


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

FUND'S INFORMATION

Management Company

NBP Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

Mr. Shahid Anwar Khan	Chairman
Mr. Amir Shehzad	Director
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Shehryar Faruque	Director
Mr. Kamal Amir Chinoy	Director
Dr. Asif A. Brohi	Director
Dr. Amjad Waheed	Chief Executive Officer

Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

Mr. Koh Boon San	Chairman
Mr. Shehryar Faruque	Member
Mr. Amir Shehzad	Member

Trustee

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

Bankers to the Fund

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

Auditors

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

Legal Advisor

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

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 111-111-NFA (111-111-632)
Helpline (Toll Free): 0800-20001
Fax: (021) 35825329

Lahore Office:

7-Noon Avenue, Canal Bank,
Muslim Town Lahore.
Contact: 042-35914272

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

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NAFA INCOME OPPORTUNITY FUND

DIRECTORS' REPORT

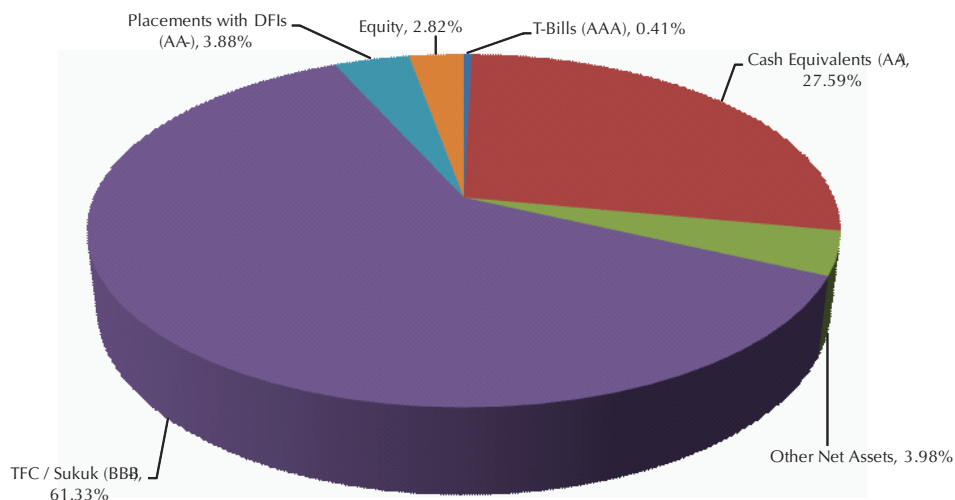
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of NAFA Income Opportunity Fund for the half year ended December 31, 2012.

Fund's Performance

The Fund size of NAFA Income Opportunity fund increased from Rs. 1,546 million to Rs. 1,675 million during the period, i.e. an increase of 8.34%. During the said period, the unit price of the Fund increased from Rs. 9.6618 on June 30, 2012 to Rs. 9.9752 on December 31, 2012, thus showing an annualized return of 6.43% as compared to its Benchmark (6-Month KIBOR) return of 10.09%. The lower return is due to provisioning in some TFCs/ Sukuks.

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

The Fund has earned total income of Rs.234.16 million during the period. After deducting expenses of Rs.173.19 million, the net income is Rs.60.97 million. The asset allocation of the Fund as on December 31, 2012 is as follows:



NAFA INCOME OPPORTUNITY FUND

Acknowledgement

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

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

On behalf of the Board of
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: February 26, 2013
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, 2012 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 28, 2013

NAFA INCOME OPPORTUNITY FUND

Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Income Opportunity Fund** ("the Fund") as at 31 December 2012 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this 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 interim financial information based on our review.

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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matter

The figures for the quarter ended 31 December 2012 and 31 December 2011 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 26, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Assets and Liabilities As at 31 December 2012

	Note	31 December 2012 (Un-audited)	30 June 2012 (Audited)
(Rupees in '000)			
Assets			
Bank balances	6	462,062	261,841
Investments	7	1,145,942	1,196,892
Profit receivables	8	81,508	102,073
Advance, deposit, prepayment and other receivable	9	464,877	464,857
Total assets		2,154,389	2,025,663
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		2,438	2,190
Payable to Central Depository Company		191	177
Payable to Securities and Exchange Commission of Pakistan		591	1,504
Payable against redemption of units		440,064	440,064
Accrued expenses and other liabilities	10	36,528	36,196
Total liabilities		479,812	480,131
Net Assets		1,674,577	1,545,532
Unit holders' fund (as per statement attached)		1,674,577	1,545,532
Contingency and commitment	11		
Number of units			
Number of units in issue		167,874,473	159,963,866
Rupees			
Net assets value per unit		9.9752	9.6618

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Income Statement (Unaudited) For the six months and three months period ended 31 December 2012

	Note	Six months period ended		Three months period ended	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
----- (Rupees in '000) -----					
Income					
Capital (loss) / gain on sale of investments - net		(790)	2,121	(790)	-
Profit on bank deposits		7,556	2,918	3,039	1,454
Income from term finance certificates and sukuk bonds		178,849	147,587	33,576	128,702
Income from government securities		14,238	-	9,261	-
Income from money market placements		263	-	263	-
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net	7.6	(15,652)	(2,375)	969	(49,893)
Recovery - fair value of ordinary shares received on partial settlement of investment	7.5.3	49,693	-	49,693	-
Total income		<u>234,157</u>	<u>150,251</u>	<u>96,011</u>	<u>80,263</u>
Expenses					
Remuneration of NBP Fullerton Asset Management Limited - Management Company		11,826	17,188	5,979	8,191
Sindh sales tax on management fee		1,892	2,750	956	1,310
Remuneration of the Trustee		1,099	1,401	553	677
Annual fee to Securities and Exchange Commission of Pakistan		591	859	299	409
Annual listing fee		20	20	8	10
Settlement and bank charges		137	158	44	51
Securities transaction cost		8	-	7	-
Auditors' remuneration		305	315	142	160
Provision against non-performing term finance certificates and sukuk bonds classified as 'available for sale and held for trading'	7.7.1	156,969	262,118	66,419	6,921
Provision against accrued income from term finance certificates and sukuk bonds		-	61,520	-	61,520
Stability rating fee		110	100	55	45
Legal and professional charges		3	1,413	3	1,413
Other expenses		-	-	(32)	(47)
Total expenses		<u>172,960</u>	<u>347,842</u>	<u>74,433</u>	<u>80,660</u>
Net income / (loss) from operating activities		<u>61,197</u>	<u>(197,591)</u>	<u>21,578</u>	<u>(397)</u>
Provision for Workers' Welfare Fund	12	(230)	-	562	-
Net income / (loss) for the period before taxation		<u>60,967</u>	<u>(197,591)</u>	<u>22,140</u>	<u>(397)</u>
Taxation		-	-	-	-
Net income / (loss) for the period after taxation		<u>60,967</u>	<u>(197,591)</u>	<u>22,140</u>	<u>(397)</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Comprehensive Income (Unaudited) For the six months and three months period ended 31 December 2012

	Six months period ended		Three months period ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
Net income / (loss) for the period after taxation	60,967	(197,591)	22,140	(397)
Other comprehensive income for the period				
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' - net	7.7	(8,450)	18,935	(137,747)
Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	148,952	-	148,952
Total comprehensive income / (loss) for the period	<u>52,517</u>	<u>(30,580)</u>	<u>39,075</u>	<u>10,808</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Distribution Statement (Unaudited) For the six months and three months period ended 31 December 2012

	Six months period ended		Three months period ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
Undistributed income brought forward	28,453	327,285	67,092	54,861
Final distribution for the year ended 30 June 2012: Nil (2011: 2.961%)				
- Bonus distribution	-	(28,889)	-	-
- Cash distribution	-	(45,214)	-	-
Net income / (loss) for the period after taxation	60,967	(197,591)	22,140	(397)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed- amount representing income that form part of the unit holders' funds - net	97	1,029	285	2,156
Undistributed income carried forward	<u>89,517</u>	<u>56,620</u>	<u>89,517</u>	<u>56,620</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Movement in Unit Holders' Fund (Unaudited) For the six months and three months period ended 31 December 2012

	Six months period ended		Three months period ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
Net assets at beginning of the period	1,545,532	2,505,164	1,539,005	2,242,704
Issue of 10,426,076 units (2011 : 142,845 units)	101,068	1,389	100,756	597
Redemption of 2,515,469 units (2011 : 35,953,188 units)	(24,540)	(348,220)	(4,259)	(171,570)
Issue of bonus units: Nil (2011: 2,974,034 bonus units)	-	28,889	-	-
	76,528	(317,942)	96,497	(170,973)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing loss that form part of the unit holders' fund - net	97	1,029	285	2,156
Total comprehensive income for the period				
- Net income for the period	60,967	(197,591)	22,140	(397)
- Net unrealised appreciation in the market value of securities 'classified as available for sale'	(8,450)	18,059	16,935	(137,747)
- Reversal of unrealised diminution in the value of investments pertaining to impairment of non-performing assets	-	148,952	-	148,952
	52,517	(30,580)	39,075	10,808
Final distribution for the period ended 30 June 2012: Nil [(2011: 2.961%) (Date of distribution: 04 July 2011)]				
- Bonus units	-	(28,889)	-	-
- Cash Distribution	-	(45,214)	-	-
	-	(74,103)	-	-
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - amount transferred to distribution statement	(97)	(1,029)	(285)	(2,156)
Net assets as at end of the period	1,674,577	2,082,539	1,674,577	2,082,539

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Cash Flow Statement (Unaudited) For the six months and three months period ended 31 December 2012

	Six months period ended		Three months period ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	60,967	(197,591)	22,140	(397)
Adjustments:				
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	15,652	2,375	(969)	49,893
Capital loss / (gain) on sale of investments - net	790	(2,121)	790	-
Provision against non-performing term finance certificates and sukuk bonds classified as 'available for sale and held for trading'	156,969	262,118	66,419	6,921
	<u>234,378</u>	<u>64,781</u>	<u>88,380</u>	<u>56,417</u>
(Increase) / decrease in assets				
Investments - net	(130,911)	341,230	220,177	162,923
Deposits, prepayments and other receivables	(20)	842	17	853
Profit receivable	20,565	71,732	19,169	30,635
	<u>(110,366)</u>	<u>413,804</u>	<u>239,363</u>	<u>194,411</u>
(Decrease) / increase in liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	248	(625)	228	(160)
Payable to Central Depository Company of Pakistan Limited - Trustee	14	(32)	(18)	(7)
Payable to Securities and Exchange Commission of Pakistan	(913)	(1,602)	299	409
Accrued expenses and other liabilities	332	477	(723)	(317)
	<u>(319)</u>	<u>(1,782)</u>	<u>(214)</u>	<u>(75)</u>
Net cash inflow from operating activities	<u>123,693</u>	<u>476,803</u>	<u>327,529</u>	<u>250,753</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net receipts against issue of units	101,068	1,389	100,756	597
Net payments against redemption of units	(24,540)	(348,228)	(4,259)	(171,933)
Distributions paid during the period	-	(45,214)	-	-
Net cash inflows / (outflows) from financing activities	<u>76,528</u>	<u>(392,053)</u>	<u>96,497</u>	<u>(171,336)</u>
Net increase in cash and cash equivalents during the period	<u>200,221</u>	<u>84,750</u>	<u>424,026</u>	<u>79,417</u>
Cash and cash equivalents at beginning of the period	261,841	31,179	38,036	36,512
Cash and cash equivalents at end of the period	<u>462,062</u>	<u>115,929</u>	<u>462,062</u>	<u>115,929</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial information.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director

NAFA INCOME OPPORTUNITY FUND

Notes to and forming part of the Condensed Interim Financial information (Unaudited) For the six months period ended 31 December 2012

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 11 February 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 January 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. 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 categorisation 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 was situated at 9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi. From 4 February 2013, the principal office of the Management Company is shifted to 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

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

The core objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return. 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 Continuous Funding System.

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information for the six months period ended 31 December 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2012.

2.3 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (g) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations). However, a limited scope review has been carried out by the auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of this interim financial information are the same as those applied in preparing the financial statements as at and for the year ended 30 June 2012.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund except where changes affected presentation and disclosures in this condensed interim financial information.

NAFA INCOME OPPORTUNITY FUND

4 ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual result may differ from these estimates.

The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2012.

6 BANK BALANCES

31 December
2012
(Un-audited)
30 June
2012
(Audited)
(Rupees in '000)

In current accounts		105	93
In savings accounts	6.1	461,957	261,748
		462,062	261,841

6.1 These accounts carry profit at rates ranging from 5% to 12% per annum (June 2012: 5% to 12% per annum).

7 INVESTMENTS

Financial assets 'at fair value through profit or loss' - held for trading

Equity securities - listed	7.1	-	-
Market Treasury Bills	7.2	6,793	-
Term finance certificates	7.3	159,567	42,256
		166,360	42,256

Available for sale

Equity securities - listed	7.4	47,148	-
Term finance certificates - listed	7.5	236,228	328,643
Term finance certificates - unlisted	7.5	348,493	443,372
Sukuk bonds	7.5	282,713	382,621
		914,582	1,154,636

Loans and receivable

Investment in certificate of investments	7.8	65,000	-
		65,000	-
		1,145,942	1,196,892

7.1 Equity securities - listed

Name of the investee company	Number of shares			Market value / Carrying value as at 31 December 2012 (Rupees in '000)	Investment as a %age of	
	As at 1 July 2012	Purchases during the period	Sales during the period		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 31 December 2012				13		
Impairment loss				13		

NAFA INCOME OPPORTUNITY FUND

7.2 Market Treasury Bills

Issue Date	Tenor	Face value			As at 31 December 2012	Market value / Carrying value as at 31 December 2012 (Rupees in '000)	Investment as a %age of	
		As at 1 July 2012	Purchases during the period	Sales during the period			Market value of net assets	Market value of total investment
11-Aug-11	12 Months	-	180,000	180,000	-	-	-	-
31-May-12	3 Months	-	5,500	5,500	-	-	-	-
9-Aug-12	3 Months	-	180,000	180,000	-	-	-	-
23-Aug-12	3 Months	-	35,000	35,000	-	-	-	-
6-Sep-12	3 Months	-	30,000	30,000	-	-	-	-
14-Jun-12	6 Months	-	105,000	105,000	-	-	-	-
20-Sep-12	3 Months	-	50,000	50,000	-	-	-	-
4-Oct-12	3 Months	-	83,500	83,500	-	-	-	-
18-Oct-12	3 Months	-	10,000	10,000	-	-	-	-
1-Nov-12	3 Months	-	200,000	200,000	-	-	-	-
1-Nov-12	6 Months	-	7,000	-	7,000	6,793	0.406	0.59
15-Nov-12	3 Months	-	350,000	350,000	-	-	-	-
29-Nov-12	3 Months	-	250,000	250,000	-	-	-	-
13-Dec-12	3 Months	-	187,500	187,500	-	-	-	-
13-Dec-12	6 Months	-	187,500	187,500	-	-	-	-
13-Dec-12	12 Months	-	187,500	187,500	-	-	-	-
						<u>6,793</u>	<u>0.406</u>	<u>0.59</u>
						<u>6,797</u>		

Cost of investment before fair value adjustment as at 31 December 2012

6,797

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

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

Name of the investee company	Number of certificates			As at 31 December 2012	Market value / Carrying value as at 31 December 2012 (Rupees in '000)	Investment as a %age of	
	As at 1 July 2012	Purchases during the period	Sales during the period			Market value of net assets	Market value of total investment
Bank Alfalah Limited - II	128	-	128	-	-	-	-
Bank Alfalah Limited - V	-	20,000	-	20,000	100,000	5.97%	8.73%
Bank Al-Habib Limited	-	500	-	500	2,571	0.15%	0.22%
Engro Fertilizer Limited	-	3,700	-	3,700	18,007	1.08%	1.57%
Escort Investment Bank Limited	10,000	-	-	10,000	7,368	0.44%	0.64%
Gharibwal Cement Limited (note 7.3.3)	5,000	-	-	5,000	-	-	-
Pace (Pakistan) Limited (note: 7.3.4)	30,000	-	-	30,000	-	-	-
Saudi Pak Leasing Company Limited	15,000	-	-	15,000	31,621	1.89%	2.76%
				<u>84,200</u>	<u>159,567</u>		
Carrying value as at 31 December 2012					<u>349,391</u>		
Provision for impairment losses as at 31 December 2012					<u>174,176</u>		

7.3.1.1 Significant terms and conditions of term finance certificates and sukuk bonds outstanding as at 31 December 2012 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Bank Alfalah Limited -V	5,000	1.25% + 6 month KIBOR	28-Dec-12	28-Dec-20
Bank Al-Habib Limited	4,989	1.95% + 6 month KIBOR	7-Feb-07	7-Feb-15
Engro Fertilizers Limited	4,990	1.55% + 6 month KIBOR	30-Nov-07	30-Nov-15
Escort Investment Bank Limited	999	8% fixed rate	15-Mar-07	15-Sep-14
Gharibwal Cement Limited	4,871	3% + 6 month KIBOR	18-Jan-08	18-Jan-13
Pace (Pakistan) Limited	4,994	2% + 6 month KIBOR	15-Feb-08	15-Feb-13
Saudi Pak Leasing Company Limited	3,195	6% fixed rate	13-Mar-08	13-Mar-17

7.3.2 Fair value of performing listed term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFA) as at 31 December 2012.

7.3.3 This represents investment in privately placed term finance certificates. On 18 July 2009, the scheduled redemption date, principal redemption of Rs. 5 thousands and profit redemption of Rs. 2.291 million were not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these term finance certificates up to 31 December 2012 amounted to Rs. 13.387 million.

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7.3.4 This represents investment in listed term finance certificates with a term of five years. On 15 August 2011, the scheduled profit payment date, principal redemption of Rs. 30 thousands and profit redemption of Rs. 11.806 million were not received by the Fund. As at 31 December 2012, the Fund has maintained total provision amounting to Rs. 149.82 million as required by SECP circular no. 33 of 2012. The income suspended on these term finance certificates up to 31 December 2012 amounted to Rs. 40.875 million.

7.4 Equity Securities - available for sale

Equity securities - listed

Name of the investee company	Number of shares			Market value / Carrying value as at 31 December 2012 (Rupees in '000)	Investment as a %age of			
	As at 1 July 2012	Purchases during the period	Sales during the period		As at 31 December 2012	Market value of net assets	Market value of total investment	Paid up Capital of Investee Company
Fully paid ordinary shares of Rs 10 each								
Chemicals								
Agritech Limited (note 7.4.1)	-	4,040,090	-	4,040,090	47,148	2.82%	4.11%	1.03%
					<u>47,148</u>			
Carrying value as at 31 December 2012					<u>49,693</u>			

This represents shares received in partial settlement against TFC of Azgard Nine limited as more fully explained in note 7.5.3. These shares have been marked to market at prevailing market price as of 31 December 2012 after obtaining approval from Securities and Exchange Commission of Pakistan.

7.5 Term finance certificates and sukuk bonds - Available for sale

Name of the investee company	Number of certificates			Market value / Carrying value as at 31 December 2012 (Rupees in '000)	Investment as a %age of		
	As at 1 July 2012	Purchases during the period	Sales during the period		As at 31 December 2012	Market value of net assets	Market value of total investment
Term finance certificate - listed							
Pakistan Mobile Communications (Private) Limited							
	34,000	-	3,400	30,600	152,248	9.09%	13.29%
Worldcall Telecom Limited (note 7.5.2)	45,000	-	-	45,000	21,683	1.29%	1.89%
Allied Bank Limited	13,400	-	-	13,400	62,297	3.72%	5.44%
				<u>89,000</u>	<u>236,228</u>		
Term finance certificate - unlisted							
Avari Hotels International	35,040	-	-	35,040	140,887	8.41%	12.29%
Azgard Nine Limited III (note 7.5.3)	50,000	-	-	50,000	-	-	-
Azgard Nine Limited V (note 7.5.3.1)	-	16,436	-	16,436	-	-	-
Dewan Cement Limited (note 7.5.4)	30,000	-	-	30,000	-	-	-
Engro Chemical Pakistan Limited	35,800	-	4,000	31,800	142,570	8.51%	12.44%
Orix Leasing Pakistan Limited (note 7.3.1)	3,900	-	-	3,900	65,036	3.88%	5.68%
Agritech Ltd. I (note 7.5.5)	30,000	-	-	30,000	-	-	-
Agritech Ltd. V (note 7.5.6)	6,464	-	-	6,464	-	-	-
New Allied Electronics Industries (Private) Limited (note 7.5.7)	15,000	-	-	15,000	-	-	-
				<u>218,640</u>	<u>348,493</u>		
Sukuk bonds							
BRR Guardian Modaraba	10,000	-	-	10,000	35,508	2.12%	3.10%
Eden Builders Limited	7,956	-	-	7,956	12,419	0.74%	1.08%
Eden Housing Limited (note 7.5.8)	9,200	-	-	9,200	14,607	0.87%	1.27%
Kohat Cement Company Limited	50,000	-	-	50,000	43,033	2.57%	3.76%
Maple Leaf Cement Factory Limited (note 7.5.9)	80,000	-	-	80,000	151,660	9.06%	13.23%
Maple Leaf Cement Factory Limited-II (note 7.5.9)	3,000	-	-	3,000	-	-	-
New Allied Electronics Industries (Private) Limited (note 7.5.7)	9,000	-	-	9,000	-	-	-
Pak Elektron Limited (note 7.5.10)	24,000	-	-	24,000	25,486	1.52%	2.22%
				<u>193,156</u>	<u>282,713</u>		
					<u>867,434</u>		
Carrying value as at 31 December 2012					<u>1,814,555</u>		
Provision for impairment losses as at 31 December 2012					<u>941,216</u>		

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

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7.5.1 Significant terms and conditions of term finance certificates and sukuk bonds outstanding as at 31 December 2012 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term finance certificate - listed				
Pakistan Mobile Communications (Private) Limited	5,000	1.65% + 6 Month KIBOR	28-Oct-08	28-Oct-13
World Call Telecom Limited	2,142	1.60% + 6 Month KIBOR	7-Oct-08	7-Oct-13
Allied Bank Limited	4,994	0.85% + 6 Month KIBOR	28-Aug-09	28-Aug-19
Term finance certificate - unlisted				
Avari Hotels International	4,246	2.5% + 6 Month KIBOR	30-Apr-09	1-Nov-14
Azgard Nine Limited	2,168	2.25% + 6 Month KIBOR	4-Dec-07	4-Dec-14
Azgard Nine Limited	5,000	-	31-Mar-12	31-Mar-17
Devan Cement Limited	5,000	2% + 6 Month KIBOR	14-Jan-08	14-Jan-14
Engro Chemical Pakistan Limited	5,000	1.7% + 6 Month KIBOR	18-Mar-08	18-Mar-18
New Allied Electronics Industries (Private) Limited	2,114	3% + 3 Month KIBOR	15-May-07	15-May-11
Orix Leasing Pakistan Limited	166,667	1.2% + 6 Month KIBOR	15-Jan-08	15-Jan-13
Agritech Limited I	4,995	1.75% + 6 Month KIBOR	30-Nov-07	30-Nov-14
Agritech Limited V	5,000	11% fixed rate	28-Oct-11	28-Apr-17
Sukuk bonds				
BRR Guardian Modaraba	4,734	1.3% + 6 Month KIBOR	7-Jul-08	7-Dec-16
Eden Builders Limited	1,563	2.3% + 3 Month KIBOR	8-Sep-08	8-Mar-14
Eden Housing Limited	2,438	2.5% + 6 Month KIBOR	29-Mar-08	29-Sep-14
Kohat Cement Company Limited	1,148	2.5% + 6 Month KIBOR	20-Dec-07	20-Dec-15
Maple Leaf Cement Factory Limited	4,739	1% + 3 Month KIBOR	3-Dec-07	3-Dec-18
Maple Leaf Cement Factory Limited-II	2,222	1% + 3 Month KIBOR	31-Mar-10	31-Mar-12
New Allied Electronics Industries (Private) Limited	4,905	2.2% + 6 Month KIBOR	3-Dec-07	3-Dec-12
Pak Elektron Limited	2,143	1.75% + 3 Month KIBOR	28-Sep-07	28-Sep-12

7.5.1.1 Fair value of all performing listed term finance certificates classified as available for sale is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at 31 December 2012.

7.5.2 The Issuer of the TFCs requested an extension in payment date for payment due on 7 October 2012. An extension of 30 days was granted. However, on expiry of the extension period, the Issuer was not able to make the payment. MUFAP, on 8 November 2012 classified the TFCs as non-performing. In accordance with the requirements of circular 33 of 2012 issued by the SECP, the security has been classified as non-performing and no further mark-up is being accrued after the said date.

Subsequently, on 26 December 2012 a restructuring agreement was approved by the TFCs holders. In accordance with the terms of restructuring, repayment period has been extended by two years and the principle amount is to be settled in three equal installments starting from October 7, 2014. Payment of accrued markup as at 7 October 2012 along with regular markup payments is to be made in eleven installments starting from 7 January 2013 with major payments due on 7 July 2014 and afterwards. Currently, a provision of Rs. 74.687 million is held against the outstanding exposure.

7.5.3 On 12 April 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. 31 October 2012. Accordingly, the same have been classified as available for sale investment and are recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

Term Finance Certificates

	31 December 2012 (Un-audited)	30 June 2012 (Audited)
	(Rupees in '000)	
Azgard Nine Limited as at 1 July	249,800	249,800
Settlement through ordinary shares	49,693	-
Balances written off	91,710	-
	(141,403)	-
	108,397	249,800
Less:		
Provision as at 1 July	249,800	249,800
Recovery - fair value of ordinary shares of Agritech Limited received on partial settlement of investment	49,693	-
Provision written back	91,710	-
	(141,403)	-
	108,397	249,800
	-	-

Carrying value at period / year end

NAFA INCOME OPPORTUNITY FUND

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.

The Trustees for the TFC issue are authorized pursuant to shareholders investors agreement to 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 (refer note 7.4.1).

- 7.5.3.1 These zero coupon privately placed term finance certificates (PPTFCs) were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 7.5.3) under an agreement dated 28 June 2012 between the Management Company of the Company and Azgard Nine Limited. These PPTFCs are issued against the non performing securities, therefore the management, as a matter of prudence has recognised the above PPTFCs at nil value. The principal outstanding against these PPTFCs is to be redeemed in seven equal semi-annual instalments starting from 31 March 2014 and will mature on 31 March 2017. These PPTFCs have been classified as Non Performing Asset by MUFAP on 07 December 2012.
- 7.5.4 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 required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these term finance certificates up to 31 December 2012 amounted to Rs. 110.099 million.
- 7.5.5 Agritech Limited defaulted in payment of principal and mark-up due on 30 May 2010. No mark-up is being accrued on the security and a provision of 100% i.e. Rs. 149.860 million has been made in respect of the amount outstanding against this exposure.
- 7.5.6 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. The management has classified these PPTFC's as non-performing. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these term finance certificates up to 31 December 2012 amounted to Rs. 3.560 million.
- 7.5.7 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.
- 7.5.8 This represents investment in privately placed sukuk bonds issue with a term of five years. On 31 March 2011 and 29 June 2011 i.e. the scheduled redemption date, principal redemption of Rs.1.725 million were not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 31 December 2012 amounted to Rs. 0.726 million.
- 7.5.9 The sukuks of Maple Leaf Cement Factory Limited were restructured on 30 March 2010. In accordance with the terms of restructuring, the amount of markup due on 03 December 2009 was partially off-set through issuance of new sukuks, "Maple Leaf Cement Factory Limited Sukuk II". The Sukuk II have been recognised at NIL value on a prudent basis and in accordance with the guidance specified by the SECP which require overdue mark-up to be recognised on cash basis.
- The Issuer defaulted again in the payment of principal and mark-up due on 03 September 2011. In accordance with the requirements of circular 33 of 2012 issued by the SECP, the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular while considering date of default as 03 September 2011. The income suspended on Maple Leaf Cement Factory Limited -Sukuk and Maple Leaf Cement Factory Limited - Sukuk II up to 31 December 2012 amounted to Rs. 16.051 million and Rs. 0.208 million respectively.
- 7.5.10 This represents investment in privately placed sukuk bonds. On 27 December 2011 i.e. the scheduled redemption date, profit redemption of Rs. 1.93 million was not received by the Fund. The amount of provision required as per SECP circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. The income suspended on these sukuk bonds up to 31 December 2012 amounted to Rs. 6.137 million.

NAFA INCOME OPPORTUNITY FUND

7.6	Unrealised diminution on remeasurement of investments classified as financial assets at fair value through profit or loss - net	31 December 2012 (Rupees in '000)	30 June 2012
	Market value of investments	166,360	199,514
	Less: carrying value of investments	(356,188)	(226,245)
		<u>(189,828)</u>	<u>(26,731)</u>
	Provision against non-performing TFCs		
	Balance as at 1 July	191,071	24,356
	Reversal made during the period	(16,895)	-
	Balance as at 31 December	<u>174,176</u>	<u>24,356</u>
		<u>(15,652)</u>	<u>(2,375)</u>
7.7	Unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale - net		
	Market value of investments	914,582	1,673,534
	Less: Carrying of investments	(1,864,248)	(2,468,726)
		<u>(949,666)</u>	<u>(795,192)</u>
	Provision against non-performing TFCs and sukus		
	Balance as at 1 July	908,755	551,133
	Provision made during the period	183,701	262,118
	Written off during the period	(91,710)	-
	Reversal of provision due to recovery	(49,693)	-
	Reversal of provision due to redemption of principal	(9,837)	-
	Balance as at 31 December	<u>941,216</u>	<u>813,251</u>
		<u>(8,450)</u>	<u>18,059</u>
7.7.1	Movement in provision against non-performing term finance certificates and sukus		
	Balance as at 1 July	1,099,826	575,489
	Add: Charge for the year	156,969	329,177
		<u>1,256,795</u>	<u>904,666</u>
	Reversal of unrealised loss	-	(67,059)
	Reversal of provision due to recovery	(49,693)	-
	Written off during the period	(91,710)	-
	Balance as at 31 December	<u>1,115,392</u>	<u>837,607</u>
7.8	Loans and receivable		
	This represents certificates of investments of Pak-Libya Holding Company Limited carrying mark up rate of 10% and will matured on 18 March 2013.		
8	PROFIT RECEIVABLES	31 December 2012 (Unaudited)	30 June 2012 (Audited)
		(Rupees in '000)	
	Profit receivable on savings and term deposits	34,699	34,761
	Income accrued on LOP	249	-
	Income accrued on term finance certificates and sukuk bonds - net	46,560	67,312
		<u>81,508</u>	<u>102,073</u>
9	ADVANCE, DEPOSIT, PREPAYMENT AND OTHER RECEIVABLE		

This includes receivable of Rs. 463.225 million on account of deposit maintained with KASB Bank ("the Bank"). The Fund claims profit at the rate 13 percent on its Mahana Khazan account maintained with the Bank, since 23 June 2008 to 10 February 2011. Whereas, the Bank did not credit / pay the due mark up at agreed rate, as the Bank did not get expected profit on its investment in units of the Fund for the same period. Based on said presumption, the Bank credited profit at the rate of 5 percent per annum, whereas, no guarantee / commitment was given to the Bank by the Fund in respect of rate of return. The Fund, on a prudent basis, accrued the mark up for the said period at 8 percent per annum, a minimum rate which the Bank offered to all its corporate customers. Subsequently, the management has been engaged in continuous efforts for recovery of profit at the rate of 13 percent and had several meeting with the official of the Bank.

NAFA INCOME OPPORTUNITY FUND

On 10 February 2011, the Fund requested to the Bank to withdraw its entire deposit. The Bank has also filed for the redemption of their entire investment in the Fund on the same date. The Bank declined to honour the Fund's withdrawal request linking it with paying their redemption amount before releasing the Fund's deposit. On 01 April 2011, the Bank unilaterally set off the redemption value of the Bank's investment in the Fund with the Fund's deposit with the Bank and credited the principal of Rs 187.008 million plus profit of Rs. 24.64 million at the rate of around 5 percent after making an adjustment of Rs 463.225 million on account of redemption of its units. The Fund accepted the amount under protest, being part payment of total amount receivable and referred this case to the Banking Mohtasib for resolution while claiming profit at the rate of 13 percent. The management, at parallel, continued its negotiation with the Bank through the Trustee. The Trustee informed to the Fund that the Bank offered the rate of 7 percent from retrospective affect to settle the transaction. The Trustee advised to the management to meet with the Bank officials once again on this issue and try to recover the profit at better rate. The Management Company was making every effort for recovery of profit at the rate higher than 7 percent. However on prudent basis, it brought down the accrued profit at 7 percent and has maintained provision of Rs. 17 million there against.

In this regard, the management has filed a recovery suit against the Bank with the Sindh High Court. The Securities and Exchange Commission of Pakistan (SECP) vide its Order dated 12 August 2011 under Section 282J (1) and 282J (2) of the Companies Ordinance, 1984, required the Management Company to make the loss of Rs.19 million good to the Fund's unit holders in addition to a penalty of Rs. 1 million.

Unexpectedly, the Management Company received above order while the management was pursuing this case with the Banking Mohtasib and the High Court for the benefits of the unit holders and therefore was unable to understand as to how SECP without having final discussion issued such an order. Moreover, the Management is of the view that the regulators' second-guessing of decisions of the management based on the hindsight information would be detrimental to the business. The Management Company filed an appeal with the Appellate Bench of SECP on 26 August 2011 and the Bench suspended the said order till the issuance of final order.

The Management Company has filed petition before the Honorable High Court of Sindh for resolution of dispute with the Bank. The hearing of the case is pending to date. However, the Management Company is confident that the matter would be resolved in the Fund's favour.

10 ACCRUED EXPENSES AND OTHER LIABILITIES

31 December
2012
(Rupees in '000)

30 June
2012

Auditors' remuneration payable		300	345
Settlement charges payable		48	44
Printing charges payable		140	140
Provision for Workers' Welfare Fund	12	12,460	12,230
Contingent load		23,161	23,161
Others		419	276
		<u>36,528</u>	<u>36,196</u>

11 CONTINGENCY AND COMMITMENT

There were no contingencies and commitments outstanding as at 31 December 2012.

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 (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended 30 June 2010.

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During 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Furthermore, in 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 12.46 million (including Rs. 0.230 million for the current period). If the same were not made the NAV per unit/ last one year return of scheme would be higher by Rs.0.0742/0.77%.

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TAXATION

The Fund's income is exempt from Income Tax as per 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 the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2013 as reduced by capital gains (whether realised or unrealised) to its unit holders.

14

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

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

In accordance with clause (iii) of the investment criteria laid down for 'Income Schemes', the Fund is required to invest atleast 25% of the net assets in cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills not exceeding 90 days maturity. Clause (v) of the categorization criteria requires that the ratings of any security in the portfolio of the Fund shall not be lower than investment grade. However, as at 31 December 2012, the Fund is in non-compliance with the above-mentioned requirement in respect of the following:

NAFA INCOME OPPORTUNITY FUND

Type of Investment	Name of Non-Compliant Investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net asset	Percentage of gross asset
----- (Rupees in '000) -----						
Investment in	Azgard Nine Limited III	108,397	108,397	-	-	-
Debt securities	Azgard Nine Limited V	82,180	82,180	-	-	-
and Sukuks**	Agritech Limited I	149,860	149,860	-	-	-
	Agritech Limited V	32,320	32,320	-	-	-
	Saudi Pak Leasing Company Limited** *	47,927	-	31,621	1.89	1.47
	Maple Leaf Cement Factory Limited Sukuk	379,150	227,490	151,660	9.06	7.04
	Maple Leaf Cement Factory Limited - Sukuk II	6,667	6,667	-	-	-
	New Allied Electronics Industries (Private) Limited - TFC	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk	44,149	44,149	-	-	-
	Dewan Cement Limited - TFC	150,000	150,000	-	-	-
	Gharibwal Cement Limited - TFC	24,356	24,356	-	-	-
	Pace Pakistan Limited	149,820	149,820	-	-	-
	Eden Housing - Sukuk II	22,425	7,818	14,607	0.87	0.68
	Kohat Cement Company Limited - Sukuk ***	57,378	-	43,033	2.57	2.00
	Escort Investment Bank Limited ***	9,992	-	7,368	0.44	0.34
	BRR Guardian Modaraba - Sukuk ***	47,344	-	35,508	2.12	1.65
	Pak Elektron Limited	51,428	25,943	25,485	1.52	1.18
	Worldcall Telecom Limited	96,371	74,687	21,684	1.29	1.01

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

*** Performing but below investment grade.

15 TRANSACTIONS WITH CONNECTED PERSONS

- 15.1 Connected persons include NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 15.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 15.3 Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 15.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

NAFA INCOME OPPORTUNITY FUND

15.5 Transactions during the period

	Six months period ended		Three months period ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
NBP Fullerton Asset Management Ltd. (Management Company)				
Remuneration expense for the period	11,826	17,188	5,979	8,191
National Bank of Pakistan - Sponsor				
Cash dividend	-	1,066	-	-
Alexandra Fund Management Pte. Limited - Sponsor				
Bonus units issued: Nil units (2011: 23,727 units)	-	230	-	230
Units redeemed / transferred out: Nil units (2011: 802,116 units)	-	7,685	-	7,685
Central Depository Company of Pakistan Limited				
Remuneration expense for the period	1,099	1,401	553	677
CDS Charges	3	3	1	1
Mr. Shahid Anwar Khan - Director				
Bonus units issued: Nil units (2011: 2,891 units)	-	28	-	28
NBP Employees Pension Fund				
Bonus units issued: Nil units (2011: 1,656,399 units)	-	16,090	-	16,090
NBP Endowment Fund Student Loan Scheme				
Bonus units issued: Nil units (2011: 535,045 units)	-	5,197	-	5,197
Units redeemed / transferred out: Nil units (2011: 4,114,247 units)	-	40,000	-	15,000
NBP Employees Benevolent Fund Trust				
Bonus units issued: Nil units (2011: 57 units)	-	554	-	554

15.6 Balances outstanding as at period / year end

	31 December 2012 (Un-audited)	30 June 2012 (Audited)
	(Rupees in '000)	
NBP Fullerton Asset Management Limited.		
Remuneration payable to management company	2,102	1,888
Sind sales tax on management fee	336	302
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund: 3,601,691 units (30 June 2012: 3,601,691 units)	35,928	34,799
Balances in current account	497	801
Executives of the Management Company		
Investment held in the Fund: 4 units (30 June 2012: 4 units)	-	-
Central Depository Company of Pakistan Limited		
Remuneration payable	191	177
Security deposit	100	100

NAFA INCOME OPPORTUNITY FUND

	31 December 2012 (Un-audited)	30 June 2012 (Audited)
	(Rupees in '000)	
Mr. Shahid Anwar Khan - Director		
Investment held in the Fund: 97,742 units (30 June 2012: 97,742 units)	975	944
NBP Employees Pension Fund		
Investment held in the Fund: 55,996,457 units (30 June 2012: 55,996,457 units)	558,576	541,027
NBP Employees Benevolent Fund Trust		
Investment held in the Fund: 1,929 units (30 June 2012: 1,929 units)	19	19

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 7, 'Financial instruments: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. All investments of the Fund have been classified at same level as stated in Financial Statement for the year ended 30 June 2012 except Saudi Pak Leasing Company Limited which has been reclassified from level 3 to level 2 due to change of its classification as performing as at 31 December 2012.

The reconciliation of provision in respect of level 3 is stated in note 7.7.1 to the condensed interim financial information.

17 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 26, 2013 by the Board of directors of the Management Company.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Executive

Director