



NBP Fullerton
Asset Management Ltd.

A Subsidiary of
National Bank of Pakistan

NAFA INCOME OPPORTUNITY FUND

HALF YEARLY REPORT DECEMBER 31

2014




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

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. Wah Geok Sum	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 & CFO of the Management Company

Mr. Muhammad Murtaza Ali

Audit & Risk Committee

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

Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	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
Standard Chartered Bank (PAK) Limited
The Bank of Khyber
The Bank of Panjab
Summit Bank Limited
United Bank Limited
UBL Ameen
Sindh Bank Limited
Al Baraka Bank Limited
Bujr Bank Limited

NAFA INCOME OPPORTUNITY FUND

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02
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: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: 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:

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

Contents

FUND'S INFORMATION	02
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

DIRECTORS' REPORT

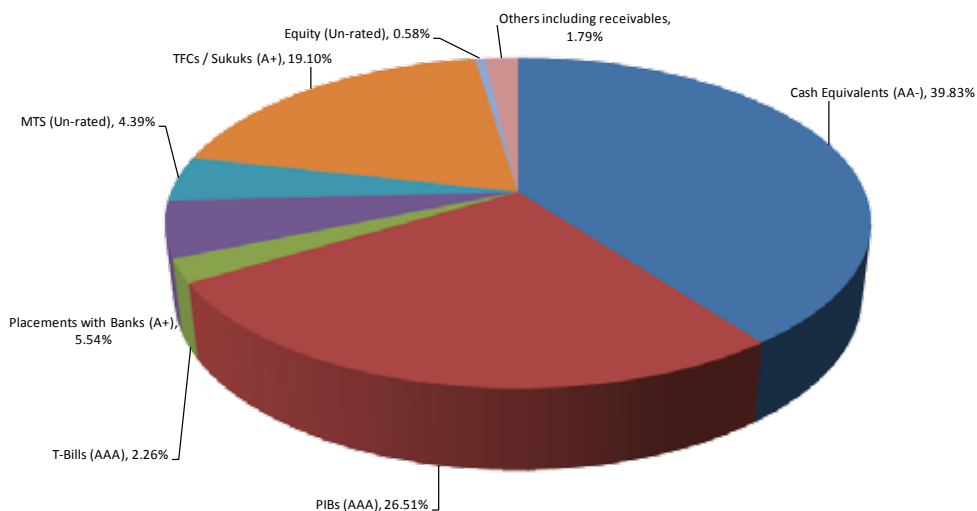
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the reviewed financial statements of **NAFA Income Opportunity Fund** for the half year ended December 31, 2014.

Fund's Performance

The size of NAFA Income Opportunity fund has increased from Rs. 4,353 million to Rs. 5,419 million during the period, i.e. an increase of 24.5%. During the period, the unit price of the Fund has increased from Rs. 10.4676 on June 30, 2014 to Rs. 11.1649 on December 31, 2014, thus showing an annualized return of 13.21% as compared to its Benchmark (6-Month KIBOR) annualized return of 10.05% for the same period. The performance of the Fund is net of management fee and other expenses.

On the corporate debt sphere, trading activity in TFCs remained skewed towards high quality issues, especially those belonging to the financial sector. Hunt for yields and limited primary issuance kept the yield on the high credit quality corporate bonds depressed. Furthermore, we have seen recoveries from many non-performing corporate bonds with pick-up in economic activity and declining interest rate environment. During the period under review, the State Bank of Pakistan reduced the policy rate by 50bps to 9.5% due to sharp decline in inflation and improved external account position. Sovereign securities responded to the beginning of loose monetary policy period with yields on the PIBs and T-bills declining sharply. 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.327.42 million during the period. After deducting expenses of Rs.103.90 million, the net income is Rs.223.52 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 17, 2015
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, 2014 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 27, 2015

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 2014 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 three months period ended 31 December 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 17, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

NAFA INCOME OPPORTUNITY FUND

Condensed Interim Statement of Assets and Liabilities As at 31 December 2014

	Note	31 December 2014 (Un-audited)	30 June 2014 (Audited)
(Rupees in '000)			
Assets			
Bank balances	6	2,459,286	1,407,789
Investments	7	2,625,180	2,828,529
Receivable from Marginal Trading System		237,695	-
Profit receivable	8	147,208	163,639
Advance, deposit, prepayments and other receivables	9	465,624	464,990
Total assets		<u>5,934,993</u>	<u>4,864,947</u>
Liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	18,647	6,690
Payable to Central Depository Company of Pakistan Limited - Trustee		420	358
Payable to Securities and Exchange Commission of Pakistan		1,622	1,817
Payable against redemption of units	9	440,721	453,578
Accrued expenses and other liabilities	11	54,461	49,934
Total liabilities		<u>515,871</u>	<u>512,377</u>
Net Assets		<u>5,419,122</u>	<u>4,352,570</u>
Unit holders' fund (as per statement attached)		<u>5,419,122</u>	<u>4,352,570</u>
Contingencies and commitments	12		
		Number of units	
Number of units in issue		<u>485,369,437</u>	<u>415,812,394</u>
		Rupees	
Net assets value per unit		<u>11.1649</u>	<u>10.4676</u>

The annexed notes 1 to 16 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 (Unaudited) For the six and three months period ended 31 December 2014

	Note	Six months period ended		Three months period ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----					
Income					
Capital gain / (loss) on sale of investments - net		11,836	7	10,045	(58)
Profit on bank deposits and term deposits		67,664	39,846	34,228	25,170
Income from term finance certificates and sukuk bonds		86,340	80,305	43,284	47,940
Income from government securities		92,208	2,227	45,248	444
Income from money market placements		2,116	1,113	726	-
Income from Marginal Trading System		202	-	202	-
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.7	67,054	2,789	60,504	1,015
Total income		<u>327,420</u>	<u>126,287</u>	<u>194,237</u>	<u>74,511</u>
Expenses					
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	32,438	13,730	16,210	7,138
Sindh Sales Tax on remuneration of Management Company	10.1	5,644	2,583	2,632	1,528
Federal Excise Duty on remuneration of Management Company	10.2	5,190	2,197	2,594	1,142
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,266	1,207	1,132	619
Annual fee - Securities and Exchange Commission of Pakistan		1,622	686	811	356
Annual listing fee		20	20	10	10
Settlement and bank charges		445	127	223	70
Securities transaction costs		260	52	101	39
Auditors' remuneration		403	343	209	207
Provision against non-performing securities	7.9	50,570	14,411	16,507	12,697
Stability rating fee		133	121	26	60
Legal and professional charges		25	30	25	30
Other expenses		325	11	325	11
Total expenses		<u>99,341</u>	<u>35,518</u>	<u>40,805</u>	<u>23,907</u>
Net income from operating activities		<u>228,079</u>	<u>90,769</u>	<u>153,432</u>	<u>50,604</u>
Provision for Workers' Welfare Fund	11.1	(4,562)	(1,815)	(3,069)	(1,012)
Net income for the period before taxation		<u>223,517</u>	<u>88,954</u>	<u>150,363</u>	<u>49,592</u>
Taxation	13	-	-	-	-
Net income for the period after taxation		<u>223,517</u>	<u>88,954</u>	<u>150,363</u>	<u>49,592</u>

The annexed notes 1 to 16 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 (Unaudited) For the six and three months period ended 31 December 2014

	Note	Six months period ended		Three months period ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----					
Net income for the period after taxation		223,517	88,954	150,363	49,592
Other comprehensive income for the period					
Items to be reclassified to income statement in subsequent periods:					
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	7.8	50,629	14,803	24,092	10,034
Total comprehensive income for the period		<u>274,146</u>	<u>103,757</u>	<u>174,455</u>	<u>59,626</u>

The annexed notes 1 to 16 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 (Unaudited) For the six and three months period ended 31 December 2014

	Six months period ended		Three months period ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
Undistributed income brought forward comprising:				
Realised income	321,620	207,044	385,230	113,026
Unrealised income / (loss)	7,705	(19,423)	6,550	1,774
	<u>329,325</u>	<u>187,621</u>	<u>391,780</u>	<u>114,800</u>
Final distribution for the year ended 30 June 2014: Nil (2013: 6.377%)				
- Bonus distribution (2013: 5,732,351 units)	-	(57,480)	-	-
- Cash distribution	-	(51,458)	-	-
Net income for the period after taxation	223,517	88,954	150,363	49,592
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	64,311	5,593	75,010	8,838
Undistributed income carried forward	<u>617,153</u>	<u>173,230</u>	<u>617,153</u>	<u>173,230</u>
Undistributed income comprising of:				
Realised income	550,099	170,441	556,649	172,215
Unrealised income	67,054	2,789	60,504	1,015
	<u>617,153</u>	<u>173,230</u>	<u>617,153</u>	<u>173,230</u>

The annexed notes 1 to 16 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' Fund (Unaudited) For the six and three months period ended 31 December 2014

	Note	Six months period ended		Three months period ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----					
Net assets at beginning of the period [Rs. 10.4676 per unit (2013: Rs. 10.6595)]		4,352,570	1,869,352	3,884,779	1,733,283
Issue of 223,312,434 units (2013: 38,330,530 units)		2,441,619	399,525	1,856,520	346,229
Redemption of 153,755,391 units (2013: 28,859,728 units)		(1,649,213)	(299,048)	(496,632)	(117,010)
Issue of nil bonus units (2013: 5,732,351 units)		-	57,480	-	-
		792,406	157,957	1,359,888	229,219
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(64,311)	(5,593)	(75,010)	(8,838)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	7.8	50,629	14,803	24,092	10,034
Capital gain / (loss) on sale of investments - net		11,836	7	10,045	(58)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		67,054	2,789	60,504	1,015
Other net income for the period		144,627	86,158	79,814	48,635
		274,146	103,757	174,455	59,626
Final distribution for the year ended 30 June 2014: Nil (2013: 6.377%)					
- Bonus distribution (2013: 5,732,351 units)		-	(57,480)	-	-
- Cash distribution		-	(51,458)	-	-
		-	(108,938)	-	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		64,311	5,593	75,010	8,838
Net assets at end of the period [Rs. 11.1649 per unit (2013: Rs. 10.6108)]		<u>5,419,122</u>	<u>2,022,128</u>	<u>5,419,122</u>	<u>2,022,128</u>

The annexed notes 1 to 16 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 (Unaudited) For the six and three months period ended 31 December 2014

	Note	Six months period ended		Three months period ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----					
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the period before taxation		223,517	88,954	150,363	49,592
Adjustments:					
Net unrealised (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(67,054)	(2,789)	(60,504)	(1,015)
Capital (gain) / loss on sale of investments - net		(11,836)	(7)	(10,045)	58
Provision against non-performing securities		50,570	14,411	16,507	12,697
		<u>195,197</u>	<u>100,569</u>	<u>96,321</u>	<u>61,332</u>
(Increase) / decrease in assets					
Investments - net		282,298	321,884	258,315	107,282
Receivable from Marginal Trading System		(237,695)	-	(237,695)	-
Advance, deposit, prepayments and other receivables		(634)	(50)	(712)	(81)
Profit receivable		16,431	17,495	(34,404)	4,389
		<u>60,400</u>	<u>339,329</u>	<u>(14,496)</u>	<u>111,590</u>
Increase / (decrease) in liabilities					
Payable to NBP Fullerton Asset Management Limited - Management Company		11,957	2,159	4,404	1,838
Payable to Central Depository Company of Pakistan Limited - Trustee		62	18	70	26
Payable to Securities and Exchange Commission of Pakistan		(195)	(557)	811	357
Accrued expenses and other liabilities		4,527	1,714	1,937	759
		<u>16,351</u>	<u>3,334</u>	<u>7,222</u>	<u>2,980</u>
Net cash flows from operating activities		<u>271,948</u>	<u>443,232</u>	<u>89,047</u>	<u>175,902</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Net receipts against issue of units		2,441,619	399,525	1,857,034	346,229
Net payments against redemption of units		(1,662,070)	(297,212)	(514,123)	(115,174)
Distributions paid during the period		-	(51,458)	-	-
Net cash flows from financing activities		<u>779,549</u>	<u>50,855</u>	<u>1,342,911</u>	<u>231,055</u>
Net increase in cash and cash equivalents during the period		<u>1,051,497</u>	<u>494,087</u>	<u>1,431,958</u>	<u>406,957</u>
Cash and cash equivalents at beginning of the period		1,407,789	716,381	1,027,328	803,511
Cash and cash equivalents at end of the period	6	<u>2,459,286</u>	<u>1,210,468</u>	<u>2,459,286</u>	<u>1,210,468</u>

The annexed notes 1 to 16 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 (Unaudited) For the six and three months period ended 31 December 2014

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 is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.

The 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+(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 for the six months period ended 31 December 2014 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 annual financial statements of the Fund as at and for the year ended 30 June 2014.

2.3 This condensed interim financial information is being submitted to the unit holder as required under Regulation 38 (g) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

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 annual financial statements as at and for the year ended 30 June 2014, except for the adoption of following accounting policy due to commencement of Marginal Trading System (MTS) transactions.

3.1 Securities under Marginal Trading System

Securities purchased under an agreement to resell (Reverse repo) are included as receivable against MTS transactions at fair value of the consideration given. All purchases and sale of securities that require delivery within the time frame established by the regulations or market convention are recognised at the trade date. Trade date is the date at which the Fund commits to purchase or sell the assets. The MTS transactions are accounted for on the settlement date. The income is accrued at the applicable rate of return specified in the bid on the outstanding Marginal Trading Transaction Value after adjustment of MTM losses.

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 the annual financial statements as at and for the year ended 30 June 2014.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements as at and for the year ended 30 June 2014.

6 BANK BALANCES	31 December 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
In current accounts	3,878	3,928
In savings accounts	6.1 2,155,408	1,403,861
Term deposit - Short term	6.2 300,000	-
	<u>2,459,286</u>	<u>1,407,789</u>

6.1 These accounts carry profit at rates ranging from 6% to 11% per annum (30 June 2014: 5% to 12% per annum).

6.2 This carries profit at rate of 10.5% per annum and has maturity upto one month.

7 INVESTMENTS

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

Equity securities - listed	7.1	-	-
Market Treasury Bills	7.2	122,492	-
Pakistan Investment Bonds	7.3	1,436,343	1,523,760
Term finance certificates	7.4	547,105	587,132
		<u>2,105,940</u>	<u>2,110,892</u>

Available for sale

Equity securities - listed	7.5	31,311	41,573
Term finance certificates - listed	7.6	65,413	65,426
Term finance certificates - unlisted	7.6	230,691	307,245
Sukuk bonds	7.6	191,825	256,509
		<u>519,240</u>	<u>670,753</u>

Loans and receivable

Investment in certificate of investments		-	46,884
		<u>2,625,180</u>	<u>2,828,529</u>

7.1 Equity securities - listed

Name of the investee company

	Number of shares				Value as at 31 December 2014	Investment as a %age of		
	As at 1 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		Market value of net assets	Market value of total investment	Paid-up Capital of Investee company

(Rupees in '000)

Fully paid ordinary shares of Rs 10 each

Textile composite

Azgard Nine Limited - Non-voting

308

-

-

308

-

-

-

-

Cost of investment before fair value adjustment as at 31 December 2014

13

Provision as at 31 December 2014

13

NAFA INCOME OPPORTUNITY FUND

7.2 Market Treasury Bills

Issue Date	Tenor	Face value				Market Value as at 31 December 2014 (Rupees in '000)	Investment as a %age of	
		As at 1 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		Market value of net assets	Market value of total investment
13 November 2014	3 Months	-	770,000	770,000	-	-	-	
20 March 2014	12 Months	-	125,000	-	125,000	122,492	2.26%	4.67%
						<u>122,492</u>		
						<u>122,524</u>		

Cost of investment before fair value adjustment as at 31 December 2014

7.3 Pakistan Investment Bonds

Issue Date	Tenor	Face value				Market Value as at 31 December 2014 (Rupees in '000)	Investment as a %age of	
		As at 1 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		Market value of net assets	Market value of total investment
18 July 2013	3 Years	1,544,500	484,200	1,518,200	510,500.00	523,472	9.66%	19.94%
17 July 2014	3 Years	-	1,250,000	446,700	803,300.00	833,263	15.38%	31.74%
17 July 2014	5 Years	-	75,000	-	75,000.00	79,608	1.47%	3.03%
						<u>1,436,343</u>		
						<u>1,366,851</u>		

Carrying value of investment before fair value adjustment as at 31 December 2014

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

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

Name of the investee company	Number of certificates				Market value / Carrying value as at 31 December 2014 (Rupees in '000)	Investment as a %age of		
	As at 1 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		Market value of net assets	Market value of total investment	Issue size of debt securities held
Bank Alfalah Limited - V	20,000	12,550	-	32,550	161,499	2.98%	6.15%	0.40%
Bank Al-Habib Limited	500	-	-	500	1,248	0.02%	0.05%	0.19%
Engro Fertilizer Limited	25,762	-	25,762	-	-	-	-	0.13%
Escort Investment Bank Limited	10,000	-	10,000	-	-	-	-	10.00%
Jahangir Siddiqui and Company Limited II	18,400	-	-	18,400	45,112	0.83%	1.72%	10.00%
Jahangir Siddiqui and Company Limited III	15,000	-	-	15,000	71,100	1.31%	2.71%	10.00%
Pace (Pakistan) Limited (note 7.4.3)	30,000	-	-	30,000	-	-	-	10.00%
Saudi Pak Leasing Company Limited (note 7.4.4)	15,000	-	-	15,000	-	-	-	10.00%
K-Electric Azm Sukuk	43,120	-	-	43,120	223,146	4.12%	8.50%	10.00%
Hascol Petroleum Limited	-	9,000	-	9,000	45,000	0.83%	1.71%	10.00%
					<u>163,570</u>			
					<u>547,105</u>			
Carrying value of investment before fair value adjustment					<u>740,652</u>			
Provision for impairment losses as at 31 December 2014					<u>191,141</u>			

7.4.1.1 Significant terms and conditions of term finance certificates and sukuk bonds outstanding as at 31 December 2014 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Bank Alfalah Limited - V	4,997	1.5% + 6 Month KIBOR	20 Feb 2013	20 Feb 2021
Bank Al-Habib Limited	2,493	1.95% + 6 Month KIBOR	07 Feb 2007	07 Feb 2015
Jahangir Siddiqui and Company Limited II	2,500	2.4% + 6 Month KIBOR	30 Oct 2012	30 Oct 2016
Jahangir Siddiqui and Company Limited III	4,813	1.75% + 6 Month KIBOR	11 Dec 2013	11 Dec 2018
Pace (Pakistan) Limited	4,994	2% + 6 Month KIBOR	15 Feb 2008	15 Feb 2013
Saudi Pak Leasing Company Limited	2,755	6% fixed rate	13 Mar 2008	13 Mar 2017
K-Electric Limited - AZM Sukuk	5,000	2.25% + 3 Month KIBOR	19 Mar 2014	19 Mar 2017
Hascol Petroleum Limited	5,000	3% + 3 Month KIBOR	28 Aug 2014	28 Feb 2015

NAFA INCOME OPPORTUNITY FUND

7.4.2 Fair value of all performing term finance certificates classified as investments at fair value through profit or loss is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP). Term finance certificates of Jahangir Siddiqui and Company Limited II and Jahangir Siddiqui Company Limited III are valued at discretionary rates within the limits as specified by SECP circular no. 33 of 2012.

7.4.3 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.0.30 million and profit redemption of Rs. 11,806 million were not received by the Fund. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 76.309 million (30 June 2014: Rs. 67.041 million).

7.4.4 This represents investment in listed term finance certificates with a term of five years. On 30 April 2014, the scheduled profit payment date, principal redemption of Rs. 0.6 million and profit of Rs. 4,405 million were not received by the Fund. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 6.450 million (30 June 2014: Rs. 5.019 million).

7.5 Equity Securities - available for sale

Equity securities - listed

Name of the investee company	Number of shares				Market value / Carrying value as at 31 December 2014 (Rupees in '000)	Investment as a %age of		
	As at 1 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		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 7.5.1)	4,040,090	-	-	4,040,090	31,311	0.58%	1.19%	1.03%
					<u>31,311</u>			
Carrying cost as at 31 December 2014					<u>49,693</u>			

7.5.1 On 12 April 2012, a share transfer and debt swap agreement was made 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 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.

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. These shares have been marked to market at prevailing market price as of 31 December 2014 and impairment loss of Rs. 18.382 million has been recorded in this condensed interim financial information.

7.6 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 2014 (Rupees in '000)	Investment as a %age of		
	As at 1 July 2014	Purchases during the period	Sales during the period	As at 31 December 2014		Market value of net assets	Market value of total investment	Issue size of debt securities held
Term finance certificate - listed								
Worldcall Telecom Limited (note 7.6.2)	45,000	-	-	45,000	-	-	5.63%	
Allied Bank Limited	13,400	-	-	13,400	65,413	1.21%	2.49%	4.00%
				<u>58,400</u>	<u>65,413</u>			
Term finance certificate - unlisted								
Avari Hotels International	35,040	-	35,040	-	-	-	-	5.57%
Azgard Nine Limited III (note 7.6.3)	50,000	-	-	50,000	-	-	-	10.00%
Azgard Nine Limited V (note 7.6.4)	16,436	-	-	16,436	-	-	-	4.34%
Dewan Cement Limited (note 7.6.5)	30,000	-	-	30,000	-	-	-	7.50%
New Allied Electronics Industries (Private) Limited (note 7.6.6)	15,000	-	-	15,000	-	-	-	8.33%
Engro Chemical Pakistan Limited - PRP I	52,970	-	6,600	46,370	230,691	4.26%	8.79%	7.75%
Agritech Limited I (note 7.6.7)	30,000	-	-	30,000	-	-	-	10.00%
Agritech Limited V (note 7.6.8)	6,464	-	-	6,464	-	-	-	10.00%
				<u>194,270</u>	<u>230,691</u>			
Sukuk bonds								
New Allied Electronics Industries (Private) Limited (note 7.6.6)	9,000	-	-	9,000	-	-	-	-
Eden Housing Limited (note 7.6.9)	9,200	-	-	9,200	-	-	-	-
Kohat Cement Company Limited	50,000	-	-	50,000	-	-	-	10.00%
Maple Leaf Cement Factory Limited	80,000	-	-	80,000	191,825	3.54%	7.31%	5.00%
Pak Elektron Limited (note 7.6.10)	24,000	-	-	24,000	-	-	-	10.00%
BRR Guardian Modaraba (note 7.6.11)	10,000	-	-	10,000	-	-	-	6.25%
				<u>182,200</u>	<u>191,825</u>			
					<u>487,929</u>			
Carrying value of investment before fair value adjustment					<u>1,242,090</u>			
Provision for impairment losses as at 31 December 2014					<u>787,636</u>			

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

NAFA INCOME OPPORTUNITY FUND

7.6.1 Significant terms and conditions of term finance certificates and sukuk bonds outstanding as at 31 December 2014 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term finance certificate - listed				
World Call Telecom Limited	2,142	1.60% + 6 Month KIBOR	07 Oct 2008	07 Oct 2013
Allied Bank Limited	4,990	1.30% + 6 Month KIBOR	28 Aug 2009	28 Aug 2019
Term finance certificate - unlisted				
Azgard Nine Limited	2,168	2.25% + 6 Month KIBOR	04 Dec 2007	04 Dec 2014
Azgard Nine Limited	5,000	-	31 Mar 2012	31 Mar 2017
Dewan Cement Limited	5,000	2% + 6 Month KIBOR	14 Jan 2008	14 Jan 2014
Engro Chemical Pakistan Limited	5,000	1.7% + 6 Month KIBOR	18 Mar 2008	18 Mar 2018
New Allied Electronics Industries (Private) Limited	2,114	3% + 3 Month KIBOR	15 May 2007	15 May 2011
Agritech Limited I	4,995	1.75% + 6 Month KIBOR	30 Nov 2007	30 Nov 2014
Agritech Limited V	5,000	11% fixed rate	28 Oct 2011	28 Apr 2017
Sukuk bonds				
BRR Guardian Modaraba	3,219	1 Month KIBOR	07 Jul 2008	07 Dec 2016
Eden Housing Limited	984	2.5% + 6 Month KIBOR	29 Mar 2008	29 Sep 2014
Kohat Cement Company Limited	-	2.5% + 6 Month KIBOR	20 Dec 2007	20 Dec 2015
Maple Leaf Cement Factory Limited	3,044	1% + 3 Month KIBOR	03 Dec 2007	03 Dec 2018
New Allied Electronics Industries (Private) Limited	4,905	2.2% + 6 Month KIBOR	03 Dec 2007	03 Dec 2012
Pak Elektron Limited	2,143	1.75% + 3 Month KIBOR	28 Sep 2007	28 Sep 2012

7.6.1.1 Fair value of all performing term finance certificates is determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP).

7.6.2 MUFAP, on 8 November 2012 classified the TFCs as non-performing due to non payment during extended period. 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 was to be settled in three equal installments starting from 7 October 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. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 5.539 million (30 June 2014: Rs. 9.231 million).

7.6.3 These zero coupon privately placed term finance certificates (PPTFCs) were issued against the interest receivable on TFCs of Azgard Nine Limited (disclosed in note 7.5.1) under an agreement dated 28 June 2012 between the Management Company of the Fund and Azgard Nine Limited. These PPTFCs are issued against the non performing securities, therefore the investment is, as a matter of prudence has recognised the PPTFCs at nil value. The principal outstanding against these PPTFCs is to be redeemed in seven equal semi-annual installments starting from 31 March 2014 and will mature on 31 March 2017. These PPTFCs have been fully provided.

7.6.4 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 investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 145.329 million (30 June 2014: Rs. 136.128 million).

7.6.5 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 32.195 million (30 June 2014: Rs. 30.125 million) and Rs. 39.189 million respectively (30 June 2014: Rs. 36.452 million).

7.6.6 Agritech Limited defaulted in payment of principal and mark-up due on 30 May 2010. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 70.203 million (30 June 2014: Rs. 61.263 million).

7.6.7 This represents investment in privately placed term finance certificates of Agritech V received against due markup of Agritech I. MUFAP has classified these PPTFC's as non-performing. The investment has been fully provided. The income suspended on these term finance certificates up to 31 December 2014 amounted to Rs. 10.670 million (30 June 2014: Rs. 8.869 million).

7.6.8 This represents investment in privately placed sukuk bonds issued with a term of five years. On 6 May 2011, these Sukuks have been classified as non performing by MUFAP. The investment has been fully provided. The income suspended on these sukuk bonds up to 31 December 2014 amounted to Rs. 0.694 million (30 June 2014: 0.590 million).

NAFA INCOME OPPORTUNITY FUND

7.6.9 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 investment has been fully provided. The income suspended on these sukuk bonds up to 31 December 2014 amounted to Rs. 1.598 million (30 June 2014: Rs. 1.594 million).

7.6.10 This represents investment in privately placed sukuk bonds. On 30 September 2014 i.e. the scheduled redemption date, principal redemption and profit payment of Rs. 1.8 million and 0.761 million were not received by the Fund. The investment has been fully provided. The income suspended on these sukuk bonds up to 31 December 2014 amounted to Rs. 0.295 million.

7.6.11 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 issuer.

	31 December 2014	31 December 2013
	(Rupees in '000)	
7.7 Net unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss		
Market value of investments	2,105,940	230,841
Less: carrying value of investments	<u>(2,230,027)</u>	<u>(402,228)</u>
	(124,087)	(171,387)
Provision against non-performing TFCs		
Balance as at 1 July	191,141	174,176
Charge during the period	-	-
Balance as at 31 December	<u>191,141</u>	<u>174,176</u>
	<u>67,054</u>	<u>2,789</u>
7.8 Unrealised appreciation on re-measurement of investments classified as available for sale - net		
Market value of investments	519,240	524,854
Less: Carrying of investments	<u>(1,291,783)</u>	<u>(1,464,143)</u>
	(772,543)	(939,289)
Provision against non-performing TFCs and sukuk		
Balance as at 1 July	755,448	939,681
Provision made during the period	50,570	27,313
Reversal of provision due to redemption of principal	-	(12,902)
Balance as at 31 December	806,018	954,092
Less: Reversal of unrealised loss	<u>17,154</u>	<u>-</u>
	<u>50,629</u>	<u>14,803</u>
7.9 Movement in provision against non-performing term finance certificates and sukuk		
Balance as at 1 July	946,589	1,113,857
Add: Charge for the period	50,570	14,411
Balance as at 31 December	<u>997,159</u>	<u>1,128,268</u>

NAFA INCOME OPPORTUNITY FUND

	31 December 2014 Unaudited	30 June 2014 Audited
	(Rupees in '000)	
8 PROFIT RECEIVABLE		
Profit receivable on savings and term deposits	62,509	51,809
Profit receivable on Pakistan Investment Bonds	71,842	78,072
Profit receivable on Marginal Trading System	191	-
Profit on certificate of investments	-	-
Provision against accrued profit	9 (17,012)	(17,012)
	<u>117,530</u>	<u>112,869</u>
Income accrued on term finance certificates and sukuk bonds - net	29,678	50,770
	<u>147,208</u>	<u>163,639</u>

9 ADVANCE, DEPOSIT, PREPAYMENT AND OTHER RECEIVABLE

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 30 June 2014 as stated in the note 7.1 of the annual financial statements for the year ended 30 June 2014.

	31 December 2014	30 June 2014
	(Rupees in '000)	
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY		
Management fee	10.1 6,170	884
Sindh Sales Tax	10.1 1,073	164
Federal Excise Duty	10.2 10,644	5,454
Sale load payable to Management Company	461	69
Sindh Sales Tax and Federal Excise Duty on Sale		
Load payable	<u>299</u>	<u>119</u>
	<u>18,647</u>	<u>6,690</u>

- 10.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Currently, Management fee is being charged at the rate of one and a half percent per annum of the average annual net assets of the Fund. The Sindh Provincial Government levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company and sales through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011; however the rate has been changed to 15% effective from 1 July 2014.
- 10.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. 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. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. The High Court of Sindh in its order dated 09 September 2013 granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 16.678 million out of which Rs. 0.580 million have been paid to the Management Company. Had the provision not been made, the net assets value (NAV) per unit of the Fund as at 31 December 2014 would have been higher by Rs. 0.0231 per unit.

NAFA INCOME OPPORTUNITY FUND

		31 December 2014	30 June 2014
		Unaudited	Audited
		(Rupees in '000)	
11	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Provision for Workers' Welfare Fund	11.1	29,628
	Auditors' remuneration		25,066
	Settlement charges		400
	Printing charges		122
	Contingent load		12
	Legal fee	9	101
	Others		125
			23,161
			75
			50
			974
		<u>54,461</u>	<u>49,934</u>

11.1 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 Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended 30 June 2011, 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. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, 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, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively 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. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 29.628 million (including Rs. 4.562 million for the current period). Had the same not been made the net assets value per unit of the Fund would have been higher by Rs 0.0610 per unit.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 31 December 2014.

NAFA INCOME OPPORTUNITY FUND

13 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 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

14 NON-COMPLIANCE WITH THE CIRCULAR AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

As at 31 December 2014, the Fund is compliant with all the requirements of The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 6 March 2009, except for clause 9 (v) requires that the rating of any security in the portfolio shall not be lower than investment grade. Non compliance of the said circular are as follows:

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**	108,377	108,377	-	-	-
Debt securities	Azgard Nine Limited V**	82,180	82,180	-	-	-
	Agritech Limited I **	149,860	149,860	-	-	-
	Agritech Limited V **	32,320	32,320	-	-	-
	BRR Guardian Modaraba**	32,188	32,188	-	-	-
	Dewan Cement Limited - **	150,000	150,000	-	-	-
	Eden Housing Ltd. Sukuk II **	9,056	9,056	-	-	-
	New Allied Electronics Industries (Private) Limited - PPTFC **	31,707	31,707	-	-	-
	New Allied Electronics Industries (Private) Limited - Sukuk II **	44,149	44,149	-	-	-
	PACE Pakistan Limited **	149,820	149,820	-	-	-
	Pak Elektron Limited - Sukuk **	51,429	51,429	-	-	-
	Saudi Pak Leasing Company Limited **	41,321	41,321	-	-	-
	Worldcall Telecom Limited **	96,371	96,371	-	-	-
Investment in	Azgard Nine Limited (Non-voting)	13	13	-	-	-
Equity securities	Agritech Limited*	49,693	18,382	31,311	0.58%	0.53%

* These shares are received in partial settlement against term finance certificates of Azgard Nine limited as fully explained in note 7.5.1.

** At the time of purchase, the term finance certificates and sukus were in compliance with the aforementioned circular. However, subsequently due to defaults these were downgraded to non investment grade.

15. TRANSACTIONS AND BALANCES 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, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and officers of the Management Company and the Trustee and unit holders holding 10 percent or more units of the Fund.

NAFA INCOME OPPORTUNITY FUND

- 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.
- 15.5 Transactions during the period

	Six months period ended		Three months period ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
NBP Fullerton Asset Management Limited (Management Company)				
Management remuneration	32,438	13,730	16,210	7,138
Sindh Sales Tax on management remuneration	5,644	2,583	2,632	1,528
Federal Excise Duty on management remuneration	5,190	2,197	2,594	1,142
Fron-end load	694	-	376	-
National Bank of Pakistan - Sponsor				
Cash dividend	-	2,297	-	-
Sale of Market Treasury Bill	-	542,672	-	-
Purchase of Market Treasury Bill	244,350	-	244,350	-
Central Depository Company of Pakistan Limited				
Remuneration for the period	2,266	1,207	1,132	619
CDS Charges	162	74	160	69
Employees of NAFA				
Units issued / transferred in: 2,229,911 units (2013: 284,891 units)	24,161	2,987	16,076	2,987
Units redeemed / transferred out: 1,691,785 units (2013: 258,649 units)	18,361	2,732	12,023	2,732
CDC Trustee NAFA Asset Allocation Fund				
Purchase Market Treasury Bill	-	39,851	-	-
CDC Trustee NAFA Government Securities				
Sale of Market Treasury Bill	-	60,603	-	60,603
International Industries Limited - Gratuity Fund				
Sale of Market Treasury Bill	-	5,420	-	5,420
Thall Limited Employees Provident Fund				
Sale of Market Treasury Bill	-	28,929	-	-
Pak Arab Refinery Limited - Supervisory Staff Gratuity Fund				
Sale of Market Treasury Bill	-	29,890	-	2,956
Summit Bank Limited				
Bank Profit	-	40	-	-
Cherat Cement Company Ltd.				
Units issued / transferred in: 22,593,968 units (2013: Nil units)	250,000	-	250,000	-
Units redeemed / transferred out: 4,483,903 units (2013: Nil units)	50,000	-	50,000	-
The Hub Power Company Limited				
Investment matured	-	136,000	-	-

NAFA INCOME OPPORTUNITY FUND

15.6 Balances outstanding as at period / year end

	31 December 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
NBP Fullerton Asset Management Limited.		
Remuneration payable to Management Company	6,170	884
Sind Sales Tax on management fee	1,073	164
Federal Excise Duty on management fee	10,644	5,454
Sale load Payable	461	69
Sindh Sales Tax on Sale load payable	82	13
Federal Excise Duty on Sale Load payable	217	106
National Bank of Pakistan - Sponsor		
Investment held by the Sponsor in the Fund: 4,020,905 units (30 June 2014: 4,020,905 units)	44,893	42,089
Balances in current account	1,671	1,683
Central Depository Company of Pakistan Limited		
Remuneration payable	420	358
Security deposit	100	100
NBP Employees Pension Fund		
Investment held in the Fund: 66,489,763 units (30 June 2014:66,489,763 units)	742,352	695,988
NBP Employees Benevolent Fund Trust		
Investment held in the Fund: 2,291 units (30 June 2014: 2,291 units)	26	24
Employees of NAFA		
Investment held in the Fund: 1,444,447 units (30 June 2014: 906,321)	16,127	9,487
Summit Bank Limited		
Balance in account	4,921	3,089
Cherat Cement Company Limited		
Investment held in the Fund: 18,110,066 units (30 June 2014: Nil units)	202,197	-

16 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 17, 2015 by the Board of directors of the Management Company.

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: 0800-20001

Sms: NAFA INVEST to 8080

Fax: 021-35825335

Email: info@nafafunds.com

Website: www.nafafunds.com