

**AM2+**  
rated by FICRA



NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

# NAFA INCOME OPPORTUNITY FUND

## HALF YEARLY REPORT

### DECEMBER 31

# 2015



*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

# NAFA INCOME OPPORTUNITY FUND

## Contents

FUND'S INFORMATION	03
DIRECTORS' REPORT	05
REPORT OF THE TRUSTEE TO THE UNITHOLDERS	07
AUDITORS' REVIEW REPORT TO THE UNITHOLDERS	08
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	09
CONDENSED INTERIM INCOME STATEMENT	10
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	11
CONDENSED INTERIM DISTRIBUTION STATEMENT	12
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	13
CONDENSED INTERIM CASH FLOW STATEMENT	14
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	15

# NAFA INCOME OPPORTUNITY FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

### Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	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  
NIB Bank Limited  
SILK Bank Limited  
Soneri Bank Limited  
The Bank of Punjab  
Summit Bank Limited  
United Bank Limited  
Samba Bank Limited  
Burj Bank Limited  
Al Baraka Bank Limited  
Meezan Bank Limited  
Sindh Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Khushhali Bank Limited

# NAFA INCOME OPPORTUNITY FUND

## 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 Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111NFA (111-111-632),  
(Toll Free): 0800-20001,  
Fax: (021) 35825329  
Website: [www.nafafunds.com](http://www.nafafunds.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 (nfa)  
Fax: 091-5703202

## Multan Office:

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

# NAFA INCOME OPPORTUNITY FUND

## DIRECTORS' REPORT

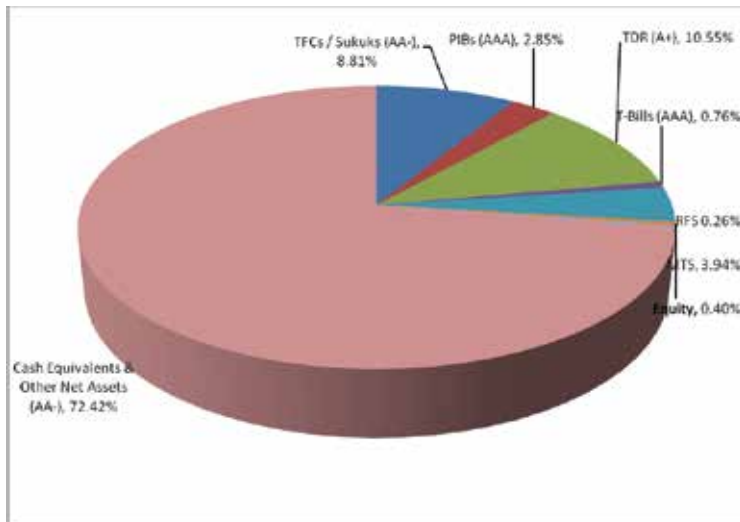
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Income Opportunity Fund (NIOF)** for the half year ended December 31, 2015.

### Fund's Performance

The size of NAFA Income Opportunity Fund has increased from Rs. 5,243 million to Rs. 9,476 million during the period, i.e. an increase of 80.7%. During the period, the unit price of the Fund has increased from Rs. 10.6960 (Ex - Div) on June 30, 2015 to Rs. 11.1438 on December 31, 2015, thus showing a return of 8.31% as compared to the benchmark (6-Month KIBOR) return of 6.75% for the same period. The performance 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. On the corporate debt sphere, trading activity in TFCs remained depressed. Dearth of high credit quality corporate bonds further depressed the secondary market yields. During the period under review, the State Bank of Pakistan reduced the discount rate by 50 bps to 6.5%. SBP highlighted: i) benign inflation readings and anchored near-term expectation; ii) high real lending rates; iii) comfortable external account position; and (iv) improving law and order situation and macroeconomic stability. Sovereign securities responded to the loose monetary policy stance with yields on the PIBs and T-Bills declining accordingly. All TFCs/Sukuks in the Fund are floating rate linked to KIBOR with three to six month coupon resetting period.

The Fund has earned total income of Rs.412.63 million during the period. After deducting expenses of Rs.73.44 million, the net income is Rs.339.19 million. The chart below presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NIOF.



# NAFA INCOME OPPORTUNITY FUND

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 26, 2016  
Place: Karachi.

# NAFA INCOME OPPORTUNITY FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA INCOME OPPORTUNITY FUND

Report of the Trustee pursuant to Regulation 41(h) 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 Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2015 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.

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 26, 2016



# NAFA INCOME OPPORTUNITY FUND

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

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of NAFA INCOME OPPORTUNITY FUND (here-in-after referred to as 'the Fund') as at December 31, 2015, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2015. NBP Fullerton Asset Management Limited (the Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Other Matter*

The condensed interim financial information of the Fund for the half year ended December 31, 2014 and the annual financial statements of the Fund for the year ended June 30, 2015 were reviewed and audited by another firm of Chartered Accountant whose report dated February 27, 2015 and September 30, 2015 expressed an unqualified conclusion and opinion thereon respectively.

**Deloitte Yousuf Adil**  
Chartered Accountants

**Engagement Partner:**  
Naresh Kumar

**Date:** February 29, 2016  
**Place:** Karachi

# NAFA INCOME OPPORTUNITY FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2015

	Note	Un-audited December 31, 2015	Audited June 30, 2015
------(Rupees in '000)-----			
<b>ASSETS</b>			
Balances with banks	4	6,857,994	2,218,579
Investments	5	2,239,366	1,225,444
Receivable against Margin Trading System		373,741	645,319
Profit receivable	6	77,915	78,541
Receivable against conversion of units		-	1,216,046
Advance, deposits, prepayment and other receivable	7	482,752	465,269
<b>Total assets</b>		<b>10,031,768</b>	<b>5,849,198</b>
<b>LIABILITIES</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	8	44,512	32,572
Payable to Central Depository Company of Pakistan Limited - Trustee	9	829	562
Payable to Securities and Exchange Commission of Pakistan		3,102	4,288
Payable against redemption of units	10 & 7	441,564	490,598
Dividend payable		-	1,166
Accrued expenses and other liabilities	11	65,535	77,475
<b>Total liabilities</b>		<b>555,542</b>	<b>606,661</b>
<b>NET ASSETS</b>		<b>9,476,226</b>	<b>5,242,537</b>
<b>UNIT HOLDERS' FUND (As per statement attached)</b>		<b>9,476,226</b>	<b>5,242,537</b>
<b>Contingencies and commitments</b>	13		
-----Number of units-----			
<b>Number of units in issue</b>		<b>850,361,938</b>	<b>453,547,333</b>
-----Rupees-----			
<b>Net assets value per unit</b>		<b>11.1438</b>	<b>11.5590</b>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Note	Half Year ended		Quarter ended	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
----- (Rupees in '000) -----					
<b>INCOME</b>					
Profit on bank deposits and term deposits		182,089	67,664	111,664	34,228
Capital gain on sale of investments - net		14,466	11,836	1,965	10,045
Income from term finance certificates and sukuk bonds		59,209	86,340	28,031	43,284
Income from government securities		71,018	92,208	37,480	45,248
Income from commercial papers		-	2,116	-	726
Income from Margin Trading System		26,198	202	6,971	202
Net unrealised appreciation on re-measurement of investments "at fair value through profit or loss - held for trading" - net	5.12	10,336	67,054	3,246	60,504
Unrealized diminution on equity securities - listed (spread transactions)	11.1	(25)	-	(25)	-
<b>Total income</b>		<b>363,291</b>	<b>327,420</b>	<b>189,332</b>	<b>194,237</b>
<b>EXPENSES</b>					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	8.1	60,687	32,438	33,520	16,210
Sindh Sales Tax on remuneration of Management Company	8.2	9,855	5,644	5,443	2,632
Federal Excise Duty on remuneration of Management Company	8.3	9,709	5,190	5,362	2,594
Remuneration of Central Depository Company of Pakistan Limited - Trustee		3,698	2,266	2,030	1,132
Sales Tax on remuneration of Trustee	9.1	518	-	284	-
Allocated expenses	8.4	1,009	-	1,009	-
Annual fee - Securities and Exchange Commission of Pakistan		3,102	1,622	1,744	811
Annual listing fee		20	20	10	10
Settlement and bank charges		3,312	445	1,169	223
Securities transaction cost		175	260	78	101
Auditors' remuneration		285	403	71	209
(Reversal) / provision against non-performing securities	5.15	(19,195)	50,570	(8,572)	16,507
Fund rating fee		162	133	94	26
Legal and professional charges		-	25	-	25
Other expenses		103	325	103	325
<b>Total expenses</b>		<b>73,440</b>	<b>99,341</b>	<b>42,345</b>	<b>40,805</b>
<b>Net income from operating activities</b>		<b>289,851</b>	<b>228,079</b>	<b>146,987</b>	<b>153,432</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net		49,343	-	23,346	-
Provision for Workers' Welfare Fund	12	-	(4,562)	-	(3,069)
<b>Net income for the period before taxation</b>		<b>339,194</b>	<b>223,517</b>	<b>170,333</b>	<b>150,363</b>
Taxation	14	-	-	-	-
<b>Net income for the period after taxation</b>		<b>339,194</b>	<b>223,517</b>	<b>170,333</b>	<b>150,363</b>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

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

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Note	Half Year ended		Quarter ended	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
----- (Rupees in '000) -----					
Net income for the period after taxation		339,194	223,517	170,333	150,363
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit and loss account:					
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	5.14	29,197	50,629	16,778	24,092
<b>Total comprehensive income for the period</b>		<u>368,391</u>	<u>274,146</u>	<u>187,111</u>	<u>174,455</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half Year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
----- (Rupees in '000) -----				
<b>Undistributed income brought forward comprising of:</b>				
- realised income	743,075	321,620	680,399	385,230
- unrealised income	1,075	7,705	7,090	6,550
	<u>744,150</u>	<u>329,325</u>	<u>687,489</u>	<u>391,780</u>
Final distribution for the year ended June 30, 2015 Rs.0.8675 (2014: Nil)				
- Cash Distribution	(237,655)	-	-	-
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	16,115	64,311	3,982	75,010
Net income for the period	<u>339,194</u>	<u>223,517</u>	<u>170,333</u>	<u>150,363</u>
	<u>117,654</u>	<u>287,828</u>	<u>174,315</u>	<u>225,373</u>
<b>Undistributed income carried forward</b>	<u>861,804</u>	<u>617,153</u>	<u>861,804</u>	<u>617,153</u>
<b>Undistributed income carried forward comprising of:</b>				
- realised income	851,468	550,099	858,558	616,138
- unrealised income	10,336	67,054	3,246	1,015
	<u>861,804</u>	<u>617,153</u>	<u>861,804</u>	<u>617,153</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half Year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	----- (Rupees in '000) -----			
Net assets at beginning of the period	5,242,537	4,352,570	8,306,339	3,884,779
Issue of 1,047,756,150 units (2014: 223,312,434 units)	11,494,650	2,441,619	3,480,348	1,856,520
Redemption of 650,941,545 units (2014: 153,755,391 units)	(7,342,354)	(1,649,213)	(2,474,226)	(496,632)
	4,152,296	792,406	1,006,122	1,359,888
Net element of income and capital gains included in prices of units issued less those in units redeemed-transferred to Income Statement	(49,343)	-	(23,346)	-
Net element of income and capital gains included in prices of units issued less those in units redeemed-transferred to Distribution Statement	(16,115)	(64,311)	(3,982)	(75,010)
Total comprehensive income for the period	368,391	274,146	187,111	174,455
Final distribution for the year ended June 30, 2015 Rs.0.8675 (2014: Nil)				
- Cash Distribution	(237,655)	-	-	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	16,115	64,311	3,982	75,010
Net assets at end of the period	<u>9,476,226</u>	<u>5,419,122</u>	<u>9,476,226</u>	<u>5,419,122</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half Year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
----- (Rupees in '000) -----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	339,194	223,517	170,333	150,363
<b>Adjustments:</b>				
Capital (gain) / loss on sale of investments - net	(14,466)	(11,836)	(1,965)	(10,045)
Net unrealised (appreciation) on re-measurement of investments classified as "at fair value through profit or loss - held for trading" - net	(10,336)	(67,054)	(3,246)	(60,504)
Unrealized diminution on equity securities - listed (spread transactions)	25	-	25	-
Element of income and capital gains included in prices of units issued less those in units redeemed	(49,343)	-	(23,346)	-
(Reversal) / provision against non-performing securities	(19,195)	50,570	(29,818)	16,507
	<u>245,879</u>	<u>195,197</u>	<u>111,983</u>	<u>96,321</u>
<b>(Increase) / decrease in assets</b>				
Investments - net	(940,728)	282,298	(412,258)	258,315
Receivable against Margin Trading System	271,578	(237,695)	250,779	(237,695)
Advance, deposits, prepayment and other receivable	(17,483)	(634)	(17,521)	(712)
Profit receivable	626	16,431	16,491	(34,404)
	<u>(686,007)</u>	<u>60,400</u>	<u>(162,509)</u>	<u>(14,496)</u>
<b>(Decrease) / increase in liabilities</b>				
Payable to the Management Company	11,940	11,957	7,620	4,404
Payable to the Trustee	267	62	140	70
Payable to Securities and Exchange Commission of Pakistan	(1,186)	(195)	1,744	811
Accrued expenses and other liabilities	(11,965)	4,527	5,765	1,937
	<u>(944)</u>	<u>16,351</u>	<u>15,269</u>	<u>7,222</u>
<b>Net cash (used in) / generated from operating activities</b>	<u>(441,072)</u>	<u>271,948</u>	<u>(35,257)</u>	<u>89,047</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net receipts against issue of units	12,710,696	2,441,619	3,481,347	1,857,034
Net payments against redemption of units	(7,391,388)	(1,662,070)	(2,476,333)	(514,123)
Distributions paid	(238,821)	-	-	-
<b>Net cash generated from financing activities</b>	<u>5,080,487</u>	<u>779,549</u>	<u>1,005,014</u>	<u>1,342,911</u>
<b>Net increase in cash and cash equivalents during the period</b>	<u>4,639,415</u>	<u>1,051,497</u>	<u>969,757</u>	<u>1,431,958</u>
Cash and cash equivalents as at the beginning of the period	2,218,579	1,407,789	5,888,237	1,027,328
<b>Cash and cash equivalents as at the end of the period</b>	<u>6,857,994</u>	<u>2,459,286</u>	<u>6,857,994</u>	<u>2,459,286</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA INCOME OPPORTUNITY FUND

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

### 1. LEGAL STATUS AND NATURE OF BUSINESS

NAFA Income Opportunity Fund ("the Fund") was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. 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 as per the criteria for categorization of Open end Collective Investment Scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Fund Association Of Pakistan (MUFAP).

NAFA Income Opportunity Fund is an Open-ended Mutual Fund and is listed on the Lahore Stock Exchange (now Pakistan Stock Exchange). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return. The principal activity of the Fund is to make investments in money market and debt securities having a good credit rating and liquidity subject to the guidelines prescribed by SECP. Other avenues of investments include ready future arbitrage in listed securities and transactions under Margin Trading System.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of 'AM2+' to the Management Company and a stability rating of A-(f) to the Fund.

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and, therefore, should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2015.

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2015.



# NAFA INCOME OPPORTUNITY FUND

## 2.2 Basis of Measurement

This condensed interim financial information has been prepared under the historical cost convention, except for the investments which are stated at fair value.

## 2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Fund.

## 2.4 Critical accounting estimates and judgements

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2015, except for IFRS 13 "Fair Value Measurement".

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this condensed interim financial information except certain additional disclosures as given in note 17.

## 2.5 Financial Risk Management

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended June 30, 2015.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2015.

## 4. BALANCES WITH BANKS

Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	------(Rupees in '000)-----	
	22,845	7,206
4.1	6,485,149	2,011,373
4.2	350,000	200,000
	<u>6,857,994</u>	<u>2,218,579</u>

4.1 These accounts carry profit at rates ranging from 4% to 9% per annum (June 30, 2015: 4.5% to 10% per annum).

4.2 These carry profit at rates ranging from 7.4% to 7.75% per annum and have maturity upto three months.

# NAFA INCOME OPPORTUNITY FUND

	Note	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
------(Rupees in '000)-----			
<b>5. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Equity securities - listed	5.1	-	-
Equity securities - listed (spread transactions)	5.2	24,640	-
Government securities	5.3	342,089	267,963
Term finance certificates - listed	5.4	252,793	264,895
Sukuks	5.5	216,909	215,948
		<u>836,431</u>	<u>748,806</u>
<b>Available for sale</b>			
Equity securities - listed	5.6	37,775	31,109
Term finance certificates - listed	5.7	-	65,400
Term finance certificates - unlisted	5.8	231,657	235,907
Sukuk bonds	5.9	133,503	144,222
		<u>402,935</u>	<u>476,638</u>
<b>Loans and receivable</b>			
Term deposit receipts	5.11	1,000,000	-
		<u>2,239,366</u>	<u>1,225,444</u>

## 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 /Carrying value as at 31 December 2015	Investment as a percentage of	
	As at July 1, 2015	Purchases during the period	Sales during the period	As at 31 December 2015		Market value of net assets	Market value of total investment

Fully paid ordinary shares of Rs. 10 each

### Textile composite

Azgard Nine Limited - Non-voting	308	-	-	308	-	-	-
----------------------------------	-----	---	---	-----	---	---	---

Cost of investment before fair value adjustment as at December 31, 2015

13

Provision as at December 31, 2015

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.

# NAFA INCOME OPPORTUNITY FUND

Name of the investee company	Number of shares				Market value as at December 31, 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales during the period	As at 31 December 2015		Net assets	Market value of total investments	Paid-up capital of investee company
(Rupees in '000)						-----%-----		
<b>All the holding are in shares of</b>								
<b>Rs. 10/- each unless otherwise stated</b>								
<b>Construction &amp; Materials</b>								
D.G Khan Cement Company Limited	-	6,500	-	6,500	959	0.01%	0.04%	0.02%
Maple Leaf Cement Factory Limited	-	65,000	26,000	39,000	2,909	0.03%	0.13%	0.06%
Pioneer Cement Limited	-	500	-	500	45	0.00%	0.00%	0.00%
<b>Bank</b>								
United Bank Limited	-	500	-	500	77	0.00%	0.00%	0.00%
<b>Chemicals</b>								
Engro Fertilizers Limited	-	30,000	-	30,000	2,524	0.03%	0.11%	0.02%
Engro Corporation Limited	-	7,000	-	7,000	1,956	0.02%	0.09%	0.04%
Fauji Fertilizer Company Limited	-	14,500	-	14,500	1,711	0.02%	0.08%	0.01%
<b>Oil &amp; Gas</b>								
Oil & Gas Development Company Limited	-	5,500	-	5,500	645	0.01%	0.03%	0.00%
Pakistan Petroleum Limited	-	22,500	-	22,500	2,741	0.03%	0.12%	0.01%
Pakistan State Oil Company Limited	-	27,000	-	27,000	8,796	0.09%	0.39%	0.32%
<b>Personal goods</b>								
Nishat Mills Limited	-	24,000	-	24,000	2,277	0.02%	0.10%	0.06%
					<u>24,640</u>			
					<u>24,558</u>			

Cost of investments as at December 31, 2015

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

Issue Date	Face value					Market value as at December 31, 2015	Investment as a percentage of	
	Tenor	As at July 1, 2015	Purchases during the period	Sales during the period	As at 31 December 2015		Net assets	Market value of total investments
						(Rupees in '000)	-----%-----	
<b>Market Treasury Bills (MTBs)</b>								
January 8, 2015	12 Months	125,000	-	125,000	-	-	-	-
March 5, 2015	6 Months	-	50,000	50,000	-	-	-	-
April 16, 2015	6 Months	-	1,000,000	1,000,000	-	-	-	-
May 28, 2015	3 Months	-	168,000	168,000	-	-	-	-
August 6, 2015	3 Months	-	150,000	150,000	-	-	-	-
August 6, 2015	6 Months	-	100,000	100,000	-	-	-	-
August 6, 2015	12 Months	-	900,000	900,000	-	-	-	-
May 14, 2015	6 Months	-	100,000	100,000	-	-	-	-
August 20, 2015	12 Months	-	3,345,000	3,345,000	-	-	-	-
September 3, 2015 (5.3.1)	12 Months	-	2,628,000	2,553,000	75,000	71,915	0.76%	3.21%
August 20, 2015	6 Months	-	5,500	5,500	-	-	-	-
<b>Pakistan Investment Bonds (PIBs)</b>								
July 22, 2010	10 Years	100,000	-	-	100,000	114,572	1.21%	5.12%
July 19, 2010	03 Years	35,000	-	35,000	-	-	-	-
March 26, 2018	03 Years	-	400,000	250,000	150,000	155,602	1.64%	6.95%
					<u>342,089</u>			
Carrying value as at December 31, 2015					<u>336,914</u>			

# NAFA INCOME OPPORTUNITY FUND

5.3.1 Market Treasury Bills 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 the SECP.

## 5.4 Term finance certificates - Listed - at fair value through profit or loss - held for trading

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

Name of the investee company	Number of certificates				Market value / Carrying value as at 31, December 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at 31 December 2015		Net assets	Market value of total investments	Issue size
					(Rupees in '000)	------%-----		
Bank Alfalah Limited - V	32,550	-	-	32,550	165,554	1.75%	7.39%	3.25%
Jahangir Siddiqui and Company Limited II	18,400	-	-	18,400	22,495	0.24%	1.00%	2.30%
Jahangir Siddiqui and Company Limited III	15,000	-	-	15,000	64,744	0.68%	2.89%	8.63%
Pace (Pakistan) Limited (note 5.4.1)	30,000	-	-	30,000	-	0.00%	0.00%	10.00%
Saudi Pak Leasing Company Limited (note 5.4.2)	15,000	-	-	15,000	-	0.00%	0.00%	5.50%
					<u>252,793</u>			
Carrying value as at December 31, 2015					<u>439,816</u>			
Accumulated impairment					<u>191,141</u>			

\* In case of debt securities against which provision has been made, these are carried at amortised cost less provision.

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 NPA by MUFAP since September 5, 2011. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

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 TFCs 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 (NPA) 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 circular.

## 5.5 Sukuks - at fair value through profit or loss - held for trading

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

Name of the investee company	Number of certificates				Market value / Carrying value as at 31, December 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at 31 December 2015		Net assets	Market value of total investments	Issue size
					(Rupees in '000)	------%-----		
K-Electric Azm Sukuk	43,120	-	-	43,120	<u>216,909</u>	2.29%	9.69%	5.75%
Carrying value as at December 31, 2015					<u>215,948</u>			

# NAFA INCOME OPPORTUNITY FUND

## 5.6 Equity securities - listed - Available for Sale

Name of the investee company	Number of shares				Market value as at December 31, 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales during the period	As at 31 December 2015		Net assets	Market value of total investments	Paid-up capital of investee company
(Rupees in '000)						-----%-----		
Fully paid ordinary shares of Rs. 10 each								
<b>Chemicals</b>								
Agritech Limited (note 5.6.1)	4,040,090	-	-	4,040,090	37,775	0.40%	1.69%	0.96%
<b>Carrying value as at 31 December 2015</b>					<b>49,693</b>			
<b>Provision for impairment losses as at December 31, 2015</b>					<b>18,584</b>			

- 5.6.1 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 issues 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.

These shares have been marked to market at prevailing market price as of December 31, 2015 and impairment loss of Rs. 18.584 million has been recorded in this condensed interim financial information.

## 5.7 Term finance certificate - listed - Available for Sale

Name of the investee company	Number of certificates				Market value / Carrying value as at 31, December 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at 31 December 2015		Net assets	Market value of total investments	Issue size
(Rupees in '000)						-----%-----		
Worldcall Telecom Limited (note 5.7.1)	45,000	-	-	45,000	-	0.00%	0.00%	2.20%
Allied Bank Limited	13,400	-	13,400	-	-	0.00%	0.00%	0.00%
<b>Carrying value as at December 31, 2015</b>					<b>88,456</b>			
<b>Provision for impairment losses as at December 31, 2015</b>					<b>88,456</b>			

\* In case of debt securities against which provision has been made, these are carried at amortised cost less provision.

# NAFA INCOME OPPORTUNITY FUND

5.7.1 This represents investment in listed term finance certificates of Worldcall Telecom Limited. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment. 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 circular.

## 5.8 Term finance certificate - unlisted - Available for Sale

Name of the investee company	Number of certificates				Market value / Carrying value as at 31, December 2015	Investment as a percentage of			
	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at 31 December 2015		Net assets	Market value of total investments	Issue size	
						(Rupees in '000)	-----%-----		
Azgard Nine Limited III (note 5.8.1)	50,000	-	-	50,000	-	-	-	4.30%	
Azgard Nine Limited V (note 5.8.1)	16,436	-	-	16,436	-	-	-	2.30%	
Dewan Cement Limited (note 5.8.2)	30,000	-	-	30,000	-	-	-	7.50%	
New Allied Electronics Industries (Private) Limited (note 5.8.3)	15,000	-	-	15,000	-	-	-	3.50%	
Engro Chemical Pakistan Limited - PRP I	46,370	-	-	46,370	231,657	2.44%	10.34%	5.80%	
Agritech Limited I (note 5.8.4)	30,000	-	-	30,000	-	-	-	10.00%	
Agritech Limited V (note 5.8.5)	6,464	-	-	6,464	-	-	-	10.00%	
					<u>231,657</u>				
Carrying value as at December 31, 2015					<u>790,351</u>				
Provision for impairment losses as at December 31, 2015					<u>554,443</u>				

\* In case of debt securities against which provision has been made, these are carried at amortised cost less provision.

5.8.1 These zero coupon privately placed term finance certificates were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 5.2.2) 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. The principal outstanding against these privately placed term finance certificates is to be redeemed in seven equal semi-annual instalments starting from March 31, 2014 and will mature on March 31, 2017. 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 circular.

5.8.2 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 circular.

5.8.3 These represent investments in privately placed term finance certificate (Term: 4 years) and sukuk bond (Term: 5 years) of the investee company. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.8.4 This represents investment in listed term finance certificates with a term of seven years. Agritech Limited defaulted in payment of principal and mark-up due on May 30, 2010 and accordingly has been classified as NPA by MUFAP since June 14, 2010. The amount of provision as per circular 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

5.8.5 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 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

# NAFA INCOME OPPORTUNITY FUND

## 5.9 Sukuk bonds - Available for Sale

Name of the investee company	Number of certificates				Market value / Carrying value as at 31, December 2015	Investment as a percentage of		
	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at 31 December 2015		Net assets	Market value of total investments	Issue size

(Rupees in '000)

New Allied Electronics Industries (Private) Limited (note 5.8.3)	9,000	-	-	9,000	-	-	-	5.90%
Eden Housing Limited (note 5.9.1)	9,200	-	-	9,200	-	-	-	0.50%
Kohat Cement Company Limited (note 5.9.2)	50,000	-	-	50,000	-	-	-	10.00%
Maple Leaf Cement Factory Limited	80,000	-	-	80,000	133,503	1.41%	5.96%	1.68%
Pak Elektron Limited (note 5.9.3)	24,000	-	-	24,000	-	-	-	2.10%
BRR Guardian Modaraba (note 5.9.4)	10,000	-	-	10,000	-	-	-	3.40%
					<u>133,503</u>			
Carrying value as at December 31, 2015					<u>213,142</u>			
Provision for impairment losses as at December 31, 2015					<u>106,419</u>			

\* In case of debt securities against which provision has been made, these are carried at amortised cost less provision.

- 5.9.1 This represents investment in privately placed sukuk bonds with a term of five years. On May 06, 2011, the borrower has defaulted its scheduled principal and profit payment and therefore it was classified as non performing by MUFAP. 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 circular.
- 5.9.2 This represents investment in sukuk bonds with original term of five years from December 20, 2007 to December 20, 2012, the tenor of the sukuk bond was extended by 2.5 years, by virtue of the agreement between Kohat Cement Company Limited and National Bank of Pakistan acting as trustee for the certificate holders, and a schedule of rental payment was agreed, however the issuer defaulted on rental payment that was due on September 20, 2011 as per the schedule. A new agreement dated December 16, 2011 was signed, which restructured the rental payment plan, the certificate has been matured however the rentals are being received as per the revised rental payment schedule.
- 5.9.3 This represents investment in privately placed sukuk bonds. The issuer defaulted on payment of principal and profit to certain sukuk holders due to which it was rated as 'Defaulter' by the MUFAP. 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.
- 5.9.4 This represents investment in privately placed sukuk bonds. On September 30, 2014 i.e the scheduled redemption date, principal and redemption amount were not received by the Fund. The investment has been fully provided.
- 5.10 The term finance certificates and sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the user.
- 5.11 These carry profit at rates ranging from 7.4% to 10% per annum and have maturity ranging from 3 to 6 months.

# NAFA INCOME OPPORTUNITY FUND

	Note	(Un-audited) December 31, 2015	(Audited) June 30, 2015
------(Rupees in '000)-----			
<b>5.12 Net unrealised appreciation / (diminution) on re-measurement of investments classified at fair value through profit or loss - held for trading</b>			
Market value of investments	5.1, 5.2, 5.3, 5.4 & 5.5	836,444	748,806
Less: Carrying value of investments	5.1, 5.2, 5.3, 5.4 & 5.5	<u>(1,017,249)</u>	<u>(945,677)</u>
		(180,805)	(196,871)
Provision against non-performing TFCs	5.13	<u>191,141</u>	<u>191,141</u>
		<u>10,336</u>	<u>(5,730)</u>
<b>5.13 Movement in provision against debt securities classified at fair value through profit or loss - held for trading - net</b>			
Balance as at July, 1		191,141	191,141
Charge during the period		-	-
Balance as at December, 31		<u>191,141</u>	<u>191,141</u>
<b>5.14 Unrealised appreciation / (diminution) on re-measurement of investments classified as available for sale - net</b>			
Market value of investments	5.6, 5.7, 5.8 & 5.9	402,935	476,638
Less: Carrying value of investments	5.6, 5.7, 5.8 & 5.9	<u>(1,141,641)</u>	<u>(1,183,617)</u>
		(738,706)	(706,979)
Provision against non-performing TFCs	5.15	<u>767,903</u>	<u>787,098</u>
		<u>29,197</u>	<u>80,119</u>
<b>5.15 Movement in provision against investments classified as available for sale - net</b>			
Balance as at July, 1		787,098	755,448
Provision made during the period		-	46,084
Reversal of provision due to redemption of principal		<u>(19,195)</u>	<u>(14,434)</u>
Balance as at December, 31		<u>767,903</u>	<u>787,098</u>
<b>6. PROFIT RECEIVABLE</b>			
Profit receivable on savings and term deposits		71,176	61,552
Profit receivable on Pakistan Investment Bonds		8,847	7,019
Profit receivable on Margin Trading System		838	2,426
Provision against accrued profit	7	<u>(17,012)</u>	<u>(17,012)</u>
		63,849	53,985
Income accrued on term finance certificates and sukuk bonds - net		<u>14,066</u>	<u>24,556</u>
		<u>77,915</u>	<u>78,541</u>
<b>7. ADVANCE, DEPOSIT, PREPAYMENT AND OTHER RECEIVABLE</b>			

This mainly includes receivable of Rs. 463.225 million on account of deposit maintained with KASB Bank Limited ("the Bank") on which accrued profit of Rs. 33.859 million (net off provision of Rs. 17 million) has been recorded. The Fund has also recorded liability of Rs. 440.064 million and Rs. 23.161 million on account of redemption of units made by the Bank and contingent load respectively, the payments of which have been withheld due to dispute with the Bank. There has been no change in the status from June 30, 2015 as stated in the note 10.1 of the annual financial statements for the year ended June 30, 2015.



# NAFA INCOME OPPORTUNITY FUND

	Note	(Un-audited) December 31, 2015	(Audited) June 30, 2015
------(Rupees in '000)-----			
<b>8. PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Remuneration payable to Management Company	8.1	11,358	9,304
Sindh Sales Tax payable on management remuneration	8.2	1,843	1,619
Federal Excise Duty payable to Management Company	8.3	28,887	19,178
Allocated expenses payable	8.4	1,009	-
Front end load payable		1,415	2,471
		44,512	32,572

- 8.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence 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. On November 25, 2015, Securities and Exchange Commission Of Pakistan (SECP) has made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provisions of amended NBFC, the above applicable rate has been changed from 2% to 1.5% for income schemes.

The Management Company has charged management remuneration at the rate of 1.5% per annum until December 6, 2015. Thereafter from December 7, 2015, the Management Company has revised their policy for charging management remuneration as per table given below:

Management Fee as % of Net income *	Minimum Management Fee ( as % of Average NAV)	Maximum Management Fee ( as % of Average NAV)
-	1.30%	1.30%

\* Net income = Gross Income - All expenses of the fund excluding Management fee and related Sales Tax and FED thereon.

Management remuneration is paid on a monthly basis in arrears.

- 8.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 14% (June 30, 2015: 15%) on the services provided by the Management Company as required by the Sindh Sales Tax on Services Act, 2011.
- 8.3 As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on services provided by the Management Company has been applied effective from June 13, 2013. Mutual Fund Association of Pakistan (MUFAP) has taken up the matter collectively and filed a petition with the Honourable Sindh High Court and has been granted stay in this regard. In prior year, the Management Company has also received a notice under section 14 of the Federal Excise Act, 2005 regarding payment of FED on management remuneration. The Management Company is of the view that since the remuneration is already subject to provincial Sales Tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. Therefore, the Management Company has also filed a petition against the demand notice in the Honourable High Court of Sindh and has been granted stay on the basis of the pending Constitutional Petition from MUFAP in the said court as referred above. However, as a matter of abundant caution, the Fund has made the provision against FED.
- 8.4 The SECP has made certain amendments in the NBFC Regulations through S.R.O. 1160 (I)/2015 dated November 25, 2015. As per Regulation 60(3)(s) of the amended NBFC Regulations, Management Company can charge to the Fund, fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual, whichever is less. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets with effect from November 25, 2015.

# NAFA INCOME OPPORTUNITY FUND

	Note	(Un-audited) December 31, 2015	(Audited) June 30, 2015
------(Rupees in '000)-----			
<b>9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration payable to the Trustee		727	562
Sales Tax on remuneration of the Trustee	9.1	102	-
		<u>829</u>	<u>562</u>
<b>9.1</b>	The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015, amended definition of services of shares, securities and derivatives and included the custodianship services within purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 14% is applicable on Trustee fee which is now covered under section 2(79A) of the Sindh Sales Tax on Services Act, 2011.		
<b>10.</b>	This includes Rs. 100,578 payable to Nafa Stock Fund on account of conversion / switching of units on the request of investor. The amount has been received subsequently.		
	Note	(Un-audited) December 31, 2015	(Audited) June 30, 2015
------(Rupees in '000)-----			
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		329	395
Unrealized loss on equity securities - listed (spread transactions)	11.1	25	-
Settlement charges payable		65	274
Payable against purchase of investments (spread transactions)		4,737	-
Payable to brokerage		25	74
Printing charges payable		75	150
Provision for Workers' Welfare Fund	12	31,218	31,218
Contingent load	7	23,161	23,161
Legal fee		25	125
Withholding tax payable		90	3,014
Capital gain tax		5,451	18,720
Others		334	344
		<u>65,535</u>	<u>77,475</u>

11.1 This represents unrealized loss on cash settled future stock contracts with settlement date of February 2, 2016.

## 12. PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 ("WWF Ordinance"). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds ("CISs") whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 31.218 million in these condensed interim financial information. Had the same not been made the net asset value per unit of the Fund as at December 31, 2015 would have been higher by Rs. 0.0366 per unit.

# NAFA INCOME OPPORTUNITY FUND

The Finance Act, 2015 has excluded Collective Investment Schemes (CISs) from the definition of 'industrial establishment' subject to WWF under the WWF Ordinance, 1971. Accordingly, the Management Company has discontinued further provisioning of WWF with effect from 1 July 2015. However, provision made till 30 June 2015 has not been reversed as the above law suit is still pending before the Sindh High Court (SHC).

## 13 CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies:

There were no contingencies outstanding as at December 31, 2015 and June 30, 2015.

	(Un-audited) December 31, 2015	(Audited) June 30, 2015
	------(Rupees in '000)-----	

### 13.2 Commitments:

Purchase of future stock contracts

	24,826	-
--	--------	---

This represents the investment in future stock contracts with settlement date of February 2, 2016.

## 14. TAXATION

The Fund's income is exempt from income tax as per clause (99) of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (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. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute 90% of the net accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund intends to distribute such accounting income for the year ending June 30, 2016 to its unit holders. Accordingly, no liability has been recorded in the current period.

## 15. NON-COMPLIANCE WITH THE CIRCULAR AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
-----Rupees in '000-----							
Azgard Nine Limited III	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	108,377	(108,377)	-	-	-
Azgard Nine Limited V	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	82,180	(82,180)	-	-	-
Agritech Limited I	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	149,860	(149,860)	-	-	-
Agritech Limited V	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	32,320	(32,320)	-	-	-
BRR Guardian Modaraba	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Sukuk bonds (15.1)	27,500	(27,500)	-	-	-
Dewan Cement Limited	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	150,000	(150,000)	-	-	-

# NAFA INCOME OPPORTUNITY FUND

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
-----Rupees in '000-----							
Eden Housing Ltd. Sukuk II	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Sukuk bonds (15.1)	9,056	(9,056)	-	-	-
New Allied Electronics Industries (Private) Limited - PPTFC	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	31,707	(31,707)	-	-	-
New Allied Electronics Industries (Private) Limited - Sukuk II	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Sukuk bonds (15.1)	44,149	(44,149)	-	-	-
PACE Pakistan Limited	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	149,820	(149,820)	-	-	-
Pak Elektron Limited - Sukuk	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Sukuk bonds (15.1)	25,714	(25,714)	-	-	-
Saudi Pak Leasing Company Limited	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	41,321	(41,321)	-	-	-
Worldcall Telecom Limited	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Term finance certificates (15.1)	88,455	(88,455)	-	-	-
Azgard Nine Limited (Non-voting)	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Shares (15.1)	13	(13)	-	-	-
Agritech Limited	Rating is below A- (A minus) as prescribed in clause (v) of circular 7 of 2009	Shares (15.1)	49,693	(18,584)	31,109	0.33%	0.31%

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

15.2 The management is taking steps to ensure compliance with the above requirements.

## 16. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

16.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, entities under common management or directorships and unit holders holding 10 percent or more units of the Fund.

16.2 The transactions with connected persons are in the normal course of business, at contracted / agreed rates.

16.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

16.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

# NAFA INCOME OPPORTUNITY FUND

## 16.5 Details of Transactions with connected persons are as follows:

	(Unaudited)			
	Half Year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
(Rupees in '000)				
<b>NBP Fullerton Asset Management Limited - Management Company</b>				
Management fee expense	60,687	32,438	33,520	16,210
Allocated expenses	1,009	-	1,009	-
Front end load	2,727	694	1,187	376
Sindh Sales Tax on remuneration of the Management Company	9,855	5,644	5,443	2,632
Federal Excise Duty on remuneration of Management Company	9,709	5,190	5,362	2,594
<b>National Bank of Pakistan - Sponsor</b>				
Cash dividend paid	1,166	-	-	-
Purchase of Market Treasury Bills	-	244,350	-	244,350
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	3,698	2,266	2,030	1,132
Sales Tax on remuneration of the Trustee	518	-	284	-
CDS charges	449	162	191	160
<b>Employees of Management Company</b>				
Units issued / transferred in 5,416,219 units (2014: 2,229,911 units)	59,141	24,161	18,926	16,076
Units redeemed / transferred out 5,720,325 units (2014: 1,691,785 units)	64,683	18,361	16,799	12,023
Dividend re-invest 22,582 units (2014: Nil units)	243	-	-	-
<b>NAFA Income Fund</b>				
Purchase of Market Treasury Bill	45,738	-	45,738	-
<b>NAFA Government Securities Liquid Fund</b>				
Purchase of Market Treasury Bill	4,780	-	4,780	-
<b>NAFA Financial Sector Income Fund</b>				
Purchase of Market Treasury Bill	94,538	-	47,658	-
<b>Summit Bank Limited</b>				
Profit on term deposit receipts	64	-	64	-
Placement of term deposit receipts	150,000	-	150,000	-
<b>NBP Employees Benevolent Fund Trust</b>				
Units issued in 189 units	2	-	-	-
<b>NBP Employees Pension Fund</b>				
Units issued 5,485,295 units	59,127	-	-	-
<b>Cherat Cement Company Limited</b>				
Units issued / transferred in 14,550,860 units (2014: 22,593,968 units)	164,672	250,000	-	250,000
Units redeemed / transferred out 14,550,860 units (2014: 4,483,903 units)	165,230	50,000	-	50,000

# NAFA INCOME OPPORTUNITY FUND

## 16.6 Amounts outstanding as at period end are as follows:

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
	(Rupees in '000)	
<b>NBP Fullerton Asset Management Limited - Management Company</b>		
Remuneration payable to management company	11,358	9,304
Sindh Sales Tax payable on management remuneration	1,843	1,619
Federal Excise Duty payable to Management Company	28,887	19,178
Allocated expenses payable	1,009	-
Front end load payable	1,415	2,471
<b>National Bank of Pakistan - Sponsor</b>		
Balances in current and saving account	3,280	6,326
Cash dividend payable	-	1,166
Payable against redemption of units	-	46,478
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable to the Trustee	829	562
Sales Tax on remuneration of the Trustee	102	-
CDC charges payable	65	-
Security deposit	100	100
<b>NBP Employees Pension Fund</b>		
Investment held in the Fund: 73,642,693 units (June 30, 2015: 68,157,398 units)	820,659	787,831
Cash dividend payable	-	19,282
<b>NBP Employees Benevolent Fund Trust</b>		
Investment held in the Fund: 2,537 units (June 30, 2015: 2,348 units)	28	27
Cash dividend payable	-	1
<b>Employees of Management Company</b>		
Investment held in the Fund: 2,804,275 units (June 30, 2015: 3,085,800)	31,250	35,669
<b>Summit Bank Limited</b>		
Bank balances in current accounts	19,968	7,196
Cash dividend payable	-	297
Profit receivable on term deposit receipts	64	-
Term deposit receipts	150,000	-
<b>NAFA Stock fund</b>		
Net payable against conversion of units	101	-
<b>NAFA Asset Allocation fund</b>		
Net receivable against conversion of units	-	3,404

# NAFA INCOME OPPORTUNITY FUND

	(Un-audited) 31 December 2015	(Audited) 30 June 2015
	(Rupees in '000)	
<b>NAFA Financial Sector Income Fund</b>		
Net receivable against conversion of units	-	297,013
<b>NAFA Government Securities Liquid Fund</b>		
Net payable against conversion of units	-	1,531
<b>NAFA Islamic Aggressive Income Fund</b>		
Payable against conversion of units	-	544
<b>NAFA Islamic Stock Fund</b>		
Net receivable against conversion of units	-	733
<b>NAFA Multi Asset Fund</b>		
Payable against conversion of units	-	1,136
<b>NAFA Money Market Fund</b>		
Net receivable against conversion of units	-	824,969
<b>NAFA Riba Free Savings Fund</b>		
Receivable against conversion of units	-	1,794
<b>NAFA Income Fund</b>		
Net receivable against conversion of units	-	30,000
<b>NAFA Savings Plus Fund</b>		
Net receivable against conversion of units	-	58,133

## 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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:

# NAFA INCOME OPPORTUNITY FUND

	As at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets	-----Rupees in '000-----			
Investment in securities - at fair value through profit or loss	24,640	811,791	-	836,431
Investment in securities - available for sale	37,775	365,160	-	402,935

	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets	-----Rupees in '000-----			
Investment in securities - at fair value through profit or loss	-	748,806	-	748,806
Investment in securities - available for sale	31,109	445,529	-	476,638

The Fund has not disclosed the fair values of all other financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

## 18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 26, 2016 by the Board of directors of the Management Company.

## 19. GENERAL

19.1 Figures have been rounded off the nearest thousand rupees.

19.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director





NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

## Head Office

7th Floor, Clifton Diamond Building, Block No.4,  
Scheme No.5, Clifton, Karachi.

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** NAFA INVEST to 8080

**Fax:** 021-35825335

**Email:** [info@nafafunds.com](mailto:info@nafafunds.com)

**Website:** [www.nafafunds.com](http://www.nafafunds.com)

 /nafafunds