleum Limited	-	4,500	4,500	-	-	-	-	-

OIL AND GAS MARKETING COMPANIES

Pakistan State Oil Company Limited	-	287,000	287,000	-	-	-	-	-
Sui Northern Gas Pipelines Limited	-	149,500	149,500	-	-	-	-	-
Sui Southern Gas Company Limited	-	666,500	666,500	-	-	-	-	-

PERSONAL GOODS (TEXTILE)

Nishat Mills Limited	-	112,500	112,500	-	-	-	-	-
Nishat (Chunian) Limited	-	702,000	702,000	-	-	-	-	-

CABLE & ELECTRICAL GOODS

Pak Elektron Limited	-	3,650,500	3,650,500	-	-	-	-	-
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FOOD & PERSONAL CARE PRODUCTS

Engro Foods Limited	-	81,000	81,000	-	-	-	-	-
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PHARMACEUTICALS

The Searle Company Limited	-	264,000	264,000	-	-	-	-	-
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REFINERY

Attock Refinery Limited	-	517,500	517,500	-	-	-	-	-
National Refinery Limited	-	500	500	-	-	-	-	-

TECHNOLOGY AND COMMUNICATION

Pakistan Telecommunication Limited	-	3,500	3,500	-	-	-	-	-
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CHEMICAL

Engro Polymer & Chemicals Limited	-	895,000	895,000	-	-	-	-	-
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22,849

Carrying value before mark to market as at June 30, 2018

23,200

NAFA INCOME OPPORTUNITY FUND

5.3 Government Securities at fair value through profit or loss - held for trading

Issue Date	Tenor	Face value				Market value as at June 30, 2018	Investment as a percentage of	
		As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments
-----Rupees in '000----- %-----								
Market treasury bills								
March 2, 2017	6 Months	-	1,000,000	1,000,000	-	-	-	
June 22, 2017	3 Months	170,000	-	170,000	-	-	-	
July 6, 2017	3 Months	-	130,000	130,000	-	-	-	
August 31, 2017	3 Months	-	1,470,000	1,470,000	-	-	-	
November 9, 2017	3 Months	-	200,000	200,000	-	-	-	
January 18, 2018	3 Months	-	200,000	200,000	-	-	-	
February 15, 2018	3 Months	-	200,000	200,000	-	-	-	
April 12, 2018	3 Months	-	200,000	200,000	-	-	-	
June 7, 2018	3 Months	-	200,000	-	200,000	197,785	3.11%	8.15%
Pakistan investment bonds								
July 22, 2010	10 Years	100,000	-	100,000	-	-	0.00%	0.00%
						197,785		
Carrying value before mark to market as at June 30, 2018						197,798		

5.3.1 The effective yield on market treasury bills is 6.78% per annum (June 30, 2017: 5.84% per annum).

5.3.2 Investments include treasury bills with market value of Rs. 197.785 million (June 30, 2017: Rs. 167.906 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by SECP.

5.4 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 June 30, 2018	Investment as a percentage of		
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Issue size
					Rs in '000	----- % -----		
All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise.								
Bank Alfalah Limited - V	32,550	-	-	32,550	163,338	2.57%	6.73%	3.26%
Pace (Pakistan) Limited (note 5.4.1)	30,000	-	-	30,000	-	-	-	10.00%
Saudi Pak Leasing Company Limited (note 5.4.2)	15,000	-	-	15,000	-	-	-	10.00%
					<u>163,338</u>			
Carrying value before mark to market as at June 30, 2018					<u>358,204</u>			
Accumulated impairment					191,141			

5.4.1 This represents investment in listed term finance certificates with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as a non performing asset by Mutual Funds Association of Pakistan (MUFAP) since September 5, 2011. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.4.2 This represents investment in term finance certificates with original term of nine years. On October 13, 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on December 26, 2011 with a new maturity in March 2017. The said term finance certificates complied with repayment terms since it was rescheduled and had been reclassified as performing as per criteria defined in Circular no. 1 of 2009. However, the investee company again defaulted on its obligation on account of principal and profit payment for the month of April 2014 and was therefore declared as non performing asset by MUFAP since April 30, 2014. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

NAFA INCOME OPPORTUNITY FUND

5.4.3 Other particulars of term finance certificates - listed outstanding as at June 30, 2018 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Bank Alfalah Limited - V	4,990	6 months KIBOR offer rate + 1.25%	AA	20-Feb-13	20-Feb-21
Pace (Pakistan) Limited	4,994	6 months KIBOR offer rate + 2.00%	Not rated	15-Feb-08	15-Feb-17
Saudi Pak Leasing Company Limited	2,755	6.87% fixed rate	Not rated	13-Mar-08	13-Mar-17

5.5 Term finance certificates - unlisted at fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Issue size

Rs in '000 %

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

JS Bank Limited (December 14, 2016)	60,000	-	-	60,000	302,034	4.76%	12.45%	10.00%
Jahangir Siddiqui and Company Limited (April 08, 2014)	15,000	-	-	15,000	26,335	0.41%	1.09%	10.00%
Jahangir Siddiqui and Company Limited (June 24, 2016)	20,000	-	-	20,000	75,874	1.19%	3.13%	10.00%
HBL TFC (February 19, 2016)	-	2,000	-	2,000	197,342	3.11%	8.13%	2.00%
Jahangir Siddiqui and Company Limited (July 18, 2017)	-	23,340	-	23,340	118,092	1.86%	4.87%	7.78%
Silk Bank Limited (August 10, 2017)	-	20,000	-	20,000	88,443	1.39%	3.65%	5.00%
JS Bank Limited (December 26, 2017)	-	1,000	-	1,000	99,980	1.57%	4.12%	5.00%
Jahangir Siddiqui and Company Limited (March 06, 2018)	-	30,000	-	30,000	151,438	2.38%	6.24%	10.00%
Bank of Punjab (April 16, 2018)	-	1,500	-	1,500	150,000	2.36%	6.18%	3.49%

1,209,538

Carrying value before mark to market as at June 30, 2018

1,220,384

5.5.1 Other particulars of term finance certificates - unlisted outstanding as at June 30, 2018 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
JS Bank Limited (December 14, 2016)	4,999	6 months KIBOR offer rate + 1.4%	A+	14-Dec-16	14-Dec-23
Jahangir Siddiqui and Company Limited (April 08, 2014)	3,000	6 months KIBOR offer rate + 1.75%	AA+	8-Apr-14	8-Apr-19
Jahangir Siddiqui and Company Limited (June 24, 2016)	5,000	6 months KIBOR offer rate + 1.65%	AA+	24-Jun-16	24-Jun-21
HBL TFC (February 19, 2016)	99,940	6 months KIBOR offer rate + 0.5%	AA+	19-Feb-16	19-Feb-26
Jahangir Siddiqui and Company Limited (July 18, 2017)	5,000	6 months KIBOR offer rate + 1.4%	AA+	18-Jul-17	18-Jul-22
Silk Bank Limited (August 10, 2017)	5,000	6 months KIBOR offer rate + 1.85%	A-	10-Aug-17	10-Aug-25
JS Bank Limited (December 26, 2017)	99,980	6 months KIBOR offer rate + 1.4%	Not rated	26-Dec-17	26-Dec-24
Jahangir Siddiqui and Company Limited (March 06, 2018)	5,000	6 months KIBOR offer rate + 1.4%	AA+	6-Mar-18	5-Mar-23
Bank of Punjab (April 16, 2018)	100,000	6 months KIBOR offer rate + 1.25%	Not rated	16-Apr-18	13-Apr-28

5.6 Sukus - at fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 1, 2017	Purchased during the year	Matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Issue size

Rs in '000 %

All term finance certificates have a face value of Rs. 100,000 each unless stated otherwise.

Dawood Hercules Corporation Limited - Sukuk	-	4,830	-	4,830	483,966	0.08	0.20	9.29%
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Carrying value before mark to market as at June 30, 2018

483,000

5.7 Equity securities - listed - available for sale

Name of the investee company	Number of shares				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Paid-up capital of investee company

Rs in '000 %

All shares have a nominal face value of Rs. 10 each.

CHEMICALS

AgriTech Limited (note 5.7.1)	4,040,090	-	13,000	4,027,090	18,645	0.29%	0.77%	1.03%
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Carrying value before mark to market as at June 30, 2018

36,163

Accumulated impairment

30,931

NAFA INCOME OPPORTUNITY FUND

5.7.1 On April 12, 2012, a share transfer and debt swap agreement was entered into between the Financial Institutions and Azgard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price, in partial settlement of the outstanding principal redemption obligations. As part of the above arrangement, the Fund settled its investment in TFC of Azgard Nine Limited amounted to Rs. 141,403,150 in consideration of 4,040,090 ordinary shares at the value of Rs. 35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. October 31, 2012. Accordingly, the same have been recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited shares shall be held by the respective trustees for the TFC issuer in their name for and on behalf of the TFC holders who shall be the beneficial owners of the subjected shares in proportion to their holdings. Accordingly, the trustees for the TFC issue pursuant to shareholders investors agreement hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. During the lock in period of five years, shares can be sold to an outside buyer subject to a prior written approval of the investors, however, no such approval is required for inter financier sale.

During the year in January, 2018 Agritech Limited shares previously held by trustees for the TFC issuer were released to the Fund, as the five year lock in period expired and subsequent to the release of shares management has also sold the 13,000 shares.

5.8 Term finance certificate - listed - available for sale

Name of the investee company	Number of certificates				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Issue size
Rs in '000						----- % -----		
Worldcall Telecom Limited (note 5.8.1)	45,000	-	-	45,000	<u>-</u>	-	-	5.63%
						<u>-</u>		
Carrying value as at June 30, 2018						<u>88,456</u>		
Accumulated impairment						88,456		

5.8.1 This represents investment in listed term finance certificates with a term of 5 years. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as a non performing asset by MUFAP since November 8, 2012. The amount of provision required as per SECP Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.8.2 Other particulars of term finance certificate - listed outstanding as at June 30, 2018 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Worldcall Telecom Limited	1,966	6 months KIBOR offer rate + 1.6%	Not rated	7-Oct-08	7-Oct-13

5.9 Term finance certificate - unlisted - Available for sale

Name of the investee company	Number of certificates				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Issue size
Rs in '000						----- % -----		
Azgard Nine Limited III (note 5.9.1)	50,000	-	-	50,000	-	-	-	10.00%
Azgard Nine Limited V (note 5.9.1)	16,436	-	-	16,436	-	-	-	2.35%
Dewan Cement Limited (note 5.9.2)	30,000	-	-	30,000	-	-	-	7.50%
New Allied Electronics Industries (Private) Limited (note 5.9.3)	15,000	-	-	15,000	-	-	-	8.33%
Agritech Limited I (note 5.9.4)	30,000	-	-	30,000	-	-	-	10.00%
Agritech Limited V (note 5.9.5)	6,464	-	-	6,464	-	-	-	10.00%
Carrying value as at June 30, 2018					554,444			
Accumulated impairment					554,444			

NAFA INCOME OPPORTUNITY FUND

- 5.9.1** These zero coupon privately placed term finance certificates were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 5.9.1) under an agreement dated June 28, 2012 between the Management Company of the Fund and Azgard Nine Limited. These privately placed term finance certificates were issued against non performing securities, therefore the management, as a matter of prudence has recognized these at nil value. MUFAP classified these as non-performing since June 21, 2010 and December 7, 2012 respectively. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.
- 5.9.2** 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 09 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 as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.
- 5.9.3** These represent investments in privately placed term finance certificates (term: 4 years) and sukuks (term: 5 years) of the investee company. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly had been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.
- 5.9.4** This represents investment in listed term finance certificates with a term of seven years. On May 30, 2010, Agritech Limited defaulted in payment of principal and mark-up due and accordingly has been classified as non performing asset by MUFAP since June 14, 2010. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.
- 5.9.5** This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. MUFAP classified these as non-performing on January 17, 2012. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.9.6 Other particulars of term finance certificate - unlisted outstanding as at June 30, 2018 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Azgard Nine Limited III	2,168	6 months KIBOR offer rate + 2.25%	Not rated	4-Dec-07	4-Dec-14
Azgard Nine Limited V	5,000	-	Not rated	31-Mar-12	31-Mar-17
Dewan Cement Limited	5,000	6 months KIBOR offer rate + 2%	Not rated	14-Jan-08	14-Jan-14
New Allied Electronics Industries (Private) Limited	2,114	3 months KIBOR offer rate + 3%	Not rated	15-May-07	15-May-11
Agritech Limited I	4,995	6 months KIBOR offer rate + 1.75%	Not rated	29-Nov-07	29-Nov-14
Agritech Limited V	5,000	11% fixed rate	Not rated	28-Oct-11	28-Apr-17

5.10 Sukuks - available for sale

Name of the investee company	Number of certificates				Market value as at June 30, 2018	Investment as a percentage of		
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018		Net assets	Market value of total investments	Issue size
					Rs in '000		%	
New Allied Electronics Industries (Private) Limited (note 5.9.3)	9,000	-	-	9,000	-	0.00%	0.00%	6.00%
Eden Housing Limited (note 5.10.1)	9,200	-	-	9,200	-	0.00%	0.00%	2.30%
BRR Guardian Modaraba (note 5.10.2)	10,000	-	-	10,000	-	0.00%	0.00%	6.25%
					-			
Carrying value as at June 30, 2018					59,605			
Accumulated impairment					59,605			

- 5.10.1** This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.
- 5.10.2** This represents investment in privately placed sukuks. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 26, 2015. The investment has been fully provided. The amount of provision as per Circular no 1 of 2009 and Circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

NAFA INCOME OPPORTUNITY FUND

5.10.3 Other particulars of sukus - available for sale outstanding as at June 30, 2018 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
New Allied Electronics Industries (Private) Limited	4,905	6 months KIBOR offer rate + 2.2%	Not rated	3-Dec-07	3-Dec-12
Eden Housing Limited	984	6 months KIBOR offer rate + 2.5%	Not rated	29-Mar-08	29-Sep-15
BRR Guardian Modaraba	1,419	1 month KIBOR offer rate	Not rated	7-Jun-08	7-Dec-16

5.11 The term finance certificates and sukus held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the investee company.

5.12 These represents long term deposits having original maturity period of more than three months. These carry mark-up rate of 7.40% per annum.

5.13 This carried return of 7.92% per annum as at June 30, 2017.

	Note	2018 -----Rupees in '000-----	2017
5.14 Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading			
Market value of investments	5.1, 5.2, 5.3, 5.4, 5.5 & 5.6	2,077,476	899,980
Less: Carrying value of investments	5.1, 5.2, 5.3, 5.4, 5.5 & 5.6	(2,282,599)	(1,089,774)
		(205,123)	(189,794)
Provision against investments	5.16	191,155	191,154
		(13,969)	1,360
5.15 Net unrealised (loss) / gain on re-measurement of investments classified as available for sale			
Market value of investments	5.7, 5.8, 5.9 & 5.10	18,645	36,281
Less: Carrying value of investments	5.7, 5.8, 5.9 & 5.10	(769,599)	(763,586)
		(750,954)	(727,305)
Provision against investments	5.16	745,782	728,881
		(5,172)	1,576
5.16 Details of provision against investments			
Provisions related to investments classified as "fair value through profit or loss - held for trading"		191,155	191,154
Provisions related to investments classified as "available for sale"		745,782	728,881
		936,937	920,035
5.17 Movement in provision against non performing investments			
Opening balance		920,035	932,392
Add: Charge for the year		12,346	-
Less: Reversal of provision due to recovery		(7,792)	(12,370)
Closing balance		924,589	920,035

NAFA INCOME OPPORTUNITY FUND

6. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

- 6.1 This carries average mark-up rate of 9.31% (June 30, 2017: 9.61%) and are matured at the option of financee subject to maximum period of 60 days.

7. MARK-UP ACCRUED

	Note	2018 ----- Rupees in '000 -----	2017 -----
Mark-up accrued on bank balances and term deposits		6,650	18,354
Mark-up accrued on margin trading system		896	363
Dividend receivable on spread transactions		20	26,295
Mark-up accrued on:			
- Term finance certificate and sukuks		263,005	611,625
- Pakistan Investment Bonds		-	5,260
Less: Income suspended over non-performing debt securities		(233,771)	(605,288)
		29,234	11,597
Less: Provision against accrued mark-up		-	-
		36,800	56,609

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Receivable against transfer of units	8.1	-	16,942
Security deposits with:			
- Central Depository Company of Pakistan Limited		100	100
- National Clearing Company of Pakistan Limited		2,750	2,750
		2,850	2,850
Advance tax		6,721	6,572
Prepayments		-	174
Unrealised gain on future contracts		420	-
Receivable from NCCPL against exposure margin for RFS		-	592,577
		9,991	619,115

- 8.1 This represented amount receivable from other collective investment scheme being managed by the Management Company of the Fund. This amount was received during the period in respect of units issued to various unit holders based on their request for transfer of units from other collective investment scheme to the Fund.

	Note	2018 ----- Rupees in '000 -----	2017 -----
9. PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	5,941	8,475
Sindh Sales Tax on remuneration of the Management Company	9.2	772	1,102
Operational expenses	9.3	3,917	12,541
Sales load		1,043	336
Sindh Sales Tax and Federal Excise Duty on sales load		1,694	1,602
		13,367	24,056

- 9.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

NAFA INCOME OPPORTUNITY FUND

On November 25, 2015, SECP had made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed from 2% to 1.5%.

The Management Company has charged management remuneration at the rate of 1.5% per annum until December 06, 2015. Thereafter from December 07, 2015, the Management Company has charged management remuneration at the rate of 1.3% per annum. Presently, from May 02, 2017 the Management Company has been charging management remuneration at the rate of 1% per annum.

9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on the services provided by the Management Company as required by the Sindh Sales Tax on Services Act, 2011.

9.3 This represents reimbursement of certain expenses to the Management Company. As per Regulation 60(3)(s) of the NBFC Regulations, fee and expense pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being lower amount, to the Fund.

	Note	2018 Rupees in '000	2017
10. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration of the trustee	10.1	547	1,690
Sindh Sales Tax on remuneration of the trustee	10.2	72	220
		619	1,910

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

Tariff structure applicable to the Fund as at June 30, 2018 is as follows:

Net asset value	Tariff per annum
Upto Rs 1,000 million	0.17% of net asset value
On an amount Rs 1,000 million to 5,000 million	Rs 1.7 million plus 0.085% p.a. of net asset value exceeding Rs 1,000 million.
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% p.a. of net asset value exceeding Rs 5,000 million.

10.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

	Note	2018 Rupees in '000	2017
11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	6,233	9,406

11.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Income Scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the Fund. The fee is paid annually in arrears.

NAFA INCOME OPPORTUNITY FUND

		2018	2017
	Note	Rupees in '000	Rupees in '000
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		477	422
Provision for Workers' Welfare Fund	17	-	-
Provision for Sindh Workers' Welfare Fund	17	19,335	10,469
Federal Excise Duty on remuneration of the Management Company	12.1 & 12.2	39,241	39,241
Brokerage charges		108	3,963
Settlement charges		112	1,410
Printing charges		139	201
Withholding tax		63	21,466
Capital gain tax		2,687	58,399
Legal and professional charges		529	3
Payable against redemption of units	12.3	33,831	362
Dividend payable		-	1,554
Others		570	480
		97,092	137,970

12.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 39.241 million as at June 30, 2018.

Had the provision not been made, the net asset value per unit as at June 30, 2018 would have been higher by Rs.0.0696 per unit (June 30, 2017: Rs. 0.0512 per unit).

12.2 The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the taxation authority, if required.

12.3 This mainly represents amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts are payable in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There are no contingencies as at June 30, 2018 and as at June 30, 2017.

13.2 Commitments

	Note	2018	2017
		Rupees in '000	Rupees in '000
Margin trading system transactions entered into by the Fund in respect of which purchase transactions have not been settled		2,380	-
Margin trading system transactions entered into by the Fund in respect of which release transactions have not been settled		39,642	9,836
Sale of future contracts	13.2.1	23,400	-

13.2.1 This represents the investment in future stock contracts with settlement date of July 27, 2018.

NAFA INCOME OPPORTUNITY FUND

	2018	2017
	-----Number of Units-----	
14. NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	766,529,674	586,288,408
Add: units issued during the year	541,805,456	2,208,195,765
Less: units redeemed during the year	(744,631,608)	(2,027,954,499)
Total units in issue at the end of the year	<u>563,703,522</u>	<u>766,529,674</u>

15. NET ASSET VALUE PER UNIT

The net asset value per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

	2018	2017
	----- Rupees in '000 -----	
16. AUDITORS' REMUNERATION		
Annual audit fee	330	330
Half yearly review fee	155	155
Other certifications	90	-
Out of pocket expenses including government levies	37	104
	<u>612</u>	<u>589</u>

17. WORKERS WELFARE FUND AND SINDH WORKER'S WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 19.335 million (2017: Rs. 10.469 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.0343 (June 30, 2017: Rs. 0.0137) per unit.

18. 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 its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). The Fund intends to distribute such accounting income for the year ended June 30, 2018 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

19. EARNINGS PER UNIT

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

NAFA INCOME OPPORTUNITY FUND

20. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 1.62% per annum including 0.32% representing government levies on Collective Investment Scheme such as sales tax, provision for SWWF and SECP fee for the year.

21. DETAILS OF NON-COMPLIANT INVESTMENTS

The SECP vide Circular no. 7 of 2009 dated March 6, 2009, required all asset management companies to categorize funds under their management on the basis of criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

The SECP vide Circular no. 16 dated July 07, 2010, prescribed specific disclosures for the scheme holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with investment requirements of their constitutive documents.

Following is the detail of non-compliant investments :

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets	% of gross assets
			----- Rupees in ' 000-----		----- %-----		
Azgard Nine Limited III	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	108,377	(108,377)	-	-	-
Azgard Nine Limited V	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	82,180	(82,180)	-	-	-
Agritech Limited I	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	149,860	(149,860)	-	-	-
Agritech Limited V	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	32,320	(32,320)	-	-	-
BRR Guardian Modaraba	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Sukuks (21.1)	6,400	(6,400)	-	-	-
Dewan Cement Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	150,000	(150,000)	-	-	-
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Sukuks (21.1)	9,056	(9,056)	-	-	-
New Allied Electronics Industries (Private) Limited - PPTFC	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	31,707	(31,707)	-	-	-
New Allied Electronics Industries (Private) Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Sukuks (21.1)	44,149	(44,149)	-	-	-
Pace Pakistan Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	149,820	(149,820)	-	-	-
Saudi Pak Leasing Company Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	41,321	(41,321)	-	-	-
Worldcall Telecom Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	88,456	(88,456)	-	-	-
Azgard Nine Limited (Non-voting)	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Shares (21.1)	13	(13)	-	-	-
Agritech Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Shares (21.1)	49,576	(30,930)	18,646	-	0.003
Total carrying value and accumulated impairment as at June 30, 2018			943,235	(924,589)	18,646		

21.1 At the time of purchase, these term finance certificates and sukuks were in compliance with the aforementioned circular. However, they either subsequently defaulted or were downgraded to non investment grade.

NAFA INCOME OPPORTUNITY FUND

22. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

22.1 Connected persons include NBP Fund Management Limited being the Management Company (NBP Funds), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

22.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

22.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

2018 2017
----- Rupees in '000 -----

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

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	83,111	157,053
Sindh Sales Tax on remuneration of the Management Company	10,804	20,417
Reimbursement of operational expenses to the Management Company	8,311	12,541
Sales load and related Sindh Sales Tax and Federal Excise Duty	49	6,709

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	7,418	10,379
Sindh sales tax on remuneration of the Trustee	964	1,349
CDS charges	1,365	3,211

National Bank of Pakistan (Parent of the Management Company)

Purchase of Market Treasury Bills	-	4,373,594
Mark-up on bank balances	346	186

Summit Bank Limited (Common Directorship with the Management Company)

Mark-up on bank balances	159	49
Units issued / transferred in Nil units (2017: 905,674 units)	-	10,000
Units redeemed / transferred out Nil units (2017: 2,125,209 units)	-	23,470

Muhammad Murtaza Ali - Company Secretary of Management Company

Units issued / transferred in 92,128 units (2017: Nil units)	1,000	-
Units redeemed / transferred out 92,128 units (2017: Nil units)	1,020	-

Employees of the Management Company

Units issued / transferred in 3,979,790 units (2017: 11,448,015 units)	43,112	125,793
Units redeemed / transferred out 3,928,783 units (2017: 12,704,445 units)	42,692	140,185
Dividend re-invest Nil units (2017: 42,439 units)	-	454

Cherat Cement Company Limited (Common Directorship with the Management Company)

Units issued / transferred in Nil units (2017: 4,567,253 units)	-	50,000
Units redeemed / transferred out Nil units (2017: 4,567,253 units)	-	50,262

NAFA INCOME OPPORTUNITY FUND

	2018	2017
	----- Rupees in '000 -----	
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Mark-up on bank balances	91	468
NAFA Government Securities Savings Fund (CIS managed by the Management Company)		
Purchase of Market Treasury Bills	-	68,308
NAFA Government Securities Liquid Fund (CIS managed by the Management Company)		
Sale of Market Treasury Bill	-	324,495
NBP Employees Benevolent Fund Trust (Benevolent Fund of the parent of the Management Company)		
Dividend re-invest Nil units (2017: 130 units)	-	1
NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)		
Units issued / transferred in Nil units (2017: 5,018,073 units)	-	53,649
*Al-Shifa Trust (Portfolio managed by the Management Company)		
Units issued / transferred in Nil units (2017: 7,765,181 units)	-	85,000
Units redeemed / transferred out Nil units (2017: 7,765,181 units)	-	85,807
Telenor Employees Gratuity Fund (Portfolio managed by the Management Company)		
Units issued / transferred in 12,345,896 units (2017: 27,412,529 units)	138,753	299,621
Units redeemed / transferred out 14,281,057 units (2017: 14,727,144 units)	159,957	167,191
Pakistan Centre for Philanthropy (Portfolio managed by the Management Company)		
Units issued / transferred in 127,179 units (2017: 1,032,247 units)	1,377	11,335
Units redeemed / transferred out 615,784 units (2017: 543,642 units)	6,795	6,176

* Current year transactions with these parties have not been disclosed as they did not remain connected persons and related parties during current year.

22.6 Amounts outstanding as at year end are as follows:

	2018	2017
	----- Rupees in '000 -----	
NBP Fund Management Limited - Management Company		
Remuneration of the Management Company	5,941	8,475
Sindh Sales Tax on remuneration of the Management Company	772	1,102
Operational expenses	3,917	12,541
Sales load	1,043	336
Sindh Sales Tax and Federal Excise Duty on sales load	1,694	-
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the trustee	547	1,690
Sindh sales tax on remuneration of the trustee	72	220
CDS charges	106	1,394
Security deposit	100	100

NAFA INCOME OPPORTUNITY FUND

	2018	2017
	----- Rupees in '000 -----	
National Bank of Pakistan (Parent of the Management Company)		
Bank balances	12,302	25,691
Summit Bank Limited (Common Directorship with the Management Company)		
Bank balances	15,412	16,732
Accrued markup on bank balances	8	-
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Bank Balances	512	1,596
Accrued markup on bank balances	12	-
Askari Bank Limited (Common Directorship with the Management Company)		
Bank Balances	2,327	2,247
Accrued markup on bank balances	11	1
Pakistan Centre for Philanthropy (Portfolio managed by the Management Company)		
Investment held in the Fund: Nil units (June 30, 2017: 488,605 units)	-	5,226
Telenor Employees Gratuity Fund (Portfolio managed by the Management Company)		
Investment held in the Fund: 10,750,223 units (June 30, 2017: 12,685,385 units)	121,121	135,688
NBP Employees Pension Fund (Pension Fund of the parent of the Management Company)		
Investment held in the Fund: 84,145,983 units (June 30, 2017: 84,145,983 units)	984,056	900,059
NBP Employees Benevolent Fund Trust (Benevolent Fund of the parent of the Management Company)		
Investment held in the Fund: 2,856 units (June 30, 2017: 2,856 units)	32	31
*Honda Atlas Cars (Private) Limited (Unit holder of 10% or more of units of the CIS)		
Investment held in the Fund: 58,660,479 units (June 30, 2017: Nil units)	660,916	-
Employees of the Management Company		
Investment held in the Fund: 810,682 units (June 30, 2017: 8,125,786 units)	9,134	760
Amount receivable / (payable) against issue of units from:		
NAFA Financial Sector Income Fund	-	9,009
NAFA Islamic Asset Allocation Fund	-	1,440
NAFA Islamic Stock Fund	-	3,212
NAFA Stock Fund	-	3,281

* Prior year balances with these parties have not been disclosed as they were not connected persons and related parties during prior year.

NAFA INCOME OPPORTUNITY FUND

23. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S. No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA & CFA	30
2	Mr. Sajjad Anwar	MBA & CFA	18
3	Mr. Muhammad Ali Bhabha	CFA, FRM, MBA & MS(CS)	23
4	Mr. Hasan Raza	ACCA /BSC / CFA	7
5	Mr. Taha Khan Javed	MBA & CFA	12

23.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other funds being managed by the Fund Manager are as follows:

- NAFA Government Securities Savings Fund
- NAFA Money Market Fund
- NAFA Savings Plus Fund
- NAFA Government Securities Liquid Fund
- NAFA Financial Sector Income Fund
- NAFA Islamic Income Fund
- NAFA Riba Free Savings Fund
- NAFA Islamic Money Market Fund
- NAFA Income Fund
- NAFA Active Allocation Riba Free Savings Fund

24. TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year June 30, 2018

S.No	Particulars	Percentage
1	MRA Securities Limited	45.21%
2	Alfalah Securities (Private) Limited	22.19%
3	Adam Securities (Private) Limited	15.46%
4	First Capital Equities Limited	8.13%
5	EFG Hermes Pakistan Limited (Formerly Invest & Finance Securities Limited)	5.37%
6	Topline Securities (Private) Limited	2.80%
7	Intermarket Securities	0.84%

List of top ten brokers by percentage of commission charged during the year June 30, 2017

S.No	Particulars	Percentage
1	MRA Securities Limited	38.74%
2	Adam Securities (Private) Limited	25.51%
3	J.S Global Capital Limited	13.10%
4	EFG Hermes Pakistan Limited (Formerly Invest & Finance Securities Limited)	9.18%
5	First Capital Equities Limited	6.36%
6	Sherman Securities (Private) Limited	4.56%
7	Al-Falah Securities (Private) Limited	1.16%
8	Topline Securities (Private) Limited	1.07%
9	Intermarket Securities	0.25%
10	Ismail Iqbal Securities (Private) Limited	0.07%

NAFA INCOME OPPORTUNITY FUND

25. PATTERN OF UNIT HOLDING

As at June 30, 2018			
Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	2,217	1,684,504	26.52%
Directors	1	589	0.01%
Associated companies and directors	2	948,088	14.93%
Insurance companies	5	167,848	2.64%
Retirement funds	42	665,607	10.48%
Public listed companies	8	1,203,100	18.94%
Others	119	1,681,420	26.47%
	2394	6,351,156	100%

As at June 30, 2017			
Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	1,682	1,652,287	20.15%
Associated companies and directors	3	900,649	10.98%
Insurance companies	6	317,187	3.87%
Retirement funds	57	1,232,759	15.04%
Bank / development finance institution	1	213,032	2.60%
Public listed companies	6	1,752,675	21.38%
Others	114	2,130,539	25.98%
	1,869	8,199,128	100%

26. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 64th, 65th, 66th and 67th Board meetings were held on September 15, 2017, October 27, 2017, February 22, 2018 and April 30, 2018, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Mudassir H. Khan [note 26.1]	4	4	-	-
Mr. Tariq Jamali [note 26.1]	4	3	1	67th
Mr. Abdul Hadi Palekar	4	4	-	-
Mr. Lui Mang Yin (Martin Lui) [note 26.2]	2*	2	-	-
Mr. Foo Chiah Shiung (Kelvin Foo)	4	3	1	65th
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	4	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan [note 22.3]	.*	-	-	-
Dr. Amjad Waheed	4	4	-	-

26.1 Mr. Mudassir H. Khan and Mr. Tariq Jamali were appointed as directors on Board with effect from August 18, 2017.

26.2 Mr. Lui Mang Yin (Martin Lui) resigned as director on the Board with effect from December 21, 2017.

26.3 Mr. Wajahat Rasul Khan appointed as director on the Board with effect from April 30, 2018.

These directors were appointed and retired/resigned during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

NAFA INCOME OPPORTUNITY FUND

27. FINANCIAL INSTRUMENTS BY CATEGORY

		As at June 30, 2018		
	Loans and receivables	At fair value through profit or loss - held for trading	Available for sale	Total
-----Rupees in '000-----				
Financial assets				
Bank balances	3,641,276	-	-	3,641,276
Investments	330,000	2,077,476	18,645	2,426,121
Receivable against margin trading system	316,768	-	-	316,768
Mark-up accrued	36,800	-	-	36,800
Receivable against sale of investments	60,711	-	-	60,711
Deposits and other receivables	2,850	-	-	2,850
	4,388,405	2,077,476	18,645	6,484,526
-----Rupees in '000-----				
		As at June 30, 2018		
		At fair value through profit or loss	At amortized cost	Total
-----Rupees in '000-----				
Financial liabilities				
Payable to the Management Company		-	13,367	13,367
Payable to the Trustee		-	619	619
Accrued expenses and other liabilities		-	35,766	35,766
Net assets attributable to redeemable units		-	6,351,156	6,351,156
		-	6,400,908	6,400,908
-----Rupees in '000-----				
		As at June 30, 2017		
	Loans and receivables	At fair value through profit or loss - held for trading	Available for Sale	Total
-----Rupees in '000-----				
Financial Assets				
Bank balances	2,174,206	-	-	2,174,206
Investments	1,295,252	899,980	36,281	2,231,513
Receivable against margin trading system	87,869	-	-	87,869
Mark-up accrued	56,609	-	-	56,609
Receivable against sale of investments	3,203,158	-	-	3,203,158
Deposits and other receivables	612,369	-	-	612,369
	7,429,463	899,980	36,281	8,365,724
-----Rupees in '000-----				
		As at June 30, 2017		
		At fair value through profit or loss	At amortized cost	Total
-----Rupees in '000-----				
Financial Liabilities				
Payable to the Management Company		-	24,056	24,056
Payable to the Trustee		-	1,910	1,910
Accrued expenses and other liabilities		-	47,636	47,636
Net assets attributable to redeemable units		-	8,199,128	8,199,128
		-	8,272,730	8,272,730

NAFA INCOME OPPORTUNITY FUND

28. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

28.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan and Investment Committee.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

28.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

28.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2018, the Fund holds KIBOR based interest bearing term finance certificates, sukuks and balance in saving accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates as on June 30, 2018 with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs. 50.43 million (2017: Rs. 26.32 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the fund does not hold any fixed rate instrument that has been designated at fair value through profit and loss. Therefore, a change in interest rate as at June 30, 2018 would not have any affect on the income statement.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

NAFA INCOME OPPORTUNITY FUND

As at June 30, 2018

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

On-balance sheet financial instruments

%

Rupees in '000

Financial assets

Bank balances	3.75 - 10.25	3,641,276	3,628,047	-	-	13,229
Investments	6.66 - 8.67	2,426,121	330,000	197,785	1,856,842	41,494
Receivable against margin trading system		316,768	316,768	-	-	-
Mark-up accrued		36,800	-	-	-	36,800
Receivable against sale of investments		60,711	-	-	-	60,711
Deposits and other receivables		2,850	-	-	-	2,850
		6,484,526	4,274,815	197,785	1,856,842	155,084

Financial liabilities

Payable to the Management Company	13,367	-	-	-	13,367
Payable to the Trustee	619	-	-	-	619
Accrued expenses and other liabilities	35,766	-	-	-	35,766
Net assets attributable to redeemable units	6,351,156	-	-	-	6,351,156
	6,400,908	-	-	-	6,400,908

On-balance sheet gap	83,618	4,274,815	197,785	1,856,842	(6,245,824)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

As at June 30, 2017

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

On-balance sheet financial instruments

%

Rupees in '000

Financial assets

Bank balances	4.5 - 10.25	2,174,206	2,159,597	-	-	14,609
Investments	7.61 - 12	2,231,513	1,100,000	195,252	732,074	204,187
Receivable against margin trading system		87,869	87,869	-	-	-
Mark-up accrued		56,609	-	-	-	56,609
Receivable against sale of investments		3,203,158	-	-	-	3,203,158
Deposits and other receivables		612,369	-	-	-	612,369
		8,365,724	3,347,466	195,252	732,074	4,090,932

Financial liabilities

Payable to the Management Company	24,056	-	-	-	24,056
Payable to the Trustee	1,910	-	-	-	1,910
Accrued expenses and other liabilities	47,636	-	-	-	47,636
Net assets attributable to redeemable units	8,199,128	-	-	-	8,199,128
	8,272,730	-	-	-	8,272,730

On-balance sheet gap	92,994	3,347,466	195,252	732,074	(4,181,798)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

NAFA INCOME OPPORTUNITY FUND

28.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market.

The fund is exposed to equity price risk because of investment held by the Fund and classified in the statement of assets and liabilities as 'available for sale' and 'at fair value through profit and loss'.

In case of 5% increase / decrease in fair value on June 30, 2017, the net income for the year would increase / decrease by Rs. 0.932 million (2017: Rs 1.814 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'available for sale'. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.

28.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on loans and receivables, bank balances, profit receivable, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings.

The analysis below summarises the credit quality of the Fund's financial assets:

Bank balances by rating category	June 30, 2018
A	20.68%
A-	0.45%
A+	22.92%
AA	0.12%
AA-	42.77%
AA+	4.45%
AAA	8.41%
Term finance certificates and sukuks by rating category	
A+, AA-,AA+	67.49%
Un-rated	32.51%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is as follows:

	June 30, 2018		June 30, 2017	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
	-----Rupees in '000 -----		-----Rupees in '000 -----	
Bank balances	3,641,276	3,641,276	2,174,206	2,174,206
Investments	2,426,121	2,228,336	2,231,513	1,948,602
Receivable against margin trading system	316,768	316,768	87,869	87,869
Mark-up accrued	36,800	36,800	56,609	51,349
Receivable against sale of investments	60,711	60,711	3,203,158	3,203,158
Deposits and other receivables	2,850	2,850	612,369	612,369
	6,484,526	6,286,741	8,365,724	8,077,553

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

NAFA INCOME OPPORTUNITY FUND

28.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

----- June 30, 2018 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees in '000-----				
Payable to the Management Company	13,367	13,367	-	-
Payable to the Trustee	619	619	-	-
Accrued expenses and other liabilities	35,766	35,766	-	-
Net assets attributable to redeemable units	6,351,156	6,351,156	-	-
	6,400,908	6,400,908	-	-
----- June 30, 2017 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees in '000-----				
Payable to the Management Company	24,056	24,056	-	-
Payable to the Trustee	1,910	1,910	-	-
Accrued expenses and other liabilities	47,636	47,636	-	-
Net assets attributable to redeemable units	8,199,128	8,199,128	-	-
	8,272,730	8,272,730	-	-

NAFA INCOME OPPORTUNITY FUND

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Fund's financial assets which are carried at fair value:

----- As at June 30, 2018 -----				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Assets				
At fair value through profit or loss				
- held for trading				
Government Securities	-	197,785	-	197,785
Term finance certificates and sukuks	-	1,372,876	-	1,372,876
Investments - available for sale				
Equity securities - listed	18,645	-	-	18,645

----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Assets				
At fair value through profit or loss				
- held for trading				
Government securities	-	282,911	-	282,911
Term finance certificates and sukuks	-	617,069	-	617,069
Investments - available for sale				
Equity securities - listed	36,281	-	-	36,281

There were no transfers between above levels during the year.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The Fund has not disclosed the fair values for other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

30. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the statement of movement in unit holders' fund.

The Fund has no restrictions on the issuance and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 28, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

NAFA INCOME OPPORTUNITY FUND

31. NON ADJUSTING EVENT AFTER REPORTING DATE

The Management Company on July 4, 2018 has declared a cash distribution of Rs. 0.5704 per unit. The Financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 05, 2018.

33. GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees.

33.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA INCOME OPPORTUNITY FUND

NAFA INCOME OPPORTUNITY FUND
Performance Table








Particulars	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013
Net assets (Rs. '000')	6,351,156	8,199,128	6,274,223	5,242,537	4,352,570	1,869,352
Net Income / (loss) (Rs. '000')	434,363	290,906	226,587	301,448	474,424	154,541
Net Asset Value per units (Rs.)	11.2668	10.6964	10.7016	11.559	10.4676	10.6595
Offer price per unit	11.3941	10.8173	10.8431	11.7132	10.6085	10.6595
Redemption price per unit	11.2668	10.6964	10.7016	11.559	10.4676	10.6595
Ex - Highest offer price per unit (Rs.)	11.3941	10.8225	10.8431	10.8419	10.6085	10.6694
Ex - Lowest offer price per unit (Rs.)	10.8180	10.1963	10.0903	9.5761	9.0910	9.6456
Ex - Highest redemption price per unit (Rs.)	11.2668	10.7023	10.7016	10.6992	10.4676	10.6694
Ex - Lowest redemption price per unit (Rs.)	10.6943	10.0663	9.9553	9.45	8.9703	9.6456
Fiscal Year Opening Ex NAV	10.6964	10.0640	9.9539	9.4481	8.9772	9.6600
Total return of the fund	5.33%	6.28%	7.51%	13.21%	16.60%	10.33%
Capital growth	0.00%	-0.45%	0.06%	0.96%	3.32%	3.73%
Income distribution as % of Ex-NAV	5.33%	6.74%	7.46%	12.25%	13.28%	6.60%
Income distribution as % of Par Value	5.70%	6.78%	7.97%	11.58%	11.93%	6.38%
Interim distribution per unit		0.6780	0.7971	0.29	1.19	
Final distribution per unit	0.5704	-		0.87		0.6377
Distribution dates						
Interim		21-Jun-17	30-June-2016	29-June-201513-Feb-20	2014 & 26-Jun-2014	
Final	04-Jul-18			14-July-2015		11-Jul-13
Average annual return (launch date 28-03-08)						
(Since inception to June 30, 2018)	7.96%					
(Since inception to June 30, 2017)		8.20%				
(Since inception to June 30, 2016)			8.39%			
(Since inception to June 30, 2015)				8.85%		
(Since inception to June 30, 2014)					7.92%	
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	34 Days	30 Days	57 Days	57 Days	241 Days	47 days
<i>"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."</i>						



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