

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

JS Bank Limited
Meezan Bank Limited
Habib Bank Limited
United Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Allied Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank Limited



Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02,
Beaumont Road,
Karachi - 75530, Pakistan.

Legal Advisor

Akhund Forbes
D-21, Block 4, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

Khan Center, 1st Floor, Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2 & 4

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Seventh Annual Report of **NAFA Islamic Principal Protected Fund - II (NIPPF-II)** for the year ended June 30, 2020.

NAFA launched its second open-end Islamic capital protected fund on June 27, 2014, namely NAFA Islamic Principal Protected Fund (NIPPF-II). The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shariah compliant equities and money market instruments while protecting initial investment value at Initial Maturity date, which is two years from launch date. The Fund is presently closed for new subscription.

Fund's Performance

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

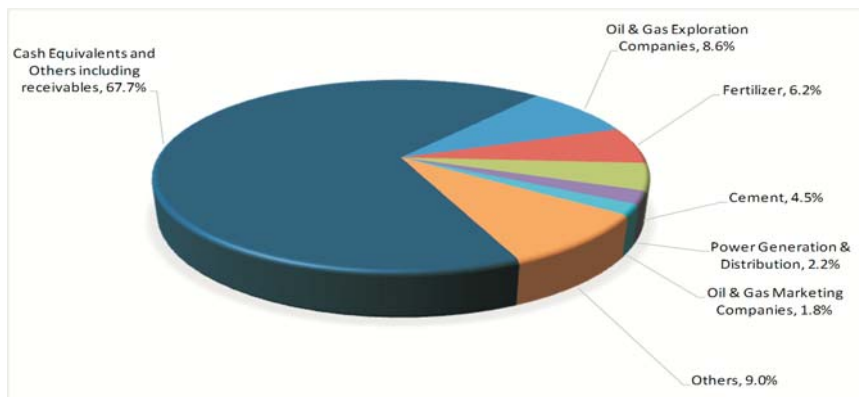
In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

During the period under review, the market witnessed a surge in issuance of short-term corporate sukuks and commercial papers to meet the increasing funding need for working capital and also to bridge the fixed capital investments. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.



During the period, the unit price of NAFA Islamic Principal Protected Fund - II has increased by 12.0%. The Benchmark return during the same period was increased by 10.0%. Thus, the Fund has outperformed its Benchmark by 2.0% during the period under review. The size of NAFA Islamic Principal Protected Fund-II is Rs. 112 million as of June 30, 2020.

The Fund has earned a total income of Rs. 15.818 million during the year. After deducting total expenses of Rs. 3.477 million, the net income is Rs. 12.341 million. The asset allocation of the Fund as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 9.69% of the opening ex-NAV (9.71% of the par value) for the period ended June 30, 2020.

Taxation

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

Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retired and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.

Directors' Statement in Compliance with best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.



9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **September 17, 2020**
 Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II - (NIPPF-II) کی ساتویں سالانہ رپورٹ برائے ختمہ سال 30 جون 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

NAFA نے 27 جون 2014 کو NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II (NIPPF-II) نامی دوسرے اوپن انڈ اسلامک کیپیٹل پروٹیکٹڈ فنڈ کا آغاز کیا۔ فنڈ کا مقصد بنیادی میچورٹی تاریخ، جو آغاز سے دو سالوں کی ہے، پر بنیادی انویسٹمنٹ قدر کو محفوظ رکھتے ہوئے منظور شدہ شریعہ کمپلیٹ ایکویٹیز اور منی مارکیٹ انسٹرومنٹ میں طویل مدت پر یونٹ ہولڈرز کی سرمایہ کاری کے لئے نمو فراہم کرنا ہے۔ فنڈ نے الجالیٹی سہسکرپشن کے لئے بند ہے۔

فنڈ کی کارکردگی

مالی سال 2019-20، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KMI-30 انڈیکس میں سالانہ بنیادوں پر 1.6% کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 بلین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 بلین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 بلین امریکی ڈالر کی آدھی سہمی مثبت خبروں کے باوجود مارکیٹ کا آغاز منفی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرٹیکل 370 کی منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح 44,929 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں حصص کی مالیت کو واضح کر دیا۔ پرنسپل مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلنس اکتوبر 2019 میں سرپلس میں تبدیل ہوا اور مالی سال 20 کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 3 ارب ڈالر رہ گیا، جو سالانہ بنیادوں پر 78 فیصد کم ہوا۔ اسی طرح، کثیرالجہتی ایجنسیوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KMI-30 انڈیکس میں 16 اگست، 2019 سے خلیفہ 58 فیصد اضافے کے ساتھ سے 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے منی بجٹ کے اندیشہ اور T-Bills سے ہاٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن/شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 42 فیصد گر گئی۔ معیشت کو کورونا وائرس وبائی مرض کے اثرات سے نجات دلانے کے لئے، پالیسی سازوں نے غیر معمولی مالی اور مالیاتی پالیسی اقدامات اٹھائے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو مجموعی طور پر 6.25 فیصد تک کم کیا اور کاروباری اداروں کی مدد اور قرضہ جاری رکھنے کے لئے، قرضوں کی ادائیگی سے متعلق کارپوریٹس/تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امدادی پیکج دینے کا اعلان کیا، جو بی ڈی پی کے 2.8 فیصد کے برابر ہے، جس میں معاشرے کے تمام طبقوں کے لئے ریلیف شامل ہے جن میں غیر مراعات یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپبلیکن فنانشنگ انسٹرومنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود نسبتاً کم اموات کی شرح اور صحت یابی کی اعلیٰ شرحوں نے امیدوں کو بڑھایا ہے کہ پاکستان کو بدترین خطرہ سے بچایا جاسکتا ہے جس کا پہلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھائی اور تقریباً تمام نقصان والے شعبوں کا احاطہ کیا اور سالانہ بنیاد پر 1.6 فیصد کی معمولی اضافے کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

زیر جائزہ مالی سال کے دوران شعبہ دارکارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسریز، سیمینٹ، کیمیکلز، انجینئرنگ، کھاد، دواسازی، کاغذ اور بورڈ، ٹیکسٹائل اور گلاس اینڈ سٹریکچرل کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوٹن، اور ٹیکسٹائل کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 بلین امریکی ڈالر کے خالص انفلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 بلین امریکی ڈالر کے ساتھ پوزیشن مستحکم کی دوسری جانب غیر ملکی سرمایہ کار 285 بلین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک/DFIs اور موہیل فنڈز بھی بالترتیب 55 بلین امریکی ڈالر اور 50 بلین امریکی ڈالر کے خالص آؤٹ فلوز کے ساتھ نمایاں فروخت کنندہ رہے۔

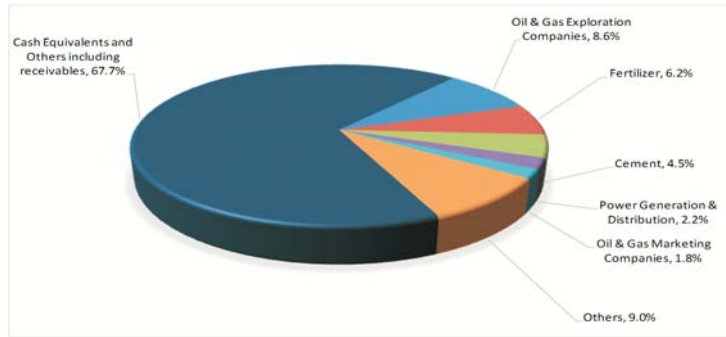
زیر جائزہ مدت کے دوران، مارکیٹ میں ورکنگ کیپٹل کی بڑھتی ہوئی فنڈنگ ضروریات کو پورا کرنے اور مخصوص کیپٹل سرمایہ کاری بڑھانے کے لئے مختصر مدتی کارپوریٹ سکوک اور کمرشل پیپرز کے اجراء میں اضافہ ہوا۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جیسی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لٹیٹی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز

ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب bps 580، bps 608 اور bps 608 کی کمی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹائیکس (27 T-Bills) نیلامیاں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

اس مدت کے دوران، NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II کے یونٹ کی قیمت میں 12.0% کا اضافہ ہوا۔ اسی مدت کے دوران بیچ مارک میں اضافہ 10.0% ہوا۔ چنانچہ زیر جائزہ مدت کے دوران فنڈ نے اپنے بیچ مارک سے 2.0% کی بہتر کارکردگی کا مظاہرہ کیا۔ 30 جون 2020 کو NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II کا سائز 112 بلین روپے ہے۔

سال کے دوران فنڈ نے 15.818 بلین روپے کی کل آمدنی کمائی۔ 3.477 بلین روپے کے کل اخراجات منہا کرنے کے بعد خالص آمدنی 12.341 بلین روپے ہے۔

30 جون 2020 کے مطابق فنڈ کی ایسٹ ایلوکیشن حسب ذیل ہے:



آمدنی کی تقسیم

ہیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اوپننگ ex-NAV کا 9.69% (بنیادی قدر کا 9.71%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر اکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2021 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریشن گورننس ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1. ہیجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلواؤ اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماراتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریشن گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیبیل / اہم مالیاتی ڈیٹا سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران ہیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 23 میں کی گئی ہے۔



- 11 پونٹ ہولڈنگ کا تفصیلی پٹرن مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

نام	کیٹگری
•1 جناب خالد منصور •2 جناب سعد امان اللہ خان •3 جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
•1 شیخ محمد عبدالواحد سہٹھی (چیئر مین) •2 جناب سعد الرحمان خان •3 جناب سید حسن ارتضیٰ کاظمی •4 جناب علی سیدگل •5 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Principal Protected Fund - II (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad

Chief Operating Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NAFA Islamic Principal Protected Fund-II

NAFA Islamic Principal Protected Fund-II is an Open-ended Shariah Compliant Capital Protected Fund

Investment Objective of the Fund

The objective of NAFA Islamic Principal Protected Fund-II is to earn a potentially high return through dynamic asset allocation between Shariah compliant Equities and Money Market investment avenues, while providing principal protection.

Benchmark

The Benchmark of the Fund is Daily weighted return of KMI-30 index & Islamic Bank Deposits based on Funds's actual allocation.

Fund performance review

This is the seventh annual report of the Fund. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has increased by 12.0%. The Benchmark return during the same period was increased by 10.0%. Thus, the Fund has outperformed its Benchmark by 2.0% during the period under review. Since inception (June 27, 2014), NIPPF-II has risen by 75.5%, whereas the Benchmark has increased by 53.1%, thus to date out-performance is 22.4%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs.112 million as of June 30, 2020.

The Fund current stock exposure stands at around 32.3%. Key holdings of the Fund belong to Oil & Gas Exploration Companies, Fertilizer, Cement, Power Generation & Distribution, and Oil & Gas Marketing Companies sectors.

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers



responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates/commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

During the period under review, the market witnessed a surge in issuance of short-term corporate sukuk and commercial papers to meet the increasing funding need for working capital and also to bridge the fixed capital investments. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	32.3%	22.3%
Cash Equivalents	80.00%	88.7%
Other Net Liabilities	(12.30%)	(11.0%)
Total	100.0%	100.0%



Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	9.71%	111.6575	101.9450

Unit Holding Pattern of NAFA Islamic Principal Protected Fund-II as on June 30, 2020.

Size of Unit Holding (Units)	# of Unit Holders
1-1000	17
1001-5000	11
5001-10000	5
10001-50000	2
50001-500000	3
500001-1000000	1
Total	39

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 3.864 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 3.5242/ 3.83%. For details investors are advised to read note 11.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NAFA Islamic Principal Protected Fund - II (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 17, 2020**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer



REPORT OF THE SHARI'AH ADVISOR

August 31, 2020/Muharram 11, 1442

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Seventh year of operations of NAFA Islamic Principal Protected Fund-II (NIPPF- II). This report is being issued in accordance with clause 4.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on fulfillment of the Shariah Compliance requirements for launching of the fund.

In the capacity of Shari'ah Supervisory Board, we have prescribed criteria and procedure to be followed in ensuring Shari'ah Compliance in every investment.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance with the Shari'ah policies & guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NIPPF-II in light of Shari'ah requirements. Following is a list of top investments of NIPPF-II as on June 30, 2020 and their evaluation according to the screening criteria established by us. (December 31, 2019 accounts of the Investee companies have been used)

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
Company Name	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Limited.	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
Mari Petroleum Company Limited	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Lucky Cement Limited	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
Hub Power Company Limited.*	Power Generation & Distribution	32.32%	0.00%	7.32%	53.77%	(43.08)	
Kohat Cement Limited	Cement	22.30%	0.70%	0.07%	94.14%	(54.09)	
Pakistan Petroleum Limited.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137

* Debt is considered excluding circular Debt.

- i. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIPPF-II are Shari'ah Compliant and in accordance with the criteria established by us.



- ii. There are investments made by NIPPF-II where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIPPF-II for the year ended June 30, 2020 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 51,468 /- was created and an amount of Rupees 46,819/- is available for disbursement into charity as of June 30, 2020, which is inclusive of Rupees 13,576/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2020 will be adjusted after the availability of the respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and On Behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board



INDEPENDENT REASONABLE ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

We were engaged by the Board of Directors of NBP Fund Management Limited, Management Company of NAFA Islamic Principal Protected Fund - II (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2020, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended 30 June 2020.

Responsibilities of the Management Company

The Management Company of the Fund is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. The management company is also responsible to ensure that the financial arrangements and transactions having Shariah implications entered into by the Fund in substance and in their legal form are in compliance with the Shariah principles specified in the Trust Deed and guidelines issued by the Shariah Advisor.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with Shariah principles and guidelines whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to financial arrangements and transactions having Shariah implications, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

The procedures performed included performing tests of controls for making investments, maintaining bank accounts and transferring impure income to charity in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

**Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 30 June 2020, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Date: September 30, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



INDEPENDENT AUDITORS' REPORT

To the Unit Holders of the NAFA Islamic Principal Protected Fund II

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the NAFA Islamic Principal Protected Fund II ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2020, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditors' report is **Muhammad Nadeem**.

Date: September 30, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants


STATEMENT OF ASSETS AND LIABILITIES
 AS AT JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
Assets			
Bank balances	5	89,900	95,050
Investments	6	36,253	23,688
Profit receivable		867	1,264
Security Deposits	7	<u>2,600</u>	<u>2,600</u>
Total assets		129,620	122,602
Liabilities			
Payable to NBP Fund Management Limited - Management Company	8	466	597
Payable to Central Depository Company of Pakistan Limited - Trustee	9	14	13
Payable to Securities and Exchange Commission of Pakistan	10	22	88
Accrued expenses and other liabilities	11	<u>16,777</u>	<u>15,579</u>
Total liabilities		17,279	16,277
Net assets		<u>112,341</u>	<u>106,325</u>
Unit holders' fund (as per statement attached)		<u>112,341</u>	<u>106,325</u>
Contingency and commitment	12		
		(Number of units)	
Number of units in issue	13	<u>1,096,416</u>	<u>1,060,828</u>
		(Rupees)	
Net assets value per unit		<u>102.4623</u>	<u>100.2287</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director


INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
Income			
Dividend income		1,983	1,433
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - net		642	(3,834)
Mark - up on bank deposits		9,804	9,117
Net unrealised appreciation / (diminution) on re-measurement of investments at FVTPL		3,389	(5,067)
Total income		15,818	1,649
Expenses			
Remuneration to NBP Fund Management Limited - Management Company	8.1	1,488	1,372
Sindh Sales Tax on remuneration to Management Company	8.2	193	178
Remuneration to Central Depository Company of Pakistan Limited - Trustee	9.1	146	152
Sindh Sales Tax on remuneration to Trustee	9.2	19	20
Selling and marketing expenses	8.3	448	377
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.4	112	117
Annual fee - Securities and Exchange Commission of Pakistan		22	88
Settlement and bank charges		400	456
Auditors' remuneration	14	257	233
Securities transaction cost		51	71
Charity expense		51	24
Shariah advisor fee		16	20
Annual listing fee		22	22
Total expenses		3,225	3,130
Net income / (loss) from operating activities		12,593	(1,481)
Provision for Sindh Workers' Welfare Fund	11.1	(252)	-
Net income / (loss) for the year before taxation		12,341	(1,481)
Taxation	15	-	-
Net income / (loss) for the year		12,341	(1,481)
Allocation of net income / (loss) for the year			
Net income for the year		12,341	-
Income already paid on units redeemed		(286)	-
		12,055	-
Accounting income available for distribution:			
-Relating to capital gains		3,926	-
-Excluding capital gains		8,129	-
		12,055	-

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director


STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	(Rupees in '000)	
Net income / (loss) for the year	12,341	(1,481)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u><u>12,341</u></u>	<u><u>(1,481)</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director


**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
 FOR THE YEAR ENDED 30 JUNE 2020**

Note	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	(16,864)	123,189	106,325	1,034	125,671	126,705
Issue of 87,409 units (2019: 4,332 units)			-			
- Capital value	8,761	-	8,761	440	-	440
- Element of income	173	-	173	(1)	-	(1)
Total proceeds on issuance of units	8,934	-	8,934	439	-	439
Redemption of 51,821 units (2019: 181,127 units)						
- Capital value	(5,194)	-	(5,194)	(18,397)	-	(18,397)
- Element of loss	21	(286)	(265)	60	-	60
Total payments on redemption of units	(5,173)	(286)	(5,459)	(18,337)	-	(18,337)
Final distribution for the year ended 30 June 2018						
- Cash distribution	13.2	-	-	-	(1,001)	(1,001)
Interim distribution for the year ended 30 June 2020						
- Cash distribution	13.3	-	(9,800)	-	-	-
Total comprehensive income / (loss) for the year	-	12,341	12,341	-	(1,481)	(1,481)
Net assets at end of the year	(13,103)	125,444	112,341	(16,864)	123,189	106,325
Undistributed income brought forward						
- Realised		128,256			127,620	
- Unrealised		(5,067)			(1,949)	
		123,189			125,671	
Total comprehensive income for the year						
Accounting income available for distribution:						
- Relating to capital gains		3,926			-	
- Excluding capital gains		8,129			-	
		12,055			-	
Total comprehensive loss for the year		-			(1,481)	
Final distribution for the year ended 30 June 2018						
- Cash distribution	13.2	-			(1,001)	
Interim distribution for the year ended 30 June 2020						
- Cash distribution	13.3	(9,800)			-	
Undistributed income carried forward		125,444			123,189	
Undistributed income carried forward						
- Realised		122,055			128,256	
- Unrealised		3,389			(5,067)	
		125,444			123,189	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year		100.2287			102.3781	
Net assets value per unit at end of the year		102.4623			100.2287	

The annexed notes 1 to 28 form an integral part of these financial statements.

**For NBP Fund Management Limited
 (Management Company)**

Chief Financial Officer

Chief Executive Officer

Director


CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 (Rupees in '000)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year		12,341	(1,481)
Adjustments:			
Net unrealised (appreciation) / diminution on re-measurement of investments at FVTPL		(3,389)	5,067
		8,952	3,586
(Increase) / decrease in assets			
Investments		(9,176)	2,136
Profit receivable		397	(299)
		(8,779)	1,837
Increase / (decrease) in liabilities			
Payable to NBP Fund Management Limited - Management Company		(131)	217
Payable to Central Depository Company of Pakistan Limited - Trustee		1	(3)
Payable to Securities and Exchange Commission of Pakistan		(66)	(12)
Accrued expenses and other liabilities		1,198	(586)
		1,002	(384)
Net cash generated from operating activities		1,175	5,039
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received on issuance of units	16	8,934	-
Amount paid on redemption of units		(5,459)	(18,337)
Distributions paid		(9,800)	(562)
Net cash (used in) financing activities		(6,325)	(18,899)
Net decrease in cash and cash equivalents during the year		(5,150)	(13,860)
Cash and cash equivalents at beginning of the year		95,050	108,910
Cash and cash equivalents at end of the year	5	89,900	95,050

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

 Chief Financial Officer

 Chief Executive Officer

 Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** NAFA Islamic Principal Protected Fund-II (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 07 May 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 29 April 2014 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** 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 the 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).
- 1.3** The Fund has been categorised as an open-end "Shariah Compliant Capital Protected Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited.
- 1.4** The objective of NAFA Islamic Principal Protection Fund - II is to earn a potentially high return through dynamic asset allocation between shariah compliant equities and money market investment avenues, while providing principal protection to its unit holders. Principal protection means that the net realisable value of the Fund shall not fall below the initial investment value (adjusted for distributions / redemptions during the life of the Fund), provided that the units are held till the completion of the initial maturity of the Fund. The duration of the Fund is perpetual. The Initial Maturity of the Fund was two years from the commencement of the launch of the Fund.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM1 to the Management Company. The Fund has not yet been rated.
- 1.6** Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- provisions of and directives issued under the Companies Act, 2017 along with part and the requirements VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.

2.2 Accounting convention

These financial statements are prepared under the historical cost convention except for investments which are carried at fair value.



2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) Valuation of Investment (Note 4.2.4)
- (b) Provisions (Note 4.6)
- (c) Element of income (Note 4.9)
- (d) Classification and impairment of financial assets (Note 4.2.1 and 4.2.5)

3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The application of amendments are not likely to have an impact on Fund's financial statements.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The application of amendments are not likely to have an impact on Fund's financial statements.



- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The application of amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - There is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The application of amendments are not likely to have an impact on Fund's financial statements.
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The application of amendments are not likely to have an impact on Fund's financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and



condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The application of amendments are not likely to have an impact on Fund's financial statements.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The application of above amendments are not likely to have an impact on Fund's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

4.1 New, Amended and Revised Standards and Interpretations of IFRSs

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 but are considered not to be relevant or do not have any significant effect on the Fund's financial statements and are therefore not stated in these financial statements.

4.2 Financial Assets

4.2.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well "as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and receivables, if any. These financial assets are held to collect contractual cash flow.
- Other business model: this includes equity securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.



Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.3 Initial recognition and measurement

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

4.2.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

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

4.2.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

4.2.6 Derecognition

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

4.2.7 Offsetting of financial assets and financial liabilities

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



4.3 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.4 Financial liabilities

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.5 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

4.6 Provisions

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

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.8 Issue and redemption of units

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

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

4.9 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.



Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.10 Earnings per unit

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

4.11 Net assets value per unit

The net assets value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

4.12 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised using the effective yield method.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

4.13 Distribution

Distributions declared are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

5 BANK BALANCES

	Note	2020 (Rupees in '000)	2019
In current accounts		121	255
In savings accounts	5.1	89,779	94,795
		<u>89,900</u>	<u>95,050</u>

5.1 These accounts carry mark-up at rates ranging from 3.02% to 14.45% (2019: 2.4% to 13%) per annum.

6 INVESTMENTS

	Note	2020 (Rupees in '000)	2019
At fair value through profit or loss			
- Listed equity securities	6.1	<u>36,253</u>	<u>23,688</u>



6.1 Investment in listed equity securities

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

Name of the Investee Company	As at 1 July 2019	Purchases during the year	Bonus Shares issued during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value /carrying value as at 30 June 2020 (Rupees in '000)	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of the paid up capital of the investee company held
	----- (Number of shares) -----							----- (%) -----		
Pharma and Bio Tech										
Abbott Laboratories (Pakistan) Limited	200	-	-	-	200	-	-	-	-	-
AGP Limited NC	-	3,000	-	-	-	3,000	329	0.29	0.91	-
The Searle Company Limited (refer note 6.1.2)	343	600	-	-	-	943	188	0.17	0.52	-
	543	3,600	-	-	200	3,943	517	0.46	1.43	
Commercial Banks										
Meezan Bank Limited	16,187	34,500	-	-	22,000	28,687	1,975	1.76	5.45	-
	16,187	34,500	-	-	22,000	28,687	1,975	1.76	5.45	
Cement										
Lucky Cement Limited	2,000	5,300	-	-	1,000	6,300	2,908	3.31	8.02	-
Kohat Cement Company Limited	3,330	12,500	-	-	-	15,830	2,176	1.94	6.00	0.01
	5,330	17,800	-	-	1,000	22,130	5,084	5.25	14.02	
Fertilizer										
Engro Corporation Limited (refer note 6.1.1)	10,890	11,500	-	-	5,000	17,390	5,094	4.53	14.05	-
Engro Fertilizers Limited (refer note 6.1.1)	43,500	14,500	-	-	27,000	31,000	1,869	1.66	5.16	-
	54,390	26,000	-	-	32,000	48,390	6,963	6.19	19.21	
Power Generation & Distribution										
The Hub Power Company Limited (refer note 6.1.1)	43,157	3,502	-	-	13,000	33,659	2,440	2.17	6.73	-
K-Electric Limited	29,000	-	-	-	29,000	-	-	-	-	-
	72,157	3,502	-	-	42,000	33,659	2,440	2.17	6.73	
Textile Composite										
Nishat Mills Limited (refer note 6.1.1)	14,000	8,900	-	-	2,400	20,500	1,599	1.42	4.41	0.01
Kohinoor Textile Mills Limited (refer note 6.1.2)	4,737	-	-	-	-	4,737	168	0.15	0.46	-
	18,737	8,900	-	-	2,400	25,237	1,767	1.57	4.87	
Oil & Gas Marketing Companies										
Pakistan State Oil Company Limited (refer note 6.1.1)	3,600	7,400	1,920	-	2,900	10,020	1,585	1.41	4.37	-
Sui Northern Gas Pipelines	7,500	25,000	-	-	25,000	7,500	410	0.36	1.13	-
Hascal Petroleum Limited (refer note 6.1.2)	1,147	-	-	-	26	1,121	15	0.01	0.04	-
	12,247	32,400	1,920	-	27,926	18,641	2,010	0.37	5.54	
Engineering										
Mughal Iron and Steel Industries Limited (refer note 6.1.2)	2,226	36,000	-	-	11,000	27,226	1,086	0.97	3.00	0.01
International Steels Limited	100	-	-	-	-	100	5	-	0.01	-
	2,326	36,000	-	-	11,000	27,326	1,091	0.97	3.01	
Glass & Ceramics										
Tariq Glass industries Limited	4,500	9,750	-	-	-	14,250	919	0.82	2.53	0.01
	4,500	9,750	-	-	-	14,250	919	0.82	2.53	
Technology and Communication										
Systems Limited	5,900	-	-	-	-	5,900	1,084	0.96	2.99	-
	5,900	-	-	-	-	5,900	1,084	0.96	2.99	
Refinery										
National Refinery Limited	200	-	-	-	-	200	21	0.02	0.06	-
	200	-	-	-	-	200	21	0.02	0.06	
Chemical										
Engro Polymer & Chemicals Limited	18,029	66,500	-	-	29,000	55,529	1,387	1.23	3.83	0.01
	18,029	66,500	-	-	29,000	55,529	1,387	1.23	3.83	
Oil & Gas Exploration Companies										
Oil & Gas Development Company Limited (refer note 6.1.1)	18,400	16,200	-	-	15,700	18,900	2,060	1.83	5.69	-
Pakistan Oilfields Limited (refer note 6.1.1)	3,500	5,400	-	-	4,150	4,750	1,665	1.48	4.59	-
Pakistan Petroleum Limited (refer note 6.1.1)	17,340	17,000	6,088	-	16,100	24,328	2,111	1.88	5.82	-
Mari Petroleum Limited	1,520	1,600	312	-	300	3,132	3,873	4.17	10.68	-
	40,760	40,200	6,400	-	36,250	51,110	9,709	9.36	26.78	
Transport										
P.N.S.C.NC	-	17,000	-	-	-	17,000	1,286	1.14	3.55	0.01
	-	17,000	-	-	-	17,000	1,286	1.14	3.55	
Total - 30 June 2020	251,306	296,152	8,320	-	203,776	352,002	36,253	32.27	100.00	
Carrying value before fair value adjustment as at 30 June 2020							32,864			

6.1.1 Investments include shares with market value of Rs. 5.562 million (30 June 2019: Rs. 4.436 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated 23th October 2007 issued by the Securities and Exchange Commission of Pakistan.



6.1.2 The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has led a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case.

During the year ended 30 June 2018, the Honourable Supreme Court of Pakistan (HSC) passed a judgement on 27 June 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended 30 June 2019. After that, the CISs have filed a fresh constitutional petition via CP 4653 dated 11 July 2019. In this regard, on 15 July 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from 1 July 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

Accordingly, the investee company(s) have withheld the shares equivalent to 5% of bonus announcement amounting to Rs. 0.305 million (30 June 2019: 0.279 million) and not deposited in CDC account of department of Income Tax.

7 SECURITY DEPOSITS

	Note	2020 (Rupees in '000)	2019
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
		<u>2,600</u>	<u>2,600</u>

8 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management remuneration	8.1	115	107
Sindh Sales Tax on management fee	8.2	15	14
Sales Tax Payable on sales and transfer load		196	196
Selling and marketing expenses	8.3	112	224
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.4	28	56
		<u>466</u>	<u>597</u>

8.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets. Accordingly, the Management Company started charging remuneration at a rate of 2% on equity component and 12% of net income excluding equity component, subject to a minimum of 0.5% of average annual net assets and maximum of 1% of average annual net assets of the Fund.



- 8.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on management remuneration and sales load.
- 8.3** As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme upto 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived capping for charging selling and marketing expense. However, the management company has continued to charge selling and marketing expense at the rate 0.4% per annum of average net assets of the Fund or actual expenses whichever is lower.
- 8.4** In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. On 20 June 2019 SECP vide S.R.O. 639 (I)/2019, has substituted clause (s) of sub regulation 3 of regulation 60 and accordingly has removed cap of charging 0.1% per annum of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services. However, the Management Company is charging 0.1% of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY	Note	2020	2019
			-----Rupees in '000-----	
	Trustee fee payable	9.1	12	12
	Sindh sales tax payable on trustee fee	9.2	2	1
			<u>14</u>	<u>13</u>

- 9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund. The remuneration is paid to the Trustee monthly in arrears. Based on the Trust Deed, the Trustee remuneration is 0.13% of Net Assets.
- 9.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the period, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on trustee remuneration.

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective scheme categorized as an equity scheme is required to pay an annual fee to SECP. An amount equal to 0.075 percent of the average annual net assets of the Fund has been charged till 30 June 2019 and with effective from 1 July 2019 SECP has revised its free rate to 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears.

11	ACCRUED EXPENSES AND OTHER LIABILITIES		2020	2019
			(Rupees in '000)	
	Provision for Sindh Workers' Welfare Fund	11.1	3,864	3,612
	Federal Excise Duty on management remuneration	11.2	8,151	8,151
	Federal Excise Duty on sales load		2,703	2,703
	Charity Payable		596	545
	Auditors' remuneration		280	206
	Legal fees		130	150
	Printing charges		52	111
	Brokerage fee		1	13
	Settlement and bank charges		120	76
	Shariah Advisor fee		8	12
	CGT		6	-
	Withholding tax		866	-
			<u>16,777</u>	<u>15,579</u>



- 11.1** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 5.070 million and a provision for SWWF of Rs. 3.592 million upto 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis.

Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 3.5242 per unit (2019: Rs 3.4049).

- 11.2** 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, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has interalia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 8.151 million out of which no payment has been made. Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 7.4342 (30 June 2019: Rs. 7.6836) per unit.


12 CONTINGENCY AND COMMITMENT

There is no contingency and commitment outstanding as at 30 June 2020.

13 NUMBER OF UNITS IN ISSUE

2020 **2019**
(Number of units)

Total units in issue at beginning of the year		1,060,828	1,237,623
Add: Units issued	13.1	87,409	4,332
Less: Units redeemed		(51,821)	(181,127)
Total units in issue at end of the year		<u>1,096,416</u>	<u>1,060,828</u>

13.1 This includes 87,409 units (30 June 2019: 4,332) issued against Dividend Reinvestment Plan amounting to Rs. 8.934 million net of taxation (30 June 2019: 0.439).

13.2 The Management Company on 03 July 2018 declared final distribution of Rs. 0.8090 per unit (for full year) for the year ended 30 June 2018. The aggregate cash distribution amounted to Rs. 1.001 million.

13.3 The Management Company on 26 June 2020 declared interim distribution of Rs. 9.7125 per unit (for full year) for the year ended 30 June 2020. The aggregate cash distribution amounted to Rs. 9.800 million.

14 AUDITORS' REMUNERATION

2020 **2019**
(Rupees in '000)

Statutory audit fee		125	125
Half yearly review fee		50	30
Out of pocket expenses and others including government levy		82	78
		<u>257</u>	<u>233</u>

15 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.13 and 13.2), no provision for taxation has been made in these financial statements.

16 RECONCILIATION OF RECEIVABLE AND LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend Payable	Total
----- (Rupees in '000)-----				
Balance as at 1 July 2019		-	-	-
Receivable against issuance of units	8,934	-	-	8,934
Payable against redemption of units	-	5,459	-	5,459
Dividend Payable	-	-	9,800	9,800
	8,934	5,459	9,800	24,193
Issuance against dividend reinvestment	(8,934)	-	(9,800)	(18,734)
Amount paid on redemption of units	-	(5,459)	-	(5,459)
	(8,934)	(5,459)	(9,800)	(24,193)
Balance as at 30 June 2020	-	-	-	-


17 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 3.10% per annum. Total expense ratio (excluding government levies) is 2.66% per annum.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2020		
	Amortised cost	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	89,900	-	89,900
Investments	-	36,253	36,253
Profit receivable	867	-	867
Security Deposits	2,600	-	2,600
	<u>93,367</u>	<u>36,253</u>	<u>129,620</u>

	As at 30 June 2020		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	466	466
Payable to Central Depository Company of Pakistan Limited - Trustee	-	14	14
Accrued expenses and other liabilities	-	1,187	1,187
	<u>-</u>	<u>1,667</u>	<u>1,667</u>

	As at 30 June 2019		
	Amortised Cost	Mandatorily at fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	95,050	-	95,050
Investments	-	23,688	23,688
Profit receivable	1,264	-	1,264
Security Deposits	2,600	-	2,600
	<u>98,914</u>	<u>23,688</u>	<u>122,602</u>



	As at 30 June 2019		
	Mandatorily at fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	597	597
Payable to Central Depository Company of Pakistan Limited - Trustee	-	13	13
Accrued expenses and other liabilities	-	1,113	1,113
	-	1,723	1,723

19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

19.1 Connected persons include NBP Fund Management Limited being the Management Company (NBP Funds), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of 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 unit holders holding 10 percent or more units of the Fund.

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

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

19.4 The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:

19.5 Details of transactions with connected persons are as follows:	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Remuneration of NBP Fund Management Limited - Management Company	1,488	1,372
Sindh Sales Tax on remuneration to Management Company	193	178
Allocation of expenses related to registrar services, accounting, operation and valuation services	112	117
Selling and marketing expenses	448	377
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	146	152
Sindh Sales Tax on remuneration to Trustee	19	20
Employees of the Management Company		
Dividend Re-investment of 186 units (2019: 16)	19	2
Taurus Securities Limited		
Brokerage charges	4	4



	2020	2019
	(Rupees in '000)	
National Clearing Company of Pakistan Limited		
NCCPL Charges	346	365
Pakistan Stock Exchange		
Listing Fee	22	-
Taimur Dawood		
Dividend Re-investment: 8,318 Units (2019 Nil)	850	-
Redemption: 4,965 Units (2019: Nil)	540	-
Novartis Pharma (Pakistan) Ltd - Senior Provident Fund		
Dividend Re-investment: 8,658 Units (2019 Nil)	885	-
City School Provident Fund Trust		
Dividend Re-investment: 43,534 Units (2019 Nil)	4,450	-
Mehreen Dawood		
Dividend Re-investment: 16,938 Units (2019 Nil)	1,732	-
19.6 Balances at year end	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Management remuneration payable	115	107
Sindh Sales tax payable	15	14
Allocation of expenses related to registrar services, accounting, operation and valuation services	28	56
Selling and marketing expenses	112	224
Sales tax payable on sales and transfer load	196	196
Central Depository Company of Pakistan Limited - Trustee		
Remuneration Payable	12	12
Sindh Sales Tax on Trustee remuneration	2	1
Security deposit	100	100
Employees of the Management Company		
Dividend reinvestment: 2,489 units (2019: 2,303 units)	255	231
Mehreen Dawood		
Units held: 226,687 (2019: 209,748 units)	23,227	21,023
City School Provident Fund Trust		
Units held: 501,751 (2019: 458,218 units)	51,411	45,926
Novartis Pharma (Pakistan) Ltd - Senior Provident Fund		
Units held: 115,864 (2019: 107,206 units)	11,872	10,745
Taimur Dawood		
Units held: 111,320 (2019: 107,967 units)	11,406	10,821
National Clearing Company of Pakistan Limited		
NCCPL Charges Payable	55	35
Security Deposit	2,500	2,500


20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Dr. Amjad Waheed	Chief Executive Officer	MBA, Doctorate in Business Administration and CFA	32
2	Mr. Sajjad Anwar (Refer Note 20.1)	Chief Investment Officer	CFA and MBA	20
3	Mr. Asim Wahab Khan	Deputy Chief Investment Officer	CFA	14
4	Mr. Hassan Raza	Head of Research	ACCA, BSC and CFA	9

20.1 Sajjad Anwar is the Fund Manager of the Fund. He is also managing NAFA Pension Fund, NAFA Islamic Pension Fund, NAFA Islamic Stock Fund, NAFA Islamic Active Allocation Fund - I, NAFA Islamic Active Allocation Fund - II and NAFA Islamic Active Allocation Fund - III.

21 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID/ PAYABLE

List of brokers / dealers by percentage of commission paid / payable during the year ended 30 June 2020:

S. No	Particulars	Percentage (%)
1	J.S. Global Capital Ltd.	17.48
2	Optimus Capital Management Limited	12.81
3	Taurus Securities Ltd.	9.35
4	Arif Habib Securities Limited	8.63
5	Aqeel Karim Dehdi Securities (Pvt) Limited	6.41
6	Foundation Securities	5.95
7	Alfalah Securities (Pvt) Limited	5.90
8	EFG Hermes Pakistan Ltd	5.22
9	Insight Securities (Pvt.) Limited	5.20
10	BMA Capital Management Limited	4.91

List of brokers by percentage of commission paid during the year ended 30 June 2019:

S. No	Particulars	Percentage (%)
1	J.S. Global Capital Ltd.	6.45
2	Taurus Securities Ltd.	6.23
3	Abbasi Securities (Smc-Pvt.) Limited	5.56
4	Optimus Capital Management Limited	4.52
5	Fortune Securities	4.49
6	Arif Habib Securities Limited	4.20
7	Topline Securities (Pvt) Limited	3.94
8	SC Securities Pvt Ltd	3.92
9	EFG Hermes Pakistan Ltd	3.75
10	Sherman Securities (Pvt) Limited	3.54


22 PATTERN OF UNIT HOLDING

Category	As at 30 June 2020		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	34	43,045	38.32
Retirement Funds	4	68,453	60.93
Others	1	842	0.75
	39	112,341	100.00

Category	As at 30 June 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	46	44,132	41.51
Retirement funds	4	61,352	57.70
Others	2	840	0.79
	52	106,324	100.00

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th, 75th Board meetings were held on 30 August 2019, 24 October 2019, 27 February 2020, 27 April 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of directorship	Attended	Leave granted	
Mr. Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [Note 23.2]	3	2	1	74th meeting
Mr. Syed Hasan Irtiza Kazmi [Note 23.2]	3	3	-	-
Mr. Nasir Husain [Note 23.1]	1	-	1	72nd meeting
Mr. Abdul Hadi Palekar [Note 23.1]	1	-	1	72nd meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [Note 23.1]	1	1	-	-
Mr. Khalid Mansoor [Note 23.2]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [Note 23.1]	1	1	-	-
Mr. Saad Amanullah Khan [Note 23.2]	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

23.1 Mr. Nasir Husain, Mr Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque retired from the Board with effect from 04 October 2019.

23.2 Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Khan, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan opted as director on the Board with effect from 04 October 2019.



24 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, Offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in a portfolio of listed equity securities. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

24.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

24.1.1 Currency risk

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

24.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.8978 million (2019: 0.9480 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

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



As at 30 June 2020						
Yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to yield / interest risk	Total	
	Upto three months	Over three months and upto one year	Over one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Bank balances	3.02 - 14.45	89,779	-	-	121	89,900
Investments		-	-	-	36,253	36,253
Profit receivable		-	-	-	867	867
Security Deposits		-	-	-	2,600	2,600
		<u>89,779</u>	<u>-</u>	<u>-</u>	<u>39,841</u>	<u>129,620</u>
Financial Liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	466	466
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	14	14
Accrued expenses and other liabilities		-	-	-	1,187	1,187
		-	-	-	1,667	1,667
On-balance sheet gap		<u>89,779</u>	<u>-</u>	<u>-</u>	<u>38,174</u>	<u>127,953</u>
Off-balance sheet financial instruments						
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>89,779</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>89,779</u>	<u>89,779</u>	<u>89,779</u>		
----- (Rupees in '000) -----						
As at 30 June 2019						
Yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to yield / interest risk	Total	
	Upto three months	Over three months and upto one year	Over one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Bank balances	2.40 - 13.00	94,795	-	-	255	95,050
Investments		-	-	-	23,688	23,688
Dividend and profit receivable		-	-	-	1,264	1,264
Security Deposits		-	-	-	2,600	2,600
		<u>94,795</u>	<u>-</u>	<u>-</u>	<u>27,807</u>	<u>122,602</u>
Financial Liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	597	597
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	13	13
Accrued expenses and other liabilities		-	-	-	1,113	1,113
		-	-	-	1,723	1,723
On-balance sheet gap		<u>94,795</u>	<u>-</u>	<u>-</u>	<u>26,084</u>	<u>120,879</u>
Off-balance sheet financial instruments						
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>94,795</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>94,795</u>	<u>94,795</u>	<u>94,795</u>		



24.1.3 Price risk

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

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities at fair value through profit and loss'.

The Fund manages the risk by limiting exposure to any single investee company to the extent of 15% of issued capital of that investee company and the net assets of the Fund with overall limit of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations). The Fund also manages its exposure to price risk by diversifying its portfolio within the eligible stocks prescribed in the Fund's Constitutive Documents, the NBFC Regulations and circulars issued by SECP from time to time. (Refer note 6.1 for exposure limits).

In case of 5% increase / decrease in KMI 30 index on 30 June 2020, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 1.813 million (2019: Rs. 1.184 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 index.

24.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances. The bank ratings are based on The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited as at 30 June 2020 and 30 June 2019.

Balances with banks	2020 (Rupees in '000)	2019
AAA	88,147	1,009
AA+	727	338
AA-	1,020	93,697
A+	6	6
	89,900	95,050

The maximum exposure to credit risk before any credit enhancement as at 30 June 2020 is the carrying amount of the financial assets.

Concentration of the credit risk

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



24.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to tenth percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, during the current year, no borrowing was obtained by the Fund.

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

Maturity analysis for financial liabilities

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

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2020			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
Payable to NBP Fund				
Management Limited - Management Company	466	466	-	-
Payable to Central Depository				
Company of Pakistan Limited - Trustee	14	14	-	-
Accrued expenses and other liabilities	<u>1,187</u>	<u>1,187</u>	<u>-</u>	<u>-</u>
	<u>1,667</u>	<u>1,667</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>112,341</u>	<u>112,341</u>	<u>-</u>	<u>-</u>



	30 June 2019			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
Payable to NBP Fund Management Limited - Management Company	597	597	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	13	13	-	-
Accrued expenses and other liabilities	1,113	1,113	-	-
	<u>1,723</u>	<u>1,723</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>106,325</u>	<u>106,325</u>	<u>-</u>	<u>-</u>

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurement' 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. The fair value hierarchy has the following levels:

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.



		30 June 2020						
		Carrying value			Fair value			
		At fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investment								
- Listed equity securities								
		36,253	-	36,253	36,253	-	-	36,253
Financial assets not measured at fair value								
	25.1	-	89,900	89,900				
		-	867	867				
		-	2,600	2,600				
		-	93,367	93,367				
Financial liabilities not measured at fair value								
	25.1	-	466	466				
		-	14	14				
		-	1,187	1,187				
		-	1,667	1,667				
		----- (Rupees in '000) -----						
		30 June 2019						
		Carrying value			Fair value			
		At fair value through profit and loss	Loans and receivables	Total	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investment								
- Listed equity securities								
		23,688	-	23,688	23,688	-	-	23,688
Financial assets not measured at fair value								
		-	95,050	95,050				
		-	1,264	1,264				
		-	2,600	2,600				
		-	98,914	98,914				
Financial liabilities not measured at fair value								
		-	597	597				
		-	13	13				
		-	1,113	1,113				
		-	1,723	1,723				



- 25.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.
- 25.2** Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

26 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units.

As at 30 June 2020, The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

27 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerges as a contagion risk around the globe, including Pakistan. To reduce the impact on the businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- c) Time for announcement of daily NAV as per the regulatory requirements is extended from 18:30 pm to the start of the next working day.

Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and securities of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced



monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made assessment for Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 17, 2020.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director


PERFORMANCE TABLE

Particulars	For the year ended June 30, 2020	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015
Net assets at the year / period ended (Rs '000)	112,341	106,325	126,705	142,033	1,083,504	1,308,075
Net income/ (Loss) for the year / period ended (Rs '000)	12,341	-1,481	979	71,121	35,924	247,532
Net Asset Value per unit at the year / period ended (Rs)	102.4623	100.2278	102.3781	101.5691	112.1953	119.0069
Offer Price per unit at year end	N/A	N/A	N/A	N/A	N/A	N/A
Redemption Price per unit at year end	102.4623	100.2278	102.3781	101.5691	112.1953	119.0069
Ex - Highest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	N/A	102.3029
Ex - Lowest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	N/A	101.9044
Ex - Highest redemption price per unit (Rs.)	109.0859	104.1181	102.2684	102.2684	114.1762	120.8775
Ex - Lowest redemption price per unit (Rs.)	89.2484	98.8456	81.1320	81.1320	101.7554	95.6336
Ex- Fiscal Year Opening Nav	91.5095	102.3781	80.7235	80.7235	108.5848	98.1398
Total return of the fund	11.97%	-1.32%	25.82%	25.82%	3.33%	21.05%
Capital growth	2.44%	-1.32%	25.82%	-22.56%	-5.81%	18.66%
Income distribution % of Ex NAV	9.53%		0.00%	48.38%	9.13%	2.44%
Income distribution % of Par Value	9.71%		0.00%	39.06%	10.32%	2.39%
Distribution						
Interim distribution per unit	9.7125	0	0	39.0554	10.3205	2.1727
Final distribution per unit	0	0	0.8090	-	-	0.2192
Distribution Dates						
Interim	26-June-20	-	-	20-Jan-17	28-Apr-16 & 30-Jun-16	30-Jun-15
Final	-	-	04-Jul-18	-	-	16-Jul-15
Average annual return of the fund (launch date June 28, 2014)						
(Since inception to June 30, 2020)	9.80%					
(Since inception to June 30, 2019)		9.38%				
(Since inception to June 30, 2018)			12.22%			
(Since inception to June 30, 2017)				16.30%		
(Since inception to June 30, 2016)					25.22%	
(Since inception to June 30, 2015)						21.00%
(Since inception to June 30, 2014)						
Portfolio Composition (Please see Fund Manager Report)						

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up

PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Islamic Principal Protected Fund-II**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfund.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain*
Number	4	4	Nil	N/A
(%)	100%	100%	-	-

Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20002

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Fax: 021-35825335

Email: info@nbpffunds.com

Website: www.nbpffunds.com

 /nbpffunds



NBP FUNDS

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NBP BALANCED FUND



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan



Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited
Zarai Taraqiati Bank Limited

Auditors

KPMG Taseer Hadi & Co.
Sheikh Sultan Trust Building,
Ground No. 2 Shaheed Chaudary Aslam Road,
Civil Lines, Karachi, 75530

Legal Advisor

Akhund Forbes
D-21, Block 4, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

Khan Center, 1st Floor,
Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2&4

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Fourteen Annual Report of NBP Balanced Fund for the year ended June 30, 2020.

Fund's Performance

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meagre 1.5% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 28,765 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 37% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.5% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

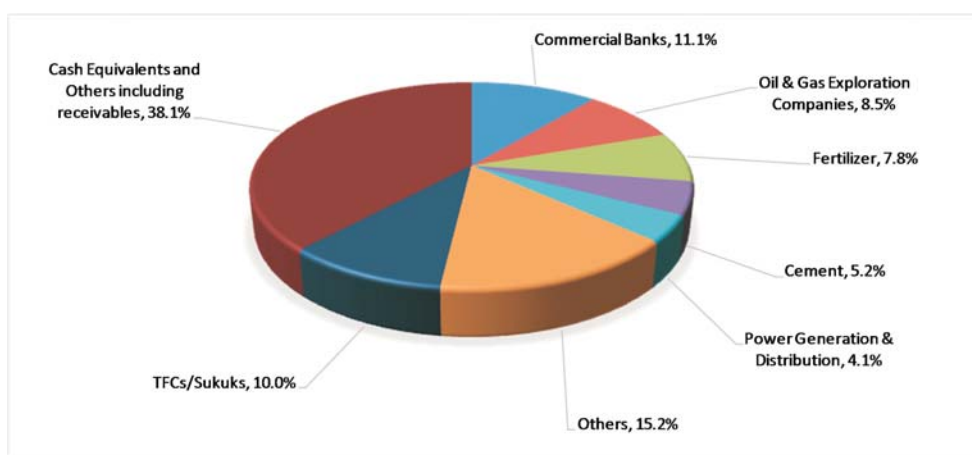
During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) the exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.



During the fiscal year, NBP Balanced Fund increased by 7.4% versus the benchmark increased by 10.7% translating into an underperformance of 3.3% during the year. The drag on the Fund performance was on account of lagged performance of some of its key holdings belonging to defensive sectors that continued to trade at steep valuation discount compared to the market, during the period under review. We expect these stocks to exhibit strong performance going ahead given their undemanding valuations. Since its launch (January 19, 2007), the Fund has risen by 369.4%, versus the benchmark return of 176.3%, thus to date outperformance is 193.1%. This outperformance is net of management fee and all other expenses. The Fund size is 1,382 million as of June 30, 2020.

NBP Balanced Fund has earned a total income of Rs 150.632 million during the year. After deducting total expenses of Rs.51.589 million, the net income is Rs 99.043 million. During the year, the unit price of NBP Balanced Fund has increased from Rs.16.4866 (Ex-Div) on June 30, 2019 to Rs.16.6917 on June 30, 2020. The resultant per unit gain is Rs.0.2051 (1.24%).

The asset allocation of NBP Balanced Fund as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 6.20% of the opening ex-NAV (10.21% of the par value) for the period ended June 30, 2020.

Taxation

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

Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retired and, Messrs Grant Thornton Anjum Rahman., Chartered Accountants, offer for appointment for the year ending June 30, 2021.

Directors' Statement in Compliance with best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.



6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 21 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **September 17, 2020**
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP بیلنسڈ فنڈ کی چودہویں سالانہ رپورٹ برائے اختتامہ سال 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

مالی سال 2019-20ء، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KSE-100 انڈیکس میں سالانہ بنیادوں پر 1.5% کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 بلین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 بلین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 بلین امریکی ڈالر کی آمد جیسی مثبت خبروں کے باوجود مارکیٹ کا آغاز منفی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرمیکل 370 کی منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح 28,765 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں نقص کی مالیت کو واضح کر دیا۔ پُرکشش مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلنس اکتوبر 2019 میں سر پلس میں تبدیل ہوا اور مالی سال 20 کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 3 ارب ڈالر رہ گیا، جو سالانہ بنیادوں پر 78 فیصد کم ہوا۔ اسی طرح، کثیرالجہتی ایجنسیوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KSE-100 انڈیکس میں 16 اگست، 2019 سے خطیر 50 فیصد اضافے کے ساتھ سے 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

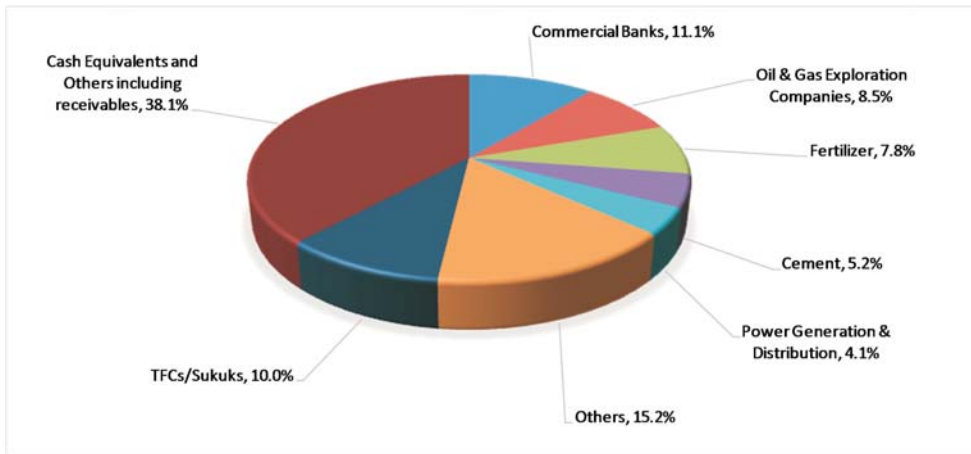
اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے معنی جٹ کے اندیشہ، اور T-Bills سے ہاٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن/شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 37 فیصد گر گئی۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، پالیسی سازوں نے غیر معمولی مالی اور مالیاتی پالیسی اقدامات اٹھائے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو مجموعی طور پر 6.25 فیصد تک کم کیا اور کاروباری اداروں کی مدد اور قرضہ جاری رکھنے کے لئے، قرضوں کی ادائیگی سے متعلق کارپوریٹس/تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امدادی پیکج دینے کا اعلان کیا، جو جی ڈی پی کے 2.8 فیصد کے برابر ہے، جس میں معاشرے کے تمام طبقوں کے لئے ریلیف شامل ہے، جن میں غیر مراعات یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپڈ فنانسنگ انسٹرومنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود نسبتاً کم اموات کی شرح اور صحت یابی کی اعلیٰ شرحوں نے امیدوں کو بڑھایا کہ پاکستان کو بدترین خطرہ سے بچایا جاسکتا ہے جس کا پہلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھائی اور تقریباً تمام نقصان والے شعبوں کا احاطہ کیا اور سالانہ بنیاد پر 1.5 فیصد کی معمولی اضافے کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

زیر جائزہ مالی سال کے دوران شعبہ دارکارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسیریز، سینٹ، کیمیکلز، انجینئرنگ، کھاد، دوا سازی، کاغذ اور بورڈ، بیکنگ اور گلاس اینڈ سرامکس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس، ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوشن، اور ٹیکسٹائل کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 بلین امریکی ڈالر کے خالص ان فلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 بلین امریکی ڈالر کے ساتھ پوزیشن مستحکم کی دوسری جانب غیر ملکی سرمایہ کار 285 بلین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک/DFIs اور میوچل فنڈز بھی بالترتیب 55 بلین امریکی ڈالر اور 50 بلین امریکی ڈالر کے خالص آؤٹ فلو کے ساتھ نمایاں فروخت کنندہ رہے۔

مالی سال 2020 کے دوران، TFCs/سٹاک میں تجارتی سرگرمی مالی سال 2019 میں 16 بلین روپے کے مقابلے میں مالی سال 2020 کے دوران 87 فیصد اضافے کے ساتھ تقریباً 29 بلین روپے کی مجموعی تجارتی قیمت رہی۔ طویل مدتی کرڈٹ کی طلب خاص طور پر پاور سیکٹور کے شعبے میں قابل ذکر حد تک بڑھ گئی جیسا کہ بنیادی اجراء میں اضافہ دیکھا گیا۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لٹیٹی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منصفانہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب 566bps، 580bps اور 608bps کی کمی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹائپس (27) T-Bills نیلامیاں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

زیر جائزہ مالی سال کے دوران، NBP ہیلنسڈ فنڈ 10.7% سٹاک مارکٹ اضافہ کے مقابلے میں 7.4% تک زیادہ ہوا جس کے نتیجے میں سال کے دوران 3.3% کی بہتر کارکردگی ظاہر کی۔ زیر جائزہ مدت کے دوران چند دفعتی شعبوں سے متعلقہ کلیدی ہولڈنگز جس نے مارکیٹ کے موازنہ میں کم قیمت پر تجارت جاری رکھی کی کارکردگی کی وجہ سے فنڈ کی کارکردگی میں اضافہ ہوا۔ ہم توقع کرتے ہیں کہ ان ذخائر کی وجہ سے مارکیٹ جذبات کی بہتری کے ساتھ کھولے ہوئے مقام کو دوبارہ حاصل کریں گے جبکہ ان کی غیر متزلزل قیمتوں کا اندازہ ہوگا۔ اپنے آغاز (19 جنوری 2007) سے، فنڈ میں 176.3 فیصد سٹاک مارکٹ ریٹرن کے مقابلے میں 369.4 فیصد کا اضافہ ہوا ہے، چنانچہ آج تک بہتر کارکردگی 193.1 فیصد ہے۔ یہ بہتر کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے علاوہ خالص ہے۔ فنڈ کا سائز 30 جون 2020 کو 1,382 ملین ہے۔

NBP ہیلنسڈ فنڈ کو سال کے دوران 150.632 ملین روپے کی کل آمدنی ہوئی ہے۔ 51.589 ملین روپے کے اخراجات کے شمار کے بعد، خالص آمدنی 99.043 ملین روپے ہے۔ 30 جون 2020 کے مطابق NBP ہیلنسڈ فنڈ کی ایٹ ایلوکیشن حسب ذیل ہے:



آمدنی کی تقسیم

میجسٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اوپننگ ex-NAV کا 6.20% (بنیادی قدر کا 10.21%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر آئٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے فنڈ کے آڈیٹ کی صلاحیت سے ریٹائرڈ ہو گئے۔ میسرز Grant Thornton انٹرنیشنل، چارٹرڈ اکاؤنٹنٹس نے تقرری کے لئے اپنے آپ کو پیش کیا اور بورڈ نے 30 جون 2021 کو ختم ہونے والے سال میں میسرز Grant Thornton انٹرنیشنل، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دی ہے۔

لوڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- میجسٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلواور اینڈ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیمیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 25 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی پیرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، ای ای او، ای ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔
- 13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔
- 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

کلیگری	نام
غیر جانبدار ڈائریکٹرز	•1 جناب خالد منصور
	•2 جناب سعد امان اللہ خان
	•3 جناب ہمایوں بشیر
ایگزیکٹو ڈائریکٹر	ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)
نان ایگزیکٹو ڈائریکٹرز	•1 شیخ محمد عبدالواحد سیٹھی (چیئر مین)
	•2 جناب سعد الرحمان خان
	•3 جناب سید حسن ارتضیٰ کاظمی
	•4 جناب علی سید گل
	•5 جناب عمران ظفر

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے بینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ بینکوریٹز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ بینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Balanced Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020

FUND MANAGER REPORT

NBP Balanced Fund (NBF) is an Open-ended Balanced Fund.

Investment Objective of the Fund

Objective of NBF is to provide investors with a combination of capital growth and income. NBF aims to achieve attractive returns at moderate levels of risk by investing in a variety of asset classes such as stocks, bonds, money market instruments, CFS etc.

Benchmark

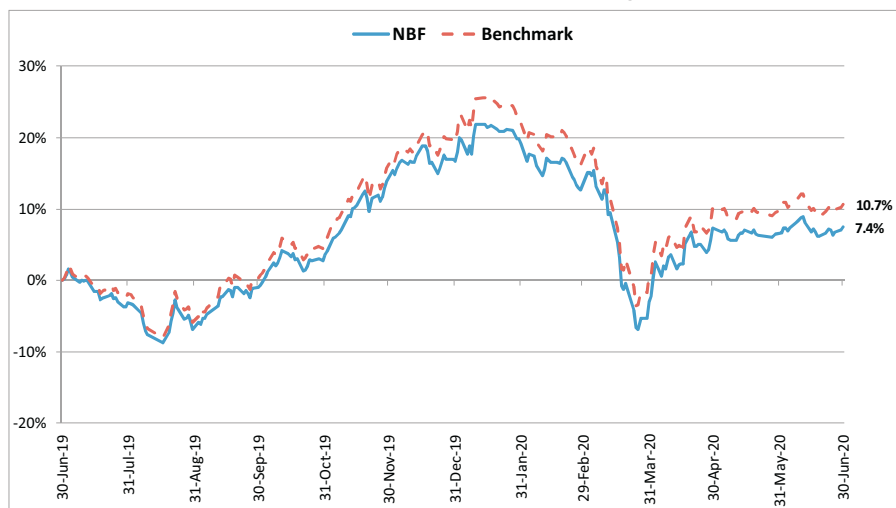
Daily weighted return of KSE-30 Total Return Index & 6-month KIBOR based on Fund's actual allocation, effective from September 01, 2016. Previously 50% KSE-30 Total Return Index & 50% 3-Month KIBOR.

Fund Performance Review

This is the fourteenth annual report of the Fund. During the fiscal year, NBP Balanced Fund increased by 7.4% versus the benchmark increased by 10.7% translating into an underperformance of 3.3% during the year. Since its launch (January 19, 2007), the Fund has risen by 369.4%, versus the benchmark return of 176.3%, thus to date outperformance is 193.1%. This outperformance is net of management fee and all other expenses. Thus, NBF has met its investment objective. During the year, the fund size of NMF decreased by 2% to Rs. 1,382mn.

NBF underperformed during the year as the Fund was overweight in key stocks in Commercial Banks, Chemical, and Textile Composite sectors that underperformed the market and underweight in key stocks in Fertilizer, Cement, and Pharmaceutical sectors that outperformed the market, thereby contributing to the underperformance. The chart below shows the performance of NMF against the Benchmark for the year.

NBF Performance vs. Benchmark during FY20



At the start of the year, NBF was around 54.9% invested in equities. During the year, we altered the allocation of the Fund based on the expected performance of different asset classes. Towards the end of the year, the allocation in equities was around 51.9%.

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meagre 1.5% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 28,765 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 2020.



Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 37% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.5% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) the exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	51.9%	54.9%
TFCs / Sukuks	10.0%	6.7%
Placement with Banks	-	6.8%
Cash Equivalents	40.13%	33.0%
Other Net Liabilities	(2.03%)	(1.4%)
Total	100%	100%



Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Jun-20	10.21%	17.6851	16.6637

Unit Holding Pattern of as on June 30, 2019:

Size of Unit Holding (Units)	# of Unit Holders
1-1000	145
1001-5000	119
5001-10000	37
10001-50000	82
50001-100000	18
100001-500000	28
500001-1000000	1
1000001-5000000	1
5000001-10000000	1
100000001-1000000000	2
Total	434

During the period under question:

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 14.234 Million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.172 For details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
Saudi Pak Leasing	TFC	27,547,410	27,547,410	-	-	-
Eden Housing (Sukuk II)	SUKUK	9,843,750	9,843,750	-	-	-
New Allied Electronics (Sukuk I)	SUKUK	10,000,000	10,000,000	-	-	-
Total		47,391,160	47,391,160	-	-	-



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Balanced Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **NBP Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2020, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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



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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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



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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nadeem.

Date: September 30, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
Assets			
Bank Balances	5	554,469	464,789
Investments	6	855,228	960,831
Dividend and profit receivables	7	6,040	9,173
Advance, deposits and prepayment	8	3,853	3,842
Receivable against sale of investment		2,132	-
Total assets		1,421,722	1,438,635
Liabilities			
Payable to NBP Fund Management Limited - Management Company	9	7,334	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee	10	225	230
Payable to Securities and Exchange Commission of Pakistan	11	285	1,352
Accrued expenses and other liabilities	12	32,159	26,409
Total liabilities		40,003	34,501
Net assets		1,381,719	1,404,134
Unit holders' fund (as per statement attached)		1,381,719	1,404,134
Contingency and commitment	13		
		(Number of units)	
Number of units in issue	14	82,778,864	85,168,283
		(Rupees)	
Net assets value per unit		16.6917	16.4866

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
Income			
Income From Term Finance Certificates And Sukuks		19,887	11,290
Income From Term Deposit Receipt		3,236	
Discount Income On Treasury Bills		12,845	8,862
Profit on bank deposits		39,581	58,574
Dividend Income		49,069	41,410
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - Net		23,824	(52,355)
Net unrealised appreciation / (diminution) on re-measurement of investments at FVTPL		2,190	(150,515)
Total income / (loss)		150,632	(82,734)
Expenses			
Remuneration To NBP Fund Management Limited - Management Company	9.1	21,553	31,809
Sindh Sales Tax on remuneration to Management Company	9.2	2,802	4,135
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1	2,423	2,590
Sindh Sales Tax on remuneration to Trustee	10.2	315	337
Selling and marketing expenses	9.3	17,913	5,455
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	1,423	1,590
Annual fee - Securities and Exchange Commission of Pakistan	11	285	1,352
Securities transaction cost		1,016	1,926
Auditors' remuneration	15	688	717
Settlement and bank charges		737	646
Mutual fund rating fee		232	212
Legal And Professional Charges		112	76
Printing Charges		41	40
Annual listing fee		28	28
Total expenses		49,568	50,913
Net income / (loss) from operating activities		101,064	(133,647)
Provision for Sindh Workers' Welfare Fund	12.1	(2,021)	-
Net income / (loss) for the year before taxation		99,043	(133,647)
Taxation	16	-	-
Net Income / (loss) for the year		99,043	(133,647)
Allocation of net income for the year			
Net income for the year		99,043	-
Income already paid on units redeemed		(311)	-
		98,732	-
Accounting income available for distribution:			
Relating to capital gains		25,947	-
Excluding capital gains		72,785	-
		98,732	-

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	<i>Note</i>	2020	2019
		(Rupees in '000)	
Net Income / (loss) for the year		99,043	(133,647)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		<u>99,043</u>	<u>(133,647)</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	894,200	509,934	1,404,134	1,010,443	643,581	1,654,024
Issue of 4,551,136 units (2019: 4,517,756 units)						
- Capital value	75,212	-	75,212	81,358	-	81,358
- Element of income	3,559	-	3,559	(653)	-	(653)
Total proceeds on issuance of units	78,771	-	78,771	80,705	-	80,705
Redemption of 6,940,555 units (2019: 11,197,078 units)						
- Capital value	(114,426)	-	(114,426)	(201,642)	-	(201,642)
- Element of loss	(3,677)	(311)	(3,988)	4,694	-	4,694
Total payments on redemption of units	(118,103)	(311)	(118,414)	(196,948)	-	(196,948)
Total comprehensive Income / (loss) for the year	-	99,043	99,043	-	(133,647)	(133,647)
Interim Distribution for the year ended 30 June 2020	14.2					
- Cash distribution	-	(81,636)	(81,636)	-	-	-
- Refund of capital	(179)	-	(179)	-	-	-
	(179)	(81,636)	(81,815)	-	-	-
Net assets at end of the year	854,689	527,030	1,381,719	894,200	509,934	1,404,134
Undistributed income brought forward						
- Realised		660,449			730,114	
- Unrealised		(150,515)			(86,533)	
		509,934			643,581	
Accounting income available for distribution: Relating to capital gains Excluding capital gains		25,947 72,785 98,732			- - -	
Total comprehensive loss for the year		-			(133,647)	
Interim Distribution for the year ended 30 June 2020	14.2					
- Cash distribution		(81,636)			-	
Undistributed income carried forward		527,030			509,934	
Undistributed income carried forward						
- Realised		524,840			660,449	
- Unrealised		2,190			(150,515)	
		527,030			509,934	
			(Rupees)		(Rupees)	
Net assets value per unit at beginning of the year			16.4866			18.0084
Net assets value per unit at end of the year			16.6917			16.4866

The annexed notes 1 to 30 form an integral part of these financial statements.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
CASH FLOWS FOR THE YEAR FROM OPERATING ACTIVITIES			
Net Income / (loss) for the year		99,043	(133,647)
Adjustments:			
Net unrealised (appreciation) / diminution on re-measurement of investments at FVTPL		(2,190)	150,515
		96,853	16,868
Decrease / (increase) in assets			
Investments		107,793	(164,097)
Dividend and profit receivables		3,133	(3,166)
Advance, deposits and prepayment		(11)	(110)
Receivable against sale of investment		(2,132)	-
		108,783	(167,373)
Decrease / (increase) in liabilities			
Payable to NBP Fund Management Limited - Management Company		824	1,975
Payable to Central Depository Company of Pakistan Limited - Trustee		(5)	(83)
Payable to Securities and Exchange Commission of Pakistan		(1,067)	(124)
Accrued expenses and other liabilities		5,750	15
		5,502	1,783
Net cash generated / (used in) from operating activities		211,138	(148,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
	18		
Amounts received against issuance of units		78,592	80,705
Payment against redemption of units		(118,414)	(196,948)
Distributions paid		(81,636)	-
Net cash used in financing activities		(121,458)	(116,243)
Net increase / (decrease) in cash and cash equivalents		89,680	(264,965)
Cash and cash equivalents at beginning of the year		464,789	729,754
Cash and cash equivalents at end of the year	5	554,469	464,789

The annexed notes 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The NBP Balanced Fund 'the Fund' was established under a Trust Deed executed between the NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Trust Deed was executed on 06 December 2006 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on 01 December 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).
- 1.2 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 the 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 the Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund classified as a "balanced scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The core objective of the Fund is to provide its investors with a combination of capital growth and income. The Fund aims to achieve attractive returns at moderate levels of risk by investing in a variety of asset classes such as stocks, bonds, money market instruments etc.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company, long term and short term performance ranking of '4 star' to the Fund.
- 1.6 Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- provisions of and directives issued under the Companies Act, 2017 along with part and the requirements VIII A of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.

2.2 Accounting convention

These financial statements are prepared under the historical cost convention except for investments which are carried at their fair values.



2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) Valuation of investment (Note 4.2.4)
- (b) Provisions (Note 4.4)
- (c) Element of income (Note 4.7)
- (d) Classification and impairment of financial assets (Note 4.2.1 and 4.2.5)

3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The application of amendments are not likely to have an impact on the Fund's financial statements.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The application of amendments are not likely to have an impact on the Fund's financial statements.



- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021 and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are



recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendment retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The application of amendments are not likely to have an impact on the Fund's financial statements.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The application of above amendments are not likely to have an impact on the Fund's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

4.1 New, Amended and Revised Standards and Interpretations of IFRSs

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

4.2 Financial Assets

4.2.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes only cash and cash equivalents and receivables, if any. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt and equity securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.



Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.3 Initial recognition and measurement

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

4.2.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

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

b) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

c) Basis of valuation of equity securities

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

4.2.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs,



the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Funds' historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

4.2.6 Derecognition

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

4.2.7 Offsetting of financial assets and liabilities

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

4.2.8 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term commitments rather than for investments and other purposes.

4.2.9 Securities purchased under repurchased agreement

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo transaction.

All reverse repo transactions are accounted for on the settlement date.

4.2.10 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

4.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.4 Provisions

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



4.5 Taxation

The income of the Fund 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.6 Issue and redemption of units

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

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

4.7 Element of Income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.8 Earnings per unit

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

4.9 Net assets value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.



4.10 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

4.11 Distributions

Distributions declared are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

5 BANK BALANCES

	Note	2020 (Rupees in '000)	2019
In current accounts		6,592	6,163
In savings accounts	5.1 & 5.2	547,877	458,626
		<u>554,469</u>	<u>464,789</u>

5.1 These carry a rate of return ranging from 6.50%% to 13.30% (2019: 3.75% to 13.85%) per annum.

5.2 This includes cheques amounting to Rs. 0.23 million (2019: Rs. 0.55 million) issued on account of redemption of units and the cheques amounting to Rs. 0.54 million (2019: Rs. Nil) received on account of issuance of units as at year end.

6 INVESTMENTS

	Note	2020 (Rupees in '000)	2019
Investments by category			
Financial assets 'at fair value through profit or loss'			
- Listed equity securities	6.1	716,571	770,498
- Term finance certificates - listed	6.2	-	-
- Term finance certificates - unlisted	6.3	62,085	94,588
- Sukuk bonds	6.5	76,572	-
- Term deposit receipt	6.6	-	95,745
		<u>855,228</u>	<u>960,831</u>



6.1 Equity securities - Listed - at fair value through profit or loss

All shares have a nominal face value of Rs 10 each, except for shares of Thal Limited and Shabbir Tiles and Ceramics Limited which have a face value of Rs 5 and K Electric Limited which has a face value of Rs 3.5.

Name of the investee company	As at 1 July 2019	Purchases during the year	Bonus issue during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value / carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
	----- (Number of Shares) -----						(Rupees in '000)	----- (%) -----		
Oil & Gas Exploration Companies										
Oil and Gas Development Company Limited (Refer 6.1.1)	413,396	225,500	-	-	296,800	342,096	37,288	2.70	5.20	0.01
Pakistan Oilfields Limited	61,623	33,900	-	-	82,000	13,523	4,742	0.34	0.66	-
Pakistan Petroleum Limited (Refer 6.1.1)	304,452	238,500	78,890	-	269,500	352,342	30,576	2.21	4.27	0.01
Mari Petroleum Limited	26,376	7,300	3,368	-	480	36,564	45,216	3.27	6.31	0.03
	805,847	505,200	82,258	-	648,780	744,525	117,822	8.52	16.44	
Oil & Gas Marketing Companies										
Attock Petroleum Limited	16,261	-	-	-	-	16,261	4,963	0.36	0.69	0.02
Hascol Petroleum Limited (Refer 6.1.2)	2,152	-	-	-	1,375	777	11	-	-	-
Pakistan State Oil Company Limited (Refer 6.1.2)	95,319	54,300	25,924	-	61,700	113,843	18,005	1.30	2.51	0.02
Sui Northern Gas Pipelines Limited	161,000	241,500	-	-	306,500	96,000	5,242	0.38	0.73	0.02
	274,732	295,800	25,924	-	369,575	226,881	28,221	2.04	3.93	
Fertilizer										
Engro Fertilizers Limited	449,001	394,500	-	-	572,000	271,501	16,366	1.18	2.28	0.02
Engro Corporation Limited	156,220	52,500	-	-	65,101	143,619	42,069	3.04	5.87	0.02
Fauji Fertilizer Bin Qasim Limited	-	330,000	-	-	215,500	114,500	1,827	0.13	0.25	0.01
Fauji Fertilizer Company Limited	475,501	204,000	-	-	242,600	436,901	48,055	3.48	6.71	0.03
	1,080,722	981,000	-	-	1,095,201	966,521	108,317	7.83	15.11	
Chemical										
Engro Polymer & Chemicals Limited	453,623	644,500	-	-	175,000	923,123	23,060	1.67	3.22	0.10
Lotte Chemical Pakistan Limited	425,000	-	-	-	425,000	-	-	-	-	-
	878,623	644,500	-	-	600,000	923,123	23,060	1.67	3.22	
Cement										
Cherat Cement Co. Limited	48,800	-	-	-	48,800	-	-	-	-	-
D.G. Khan Cement Co. Limited	-	199,000	-	-	102,500	96,500	8,234	0.60	1.15	0.02
Fauji Cement Co. Limited	-	699,000	-	-	245,000	454,000	7,664	0.55	1.07	0.03
Kohat Cement Co. Limited	102,250	21,500	-	-	49,000	74,750	10,274	0.74	1.43	0.04
Lucky Cement Limited (Refer 6.1.1)	41,364	56,300	-	-	-	97,664	45,080	3.26	6.29	0.03
Maple Leaf Cement Factory	45,000	-	-	-	45,000	-	-	-	-	-
	237,414	975,800	-	-	490,300	722,914	71,252	5.15	9.94	
Automobile Assembler										
Honda Atlas Cars (Pakistan) Limited	-	38,700	-	-	-	38,700	7,495	0.54	1.05	0.03
Indus Motor Company Limited	1,220	-	-	-	-	1,220	1,214	0.09	0.17	-
Millat Tractors Limited	-	13,500	-	-	1,300	12,200	8,615	0.62	1.20	0.02
	1,220	52,200	-	-	1,300	52,120	17,324	1	2	
Automobile Parts & Accessories										
Thal Limited	11	-	-	-	-	11	4	-	-	-
	11	-	-	-	-	11	4	-	-	
Engineering										
Aisha Steel Limited	-	177,000	-	-	177,000	-	-	-	-	-
International Industries Limited	32,000	-	3,200	-	35,200	-	-	-	-	-
International Steels Limited	105,100	124,000	-	-	131,000	98,100	5,067	0.37	0.71	0.02
Mughal Iron & Steel Industries	381,000	211,000	-	-	-	592,000	23,609	1.71	3.29	0.24
	518,100	512,000	3,200	-	343,200	690,100	28,676	2.08	4.00	



Name of the investee company	As at 1 July 2019	Purchases during the year	Bonus issue during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value / carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
	----- (Number of Shares) -----					(Rupees in '000)	----- (%) -----			
Food & Personal Care Products										
Fauji Foods Limited	10,500	-	-	-	10,500	-	-	-	-	-
Matco Foods Limited	131,000	-	-	-	-	131,000	2,497	0.18	0.35	0.11
	141,500	-	-	-	10,500	131,000	2,497	0	0	
Glass & Ceramics										
Shabbir Tiles & Ceramics Limited	100,000	-	-	-	-	100,000	798	0.06	0.11	0.06
Tariq Glass Industries Limited	119,500	2,500	61,000	-	-	183,000	11,807	0.85	1.65	0.17
	219,500	2,500	61,000	-	-	283,000	12,605	0.91	1.76	
Insurance										
Adamjee Insurance Co. Limited	90,500	-	-	-	-	90,500	2,996	0.22	0.42	0.03
	90,500	-	-	-	-	90,500	2,996	0	0	
Paper & Board										
Century Paper & Board Mills	145,400	-	-	-	55,000	90,400	6,470	0.47	0.90	0.06
Cherat Packaging Limited	79,100	-	7,910	-	-	87,010	10,193	0.74	1.42	0.20
Packages Limited	-	13,500	-	-	-	13,500	4,687	0.34	0.65	0.02
	224,500	13,500	7,910	-	55,000	190,910	21,350	1.55	2.97	
Pharmaceuticals										
AGP Limited	-	20,000	-	-	20,000	-	-	-	-	-
Highnoon Laboratories Limited	1,140	-	-	-	-	1,140	629	0.05	0.09	-
The Searle Company Limited	-	9,000	-	-	-	9,000	1,793	0.13	0.25	-
	1,140	29,000	-	-	20,000	10,140	2,422	0.18	0	
Power Generation & Distribution										
Hub Power Company Limited	573,916	213,500	-	-	198,500	588,916	42,697	3.09	5.95	0.05
K- Electric Limited	900,000	-	-	-	545,000	355,000	1,069	0.08	0.15	-
Lalpir Power Limited	644,000	-	-	-	100,000	544,000	6,348	0.46	0.89	0.14
Pakgen Power Limited	373,000	-	-	-	-	373,000	4,480	0.32	0.63	0.10
Saif Power Limited	130,000	-	-	-	-	130,000	2,089	0.15	0.29	0.03
	2,620,916	213,500	-	-	843,500	1,990,916	56,683	4.10	7.91	
Technology & Communication										
Avaeon Limited	23,200	-	-	-	23,200	-	-	-	-	-
NetSol Technologies Limited	185,800	-	-	-	40,000	145,800	7,248	0.52	1.01	0.16
P.T.C.L. "A"	480,000	-	-	-	480,000	-	-	-	-	-
Systems Limited	83,550	-	-	-	-	83,550	15,346	1.11	2.14	0.07
	772,550	-	-	-	543,200	229,350	22,594	2	3	
Textile Composite										
Azgard Nine (Non- Voting)	807,000	-	-	-	-	807,000	5,649	0.41	0.78	13.53
Gul Ahmed Textile Mills Limited	579,500	-	88,300	-	176,000	491,800	14,080	1.02	1.96	0.11
Interloop Limited	105,918	-	-	-	-	105,918	4,652	0.34	0.65	0.01
Kohinoor Textile Mills Limited (Refer 6.1.2)	179,113	-	-	-	-	179,113	6,360	0.46	0.89	0.06
Nishat (Chunian) Limited	194,000	-	-	-	126,000	68,000	2,207	0.16	0.31	0.03
Nishat Mills Limited (Refer 6.1.1)	134,700	80,500	-	-	30,000	185,200	14,447	1.05	2.02	0.05
	2,000,231	80,500	88,300	-	332,000	1,837,031	47,395	3	7	
Vanaspati and Allied Industries										
Unity Foods Limited - Right	14	-	-	-	14	-	-	-	-	-
	14	-	-	-	14	-	-	-	-	



Name of the investee company	As at 1 July 2019	Purchases during the year	Bonus issue during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value / carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
	----- (Number of Shares) -----						(Rupees in '000)	----- (%) -----		
Commercial Banks										
Allied Bank Limited	254,300	-	-	-	196,500	57,800	4,426	0.32	0.62	0.01
Askari Bank Limited	130,000	-	-	-	130,000	-	-	-	-	-
Bank Alfalah Limited	1,042,050	127,000	-	-	226,474	942,576	31,642	2.29	4.42	0.05
Bank Al Habib Limited (Refer 6.1.1)	433,400	82,000	-	-	55,000	460,400	24,079	1.74	3.36	0.04
Bank of Punjab	737,500	-	-	-	327,000	410,500	3,448	0.25	0.48	0.02
Faysal Bank Limited (Refer 6.1.2)	228,097	-	-	-	200,770	27,327	381	0.03	0.05	-
Habib Bank Limited	349,680	70,500	-	-	38,000	382,180	37,022	2.68	5.17	0.03
MCB Bank Limited	91,600	65,000	-	-	16,500	140,100	22,706	1.64	3.17	0.01
Meezan Bank Limited	17,793	33,500	-	-	-	51,293	3,532	0.26	0.49	-
National Bank of Pakistan	70,000	62,500	-	-	-	132,500	3,664	0.27	0.51	0.01
United Bank Limited	383,091	-	-	-	166,700	216,391	22,366	1.62	3.12	0.02
	3,737,511	440,500	-	-	1,356,944	2,821,067	153,266	11	21	
MISCELLANEOUS										
Synthetic Products Limited	2,000	-	80	-	-	2,080	87	0.01	0.01	-
	2,000	-	80	-	-	2,080	87	0.01	0.01	
Total - 30 June 2020	13,607,031	4,746,000	268,672	-	6,709,500	11,912,189	716,571	52	100	

6.1.1 Investments include shares with market value of Rs. 40.06 million (30 June 2019: Rs. 33.86 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no.11 dated 23 October 2007 issued by the SECP.

6.1.2 The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the Company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case.

During the year ended 30 June 2018, the Honourable Supreme Court of Pakistan (HSC) passed a judgement on 27 June 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended 30 June 2019. After that, the CISs have filed a fresh constitutional petition via CP 4653 dated 11 July 2019. In this regard, on 15 July 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from 1 July 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

Accordingly, the investee company(s) has withheld the shares equivalent to 5% of bonus announcement amounting to Rs. 2.89 million (30 June 2019: Rs. 0.92 million) and not yet deposited in CDC account of department of Income Tax.



6.2 Term finance certificates - listed - at fair value through profit or loss

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

Name of the investee company	Number of certificates			As at 30 June 2020	As at 30 June 2020 Market value / carrying value (Rupees in '000)	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 01 July 2019	Purchases during the year	Disposals during the year				
Saudi Pak Leasing Company Limited (note 6.2.1)	10,000	-	-	10,000	-	-	-

6.2.1 This represents investment in term finance certificates with original term of nine years. On 13 October 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on 26 December 2011 with a new maturity in March 2017. The said TFCs complied with repayment terms since it was rescheduled and had been reclassified as performing as per criteria defined in circular no. 1 of 2009. However, the investee company again defaulted on its obligation on account of principal and profit payment for the month of April 2014 and was therefore declared as Non Performing Asset (NPA) since 30 April 2014. The amount of provision of Rs. 27.547 million as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

6.3 Term finance certificates - unlisted - at fair value through profit or loss

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

Name of the investee company	Number of certificates			As at 30 June 2020	Market value /carrying value as at 30 June 2020 (Rupees in '000)	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at 01 July 2019	Purchases during the year	Disposals during the year				
Jahangir Siddiqui and Company Limited	8,000	-	-	8,000	9,848	0.71	1.15
Jahangir Siddiqui and Company Limited	17,100	-	-	17,100	52,237	3.78	6.11
					<u>62,085</u>		

6.4 Significant terms and conditions of term finance certificates and sukuks outstanding at the year end are as follows:

	Number of certificates	Repayment Frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Unsecured							
Listed term finance certificates							
Saudi Pak Leasing Company Limited	10,000	Monthly	2,755	6.87% Fixed rate	13 March 2008	13 March 2017	Unrated
Unlisted term finance certificates							
Jahangir Siddiqui and Company Limited	8,000	Semi Annually	1,250	6 Month KIBOR offer rate plus 1.65%	24 June 2016	24 June 2021	AA+
Jahangir Siddiqui and Company Limited	17,100	Semi Annually	3,125	6 Month KIBOR offer rate plus 1.4%	18 July 2017	18 July 2022	AA+



6.5 Sukuk bonds - unlisted - at fair value through profit or loss

All sukuks have a face value of Rs. 5,000

Name of the investee company	Number of certificates				Market value /carrying value as at 30 June 2020 (Rupees in '000)	Market value as a percentage of net assets (%)	Market value as a percentage of total investments
	As at 01 July 2019	Purchases during the year	Disposals during the year	As at 30 June 2020			
Hub Power Company Limited	-	500	-	500	51,072	3.70	0.00
Shakarganj Food Products Limited	-	30	-	30	25,500	1.85	0.00
New Allied Electronics Industries (Private) Limited (note 6.5.1)	32,000	-	-	32,000	-	-	-
Eden Housing Limited (note 6.5.2)	10,000	-	-	10,000	-	-	-
Total as at 30 June 2020	42,000	530	-	42,530	76,572	5.54	0.00

6.5.1 This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since 9 January 2009. The amount of provision of Rs. 19,844 as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. This has been classified as 'fair value through profit and loss' as per IFRS 09 from this year.

6.5.2 This represents investment in privately placed sukuk bonds with a term of five years. On 06 May 2011, the issuer has defaulted its scheduled principal and profit payment and therefore it was classified as NPA by MUFAP. The amount of provision of Rs. 19.844 million as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. This has been classified as 'fair value through profit and loss' as per IFRS 09 from this year.

6.5.3 The sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

6.5.4 Significant terms and conditions of sukuks bonds outstanding at the year end are as follows:

	Number of certificates	Repayment Frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Secured							
Unlisted sukuk							
New Allied Electronics Industries (Private) Limited	32,000	Quarterly	313	3 Month KIBOR offer rate plus 2.6%	27 July 2007	25 July 2016	Unrated
Eden Housing Limited	10,000	Quarterly	984	3 Month KIBOR offer rate plus 3%	31 March 2008	29 September 2016	Unrated

6.6 This represents TDR placed with JS Bank Limited carrying mark-up at the rate of 13.20% per annum (2019: 13.20% per annum) and matures on 27 September 2019.

7 DIVIDEND AND PROFIT RECEIVABLES

	2020 (Rupees in '000)	2019
Profit receivables on savings accounts	1,153	4,758
Dividend receivables	-	132
Profit receivable on term deposit receipts	-	139
Accrued Markup on Term finance certificates and sukuks	14,075	13,332
Less: Income suspended over non-performing term financ certificates and sukuks	(9,188)	(9,188)
	6.2.1 & 6.5.2	
	4,887	4,144
	6,040	9,173



8	ADVANCE, DEPOSITS AND PREPAYMENT	Note	2020	2019
			(Rupees in '000)	
	Advance tax	8.1	882	882
	Security deposits with:			
	- Central Depository Company of Pakistan Limited		100	100
	- National Clearing Company of Pakistan Limited		2,750	2,750
	Prepaid Mutual Fund Rating fee		121	110
			3,853	3,842

- 8.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposit and investment paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholdor. The tax withheld on dividends and profit on bank deposits as at 30 June 2020 amounts to Rs. 0.882 million (2019: Rs. 0.882 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by HCS in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court (HSC) through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the HSC by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the HSC granted the petitioners leave to appeal from the initial judgement of HCS. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as Advance tax as at 30 June 2020 as in the opinion of the management, the amount of tax deducted at source will be refunded.

9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

9	PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
			(Rupees in '000)	
	Management remuneration	9.1	1,729	2,381
	Sindh Sales Tax on management remuneration	9.2	225	310
	Sales and transfer load		51	8
	Sindh Sales Tax on sales load		7	1
	Selling and marketing expense	9.3	4,975	3,048
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	347	762
			7,334	6,510

- 9.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets of the fund till 11 July 2019 and with effective from 12 July 2019 the Management Company has revised its remuneration rate and charged it at the rate of 1.5% of the average net assets of the fund.



9.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on management remuneration and sales load.

9.3 As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme upto 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived capping for charging selling and marketing expense. Subsequently, the Management Company has revised selling and marketing expenses rate during the year and charged accordingly as follows:

Period	Rate per annum
1 July 2019 to 11 July 2019	0.4% of net assets or actual expense whichever is lower.
12 July 2019 to 16 December 2019	1.15% of net assets or actual expense whichever is lower.
17 July 2019 to 10 May 2020	1.35% of net assets or actual expense whichever is lower.
11 May 2019 to 30 June 2020	1.5% of net assets or actual expense whichever is lower.

9.4 In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. On 20 June 2019 SECP vide S.R.O. 639 (I)/2019, has substituted clause (s) of sub regulation 3 of regulation 60 and accordingly has removed cap of charging 0.1% per annum of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services. However, the Management Company is charging 0.1% of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020 (Rupees in '000)	2019
Trustee remuneration	10.1	199	204
Sindh Sales Tax on Trustee remuneration	10.2	26	26
		225	230

10.1 Upto 30 June 2019, The Trustee is entitled to a monthly remuneration for services rendered to the Fund as stated below under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund.

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.7 million or 0.20% per annum of net asset value whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net asset value exceeding Rs. 1,000 million.

With effective from 1 July 2019 the Trustee has revised its remuneration which is as follows:

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.20% per annum of net asset value
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net asset value exceeding Rs. 1,000 million.

The remuneration is paid to Trustee monthly in arrears.



- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on trustee remuneration.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as a balanced scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan. An amount equal to 0.085 percent of the average annual net assets of the Fund has been charged till 30 June 2019 and with effect from 1 July 2019 SECP has revised its fee rate to 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears. The fee is paid annually in arrears.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 (Rupees in '000)	2019
Provision for Sindh Workers' Welfare Fund	12.1	14,235	12,213
Federal Excise Duty on management remuneration	12.2	11,587	11,587
Federal Excise Duty on sales load		818	818
Dividend payable		493	493
Auditors' remuneration		540	531
Brokerage fee		176	176
Settlement charges		233	85
Withholding tax		3,591	215
Legal fee		95	20
Others		303	271
CGT Payable		88	-
		32,159	26,409

- 12.1** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).



The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 20.023 million and a provision for SWWF of Rs. 11.619 million upto 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.1721 per unit (2019: Rs 0.1434).

- 12.2** 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, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has interalia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sind High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 11.942 million out of which Rs. 0.355 million have been paid to the Management Company (30 June 2019: Rs. 11.942 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.1499 (30 June 2019: Rs. 0.14) per unit.

13 CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 30 June 2020 (2019: Nil).

14 NUMBER OF UNITS IN ISSUE

	Note	2020 (Number of units)	2019
Total units in issue at beginning of the year		85,168,283	91,847,605
Add: units issued against			
- Sale	14.1	4,540,411	4,517,756
- Refund of capital at zero value	14.2	10,725	-
Less: units redeemed		(6,940,555)	(11,197,078)
Total units in issue at end of the year		<u>82,778,864</u>	<u>85,168,283</u>

- 14.1** This includes 2,548,340 units issued against Dividend Reinvestment Plan amounting to Rs. 42,380,683, net of taxation.

- 14.2** The Management Company on 24 June 2020 declared interim distribution amounted to Rs. 1.0214 per unit (for full period) for the year ended 30 June 2020. The aggregate cash distribution is Rs. 81.636 million was in addition to refund of capital / element of income by issuing 10,725 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.



15 AUDITORS' REMUNERATION

2020 2019
(Rupees in '000)

Audit fee	355	390
Half yearly review	164	191
	169	136
	688	717

16 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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.11 and 14.2), no provision for taxation has been made in these financial statements.

17 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA OF ASSIGNED CATEGORY

The Securities and Exchange Commission of Pakistan (SECP) vide circular no. 7 of 2009 dated 06 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 'Balanced Fund'.

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

The following are the details of non-compliant investments:

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Value as a percentage of net assets	Value as a percentage of gross assets
			(Rupees in '000)			(%)	
New Allied Electronic Industries (Private) Limited	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates	10,000	(10,000)	-	-	-
Saudi Pak Leasing Company	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates (17.1)	27,547	(27,547)	-	-	-
Eden Housing Limited	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Sukuks	9,844	(9,844)	-	-	-

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

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



18 RECONCILIATION OF RECEIVABLE AND LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend payable	Total
----- (Rupees in '000) -----				
Balance as at 1 July 2019	-	-	-	-
Receivable against issuance of units	78,592	-	-	(78,592)
Payable against redemption of units	-	118,414	-	118,414
Dividend Payable	-	-	81,636	81,636
	78,592	118,414	81,636	121,458
Amount received on issuance of units	(36,211)	-	-	36,211
Amount paid on redemption of units	-	(118,414)	-	(118,414)
Dividend reinvested	(42,381)	-	(45,795)	(3,414)
Dividend paid	-	-	(35,841)	(35,841)
	(78,592)	(118,414)	(81,636)	(121,458)
Balance as at 30 June 2020	-	-	-	-

19 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 3.63% per annum. Total expense ratio (excluding government levies) is 3.25% per annum.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020		
	At Amortised Cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----			
Assets			
Bank balances	554,469	-	554,469
Investments	-	855,228	855,228
Dividend and profit receivables	6,040	-	6,040
Deposits	2,850	-	2,850
Receivable against sale of investment	2,132	-	2,132
	565,491	855,228	1,420,719



30 June 2020

	At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----			
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	7,334	7,334
Payable to Central Depository Company of Pakistan Limited - Trustee	-	225	225
Accrued expenses and other liabilities	-	1,840	1,840
	<u>-</u>	<u>9,399</u>	<u>9,399</u>

30 June 2019

	At Amortised Cost	At fair value through profit or loss	Mandatorily at fair value through profit or loss	Total
----- (Rupees in '000) -----				
Assets				
Bank balances	464,789	-	-	464,789
Investments	-	95,745	865,086	960,831
Profit receivables	9,173	-	-	9,173
Deposits	2,850	-	-	2,850
	<u>476,812</u>	<u>95,745</u>	<u>865,086</u>	<u>1,437,643</u>

30 June 2019

	Mandatorily at fair value through profit or loss	At fair value through profit or loss	At Amortised Cost	Total
----- (Rupees in '000) -----				
Liabilities				
Payable to NBP Fund Management Limited - Management Company	-	-	6,510	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	270	270
Accrued expenses and other liabilities	-	-	1,536	1,536
	<u>-</u>	<u>-</u>	<u>8,316</u>	<u>8,316</u>

21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 21.1** Connected persons include NBP Fund Management Limited (NBP Funds) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Baltoro Growth Fund being the sponsors, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, entities under common management or directorships, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company and unit holders holding 10 percent or more units of the Fund.
- 21.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 21.3** Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 21.4** The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:



21.5 Transactions during the year:	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited Management Company		
Management remuneration	21,553	31,809
Sindh Sales Tax on remuneration of Management Company	2,802	4,135
Selling and Marketing Expense	17,913	5,455
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,423	1,590
Sales Load	288	1,135
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	2,423	2,590
Sindh Sales Tax on remuneration of Trustee	315	337
CDS charges	121	31
Employees of the Management Company		
Units issued: 5,548 units (2019: Nil units)	95	-
Dividend Re-invest Units Issued: 191 (2019: Nil)	3	-
Units redeemed: 18,731 units (2019: Nil units)	311	-
Pakistan Stock Exchange**		
Listing Fee	25	-
Hub Power Company Limited**		
Shares purchased: 213,500 units (2019: 528,168 shares)	14,633	-
Shares Sold: 198,500 (2019: 224,000 shares)	18,599	-
Sukuk purchased: 500 units	50,000	-
Sukuk Income	6,677	-
NBP Employees Pension Fund		
Dividend Re-invest Units Issued: 1,625,383 (2019: Nil)	27,031	-
National Clearing Company Limited (NCCPL)		
NCCPL Charges	429	477
CCL Employees Provident Fund Trust		
Units redeemed: 1,047,940 Units (2019: Nil)	17,695	-
Ronak Iqbal Lakhani**		
Dividend Re-invest Units Issued: 420,686	6,996	-
Aftab Hussain		
Units redeemed: 122,056 units (2019: Nil)	1,962	-
Bayer Pakistan (Private) Limited Employees Gratuity Fund		
Units redeemed: 41,513 units (2019: Nil)	674	-
National Bank of Pakistan		
Shares purchased: 62,500 (2019: 137,000 shares)	1,908	6,242
International Industries Limited*		
Shares purchased: Nil (2019: 54,300 shares)	-	8,920
Shares sold: Nil (2019: 83,300 shares)	-	14,230



	2020	2019
	(Rupees in '000)	
International Steel Limited		
Shares purchased: 124,000 shares (2019: 182,600 shares)	4,605	12,620
Shares sold: 131,000 shares (2019: 221,000 shares)	5,363	16,074
Dividend Income	239	
Fauji Fertilizer Company Limited**		
Shares purchased: 204,000 (2019: Nil)	19,462	-
Shares sold: 242,600 (2019: Nil)	24,031	-
Gul Ahmed Textile Mills Limited**		
Shares sold: 176,000 (2019: Nil)	7,598	-
Dividend Income	1,104	-
Taurus Securities Limited		
Brokerage Charges	55	105
Askari Bank Limited*		
Markup on balance	-	-
Shares purchased: Nil (2019: 2,500 shares)	-	59
Shares sold: Nil (2019: 435,000 shares)	-	9,679
NBP Islamic Income Fund		
Purchase of Term Finance Certificate	26,012	-
NBP Money Market Fund		
Purchase of Treasury bills	-	69,553
Sale of Treasury bills	98,526	499,769
CDC Trustee NBP Stock Fund		
Sale of equity securities : 400,700 shares (2019: Nil)	20,500	-
CDC Trustee NBP Islamic Stock Fund		
Sale of equity securities : 278,000 shares (2019: Nil)	32,684	-
21.6 Amounts outstanding as at year end:	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Management remuneration payable	1,729	2,381
Sindh Sales Tax payable	225	310
Selling and marketing expense	4,975	3,048
Allocation of expenses related to registrar services, accounting, operation and valuation services	347	762
Sales load and Sindh Sales Tax payable	58	9
Employees of the Management Company		
Units held: 5,260 units (2019: 18,252 units)	88	301



	2020	2019
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	199	204
Sindh Sales Tax payable	26	26
Settlement charges payable	116	40
Security deposit	100	100
Gul Ahmed Textile Mills Limited**		
Ordinary shares held: 491,800 Shares (2019: Nil)	14,080	-
Fauji Fertilizer Company Limited**		
Ordinary shares held: 436,900 (2019: Nil)	48,055	-
Ronak Iqbal Lakhani**		
Units held: 8,479,177 units	141,532	-
Askari Bank Limited*		
Bank Balance in savings account	-	6,895
Ordinary shares held: Nil (2019: 130,000)	-	2,458
National Bank of Pakistan		
Bank Balance in current account	3,700	3,113
Ordinary shares held: 132,500 shares (2019: 70,000 shares)	3,664	2,356
NBP Employees Pension Fund		
Units held: 28,090,285 units (2019: 26,464,902 units)	468,875	436,316
Karachi Electric Provident Fund		
Units held: 34,224,720 units (2019: 34,224,720 units)	571,269	564,249
Summit Bank*		
Bank Balance in current account	-	3,094
Bank Islami Pakistan Limited		
Bank Balance in savings account	4	6
Taurus Securities Limited		
Brokerage Payable	2,335	-
Hub Power Company Limited**		
Ordinary shares held: 588,922 shares (2019: Nil)	42,697	-
Sukuk: 500 units (2019 : Nil)	51,072	-
International Steel Limited		
Ordinary shares held: 98,100 (2019: 105,100 shares)	5,067	4,174
National Clearing Company of Pakistan Limited (NCCPL)		
NCCPL Charges Payable	117	40
Security Deposits	2,750	2,750
International Industries Limited*		
Ordinary shares held: Nil (2019: 32,000 shares)	-	2,466

* Current balances with these parties have not been disclosed as they did not remain connected persons and related parties as at the year end.

** Comparative balances with these parties have not been disclosed as these parties were not related parties in the last year.



22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S. No	Name	Qualifications	Experience in year
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA and CFA	32
2	Mr. Sajjad Anwar	CFA / MBA Finance	20
3	Mr. Hassan Raza	ACCA / CFA / BSC	9
4	Mr. Muhammad Ali Bhabha	MBA / MS (CS) / CFA / FRM	25
5	Asim Wahab Khan*	CFA	14

*Mr. Asim Wahab Khan is the Manager of the Fund. He is also managing NBP Sarmaya Izafa Fund , NBP Islamic Sarmaya Izafa Fund, NBP Stock Fund , NBP Financial Sector Income Fund, NBP Islamic Energy Fund, NBP Islamic Active Allocation Equity Fund and NBP Islamic Regular Income Fund.

23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

List of brokers by percentage of commission paid during the year ended 30 June 2020:

Particulars	Percentage (%)
1 Sherman Securities (Pvt) Limited	10.34%
2 Alfalah Securities (Pvt) Limited	7.53%
3 Taurus Securities Ltd.	6.36%
4 Intermarket Securities	5.75%
5 Al Habib Capital Markets (Pvt) Limited	5.52%
6 Arif Habib Securities Limited	5.47%
7 Next Capital Limited	5.17%
8 Efg Hermes Pakistan Ltd	4.62%
9 Bipl Securities Limited	4.56%
10 Foundation Securities	4.48%

List of brokers by percentage of commission paid during the year ended 30 June 2019:

Particulars	Percentage (%)
1 Taurus Securities Limited	6.64%
2 Arif Habib Securities Limited	5.83%
3 Alfalah Securities (Pvt) Limited	4.68%
4 Efg Hermes Pakistan Ltd. (Formerly Invest & Finance Securities Limited)	4.24%
5 Elixir Securities Pakistan (Pvt) Limited	4.21%
6 Optimus Capital Management Limited	4.16%
7 Foundation Securities	3.99%
8 Bma Capital Management Limited	3.85%
9 Aqeel Karim Dehdi Securities (Pvt) Limited	3.84%
10 Next Capital Limited	3.84%

24 PATTERN OF UNIT HOLDING

Category	As at 30 June 2020		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
Individuals	416	291,757	21%
Associated Companies and Directors	1	468,875	34%
Insurance Companies	1	178	0%
Retirement Funds	10	596,277	43%
Others	6	24,632	2%
	434	1,381,719	100%



Category	As at 30 June 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
	Individuals	465	336,544
Associated company and directors	1	436,316	31%
Insurance company	1	167	0%
Retirement funds	13	606,656	43%
Others	9	24,451	2%
	545	1,404,134	100%

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th, 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020, April 27, 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	4	4	-	
Mr. Saad ur Rahman Khan (Refer Note 25.2)	3	2	1	74th Meeting
Syed Hasan Irtiza Kazmi (Refer Note 25.2)	3	3	-	
Mr. Nasir Husain (Refer Note 25.1)	1	-	1	72nd Meeting
Mr. Abdul Hadi Palekar (Refer Note 25.1)	1	-	1	72nd Meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy (Refer Note 25.1)	1	1	-	-
Mr. Khalid Mansoor (Refer Note 25.2)	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque (Refer Note 25.1)	1	1	-	-
Mr. Saad Amanullah Khan (Refer Note 25.2)	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

25.1 Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque retired from the Board with effect from 04 October 2019.

25.2 Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Khan, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan opted as director on the Board with effect from 04 October 2019.

26 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.



The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

The Fund primarily invests in a portfolio of listed equity securities, money market investments such as government securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

26.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

Management of market risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

26.1.1 Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

26.1.2 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

As at 30 June 2020, the Fund holds KIBOR based interest bearing term finance certificates and bank balances exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2020, with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs. 1.373 million (30 June 2019: Rs. 0.937 million).

(b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

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



30 June 2020						
Yield / interest rate	Exposed to yield / interest rate risk				Total	
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75 % - 13.85%	547,877	-	-	6,592	554,469
Investments	7.32 % - 17.54%	-	86,420	52,237	716,571	855,228
Dividend and profit receivables		-	-	-	6,040	6,040
Receivable against sale of investment		-	-	-	2,132	2,132
Deposits		-	-	-	2,850	2,850
		<u>547,877</u>	<u>86,420</u>	<u>52,237</u>	<u>734,185</u>	<u>1,420,719</u>
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	7,334	7,334
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	225	225
Accrued expenses and other liabilities		-	-	-	1,840	1,840
		-	-	-	9,399	9,399
On-balance sheet gap		<u>547,877</u>	<u>86,420</u>	<u>52,237</u>	<u>724,786</u>	<u>1,411,320</u>
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		<u>547,877</u>	<u>86,420</u>	<u>52,237</u>	<u>724,786</u>	<u>1,411,320</u>
Cumulative interest rate sensitivity gap		<u>547,877</u>	<u>634,297</u>	<u>686,534</u>		

30 June 2019						
Yield / interest rate	Exposed to yield / interest rate risk				Total	
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75 % - 13.85%	458,626	-	-	6,163	464,789
Investments	7.40%	95,745	-	94,588	770,498	960,831
Dividend and profit receivables		-	-	-	9,173	9,173
Deposits		-	-	-	2,850	2,850
		<u>554,371</u>	<u>-</u>	<u>94,588</u>	<u>788,684</u>	<u>1,437,643</u>
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	6,510	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	270	270
Accrued expenses and other liabilities		-	-	-	1,536	1,536
		-	-	-	8,316	8,316
On-balance sheet gap		<u>554,371</u>	<u>-</u>	<u>94,588</u>	<u>780,368</u>	<u>1,429,327</u>
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		<u>554,371</u>	<u>-</u>	<u>94,588</u>	<u>780,368</u>	<u>1,429,327</u>
Cumulative interest rate sensitivity gap		<u>554,371</u>	<u>554,371</u>	<u>648,959</u>		



26.1.3 Price risk

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

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities at fair value through profit and loss'.

The Fund manages the risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund or weight of that company in KSE 30 index, whichever is higher, with overall limit of 25% to a single industry sector of the net assets of the Fund or weight of that sector in KSE 30 index, whichever is higher (the limit set by offering documents). The Fund also manages its exposure to price risk by diversifying its portfolio within the eligible stocks prescribed in the constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. (Refer note 6.1 for exposure limits).

In case of 5% increase / decrease in KSE 30 index on 30 June 2020, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 35.829 million (2019: Rs. 38.524 million) as a result of gains / (losses) on equity securities classified at fair value through profit and loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 30 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 30 index.

26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment and bank balances. Risks attributable to investments in Term Finance Certificates is limited as the counter parties are financial institutions with reasonably high credit ratings. While bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances. The bank ratings are based on The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited as at 30 June 2020 and 30 June 2019.

Bank Balances	2020	2019
	(Rupees in '000)	
AAA	421,266	409,178
AA+	14,810	21,446
AA	1,780	996
AA-	113,630	30,042
A+	33	34
A-	-	3,093
A	13	-
Suspended	2,937	-
	<u>554,469</u>	<u>464,789</u>



The maximum exposure to credit risk before any credit enhancement as at 30 June 2020 is the carrying amount of the financial assets.

Concentration of credit risk

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

26.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to ten percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, during the current year, no borrowing was obtained by the Fund.

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

Maturity analysis for financial liabilities

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

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2020			Total
	Upto three months	Over three months and upto one year	Over one year	
Financial liabilities	----- (Rupees in '000) -----			
Payable to NBP Fund Management Limited - Management Company	7,334	-	-	7,334
Payable to Central Depository Company of Pakistan Limited - Trustee	225	-	-	225
Accrued expenses and other liabilities	1,840	-	-	1,840
	<u>9,399</u>	<u>-</u>	<u>-</u>	<u>9,399</u>
Unit holders' fund	<u>1,381,719</u>	<u>-</u>	<u>-</u>	<u>1,381,719</u>



	30 June 2019			Total
	Upto three months	Over three months and upto one year	Over one year	
----- (Rupees in '000) -----				
Financial liabilities				
Payable to NBP Fund Management Limited - Management Company	6,510	-	-	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee	270	-	-	270
Accrued expenses and other liabilities	1,536	-	-	1,536
	<u>8,316</u>	<u>-</u>	<u>-</u>	<u>8,316</u>
Unit holders' fund	<u>1,404,134</u>	<u>-</u>	<u>-</u>	<u>1,404,134</u>

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

IFRS 13, 'Fair Value Measurement' 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. The fair value hierarchy has the following levels:

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair value hierarchy.



		30 June 2020						
		Carrying value			Fair value			
		At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Listed equity securities		716,571	-	716,571	716,571	-	-	716,571
- Term finance certificate		62,085	-	62,085	-	62,085	-	62,085
- Sukkuks		76,572	-	76,572	-	76,572	-	76,572
- Term deposit receipt	27.1	-	-	-	-	-	-	-
		855,228	-	855,228	716,571	138,657	-	855,228
Financial assets not measured at fair value 27.1								
Bank balances		-	554,469	554,469				
Dividend and profit receivables		-	6,040	6,040				
Deposits		-	2,850	2,850				
Receivable against sale of investment		-	2,132	2,132				
		-	565,491	565,491				
Financial liabilities not measured at fair value 27.1								
Payable to National Investment Trust Limited - Management Company		-	7,334	7,334				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	225	225				
Accrued expenses and other liabilities		-	1,840	1,840				
		-	9,399	9,399				
		30 June 2019						
		Carrying value			Fair value			
		At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Listed equity securities		770,498	-	770,498	770,498	-	-	770,498
- Term finance certificate		94,588	-	94,588	-	94,588	-	94,588
- Term deposit receipt		95,745	-	95,745	-	95,745	-	95,745
		960,831	-	960,831	770,498	190,333	-	960,831
Financial assets not measured at fair value								
Bank balances		-	464,789	464,789				
Dividend and profit receivables		-	9,173	9,173				
Deposits		-	2,850	2,850				
		-	476,812	476,812				
Financial liabilities not measured at fair value								
Payable to National Investment Trust Limited - Management Company		-	6,510	6,510				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	270	270				
Accrued expenses and other liabilities		-	1,536	1,536				
		-	8,316	8,316				



- 27.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.
- 27.2** Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

28 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units.

As at 30 June 2020, The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Fund shall be one hundred million rupees at all time during the life of the Fund.

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

In accordance with the risk management policies stated in note 26, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

29 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerges as a contagion risk around the globe, including Pakistan. To reduce the impact on the businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- c) Time for announcement of daily NAV as per the regulatory requirements is extended from 18:30 pm to the start of the next working day.

Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and securities of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols.



The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made assessment for Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **September 17, 2020**.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	For the Year Ended Jun 30,2020	For the Year Ended Jun 30,2019	For the Year Ended Jun 30,2018	For the Year Ended Jun 30,2017	For the Year Ended Jun 30,2016	For the Year Ended Jun 30,2015
Net assets (Rs. '000')	1,381,719	1,404,134	1,654,024	1,847,113	1,327,842	1,487,299
Net Income/(Loss) (Rs. '000')	99,043	(133,647)	(118,970)	421,936	119,947	289,732
Net Asset Value per units (Rs.)	16.6917	16.4866	18.0084	19.2708	15.6377	15.3058
Selling price per unit	17.2575	17.0446	18.6189	19.9241	16.2581	15.9183
Redemption price per unit	16.6917	16.4866	18.0084	19.2708	15.6377	15.3058
Ex - Highest offer price per unit (Rs.)	19.58268	19.2010	20.1548	22.3718	16.3672	16.0929
Ex - Lowest offer price per unit (Rs.)	14.66039	16.9231	17.4387	16.3820	14.2142	12.1036
Ex - Highest redemption price per unit (Rs.)	18.94064	18.5716	19.4940	20.6768	15.7427	15.4737
Ex - Lowest redemption price per unit (Rs.)	14.17966	16.3682	16.8669	15.0358	13.6718	11.6339
Fiscal Year Opening Nav	15.53442	18.0084	19.2708	15.0058	14.3873	12.0708
Total return of the fund	7.4%	-8.45%	-6.20%	28.42%	8.69%	26.80%
Capital growth	7.4%	-8.45%	-6.20%	22.99%	2.31%	23.35%
Income distribution as % of Ex-NAV	1.32%	-	0.00%	5.43%	6.38%	3.45%
Income distribution as % of Par Value	6.13%	-	0.00%	8.15%	9.77%	4.17%
Distribution						
Interim Distribution per unit	1.0214	-	-	0.8153	-	0.4168
Final distribution per unit	-	-	-	0.0765	0.9771	-
Distribution dates						
Interim	24-Jun-20			19-Jun-17		29-Jun-15
Interim				-		
Interim				-		
Final				15-Sep-17	29-Jun-16	Nil
Average annual return						
(launch date January 19, 2007)						
(Since inception to June 30, 2020)	12.18%					
(Since inception to June 30, 2019)		12.57%				
(Since inception to June 30, 2018)			14.60%			
(Since inception to June 30, 2017)				16.83%		
(Since inception to June 30, 2016)					15.67%	
(Since inception to June 30, 2015)						16.50%
(Since inception to June 30, 2014)						
(Since inception to June 30, 2013)						
(Since inception to June 30, 2012)						
(Since inception to June 30, 2011)						
Portfolio Composition (see Fund Manager report)						

Statement of past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.



PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Balanced Fund** duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP BALANCED FUND			
Resolutions	For	Against	Abstain*
9	9	Nil	N/A
100%	100%	-	-

Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: INVEST to 9995

Fax: 021-35825335

Email: info@nbpffunds.com

Website: www.nbpffunds.com

 /nbpffunds

NBP ISLAMIC SAVINGS FUND



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

Al Baraka Islamic Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
United Bank Limited



Auditors

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

Legal Advisor

Akhund Forbes
D-21, Block, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

Khan Center, 1st Floor, Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2 & 4

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

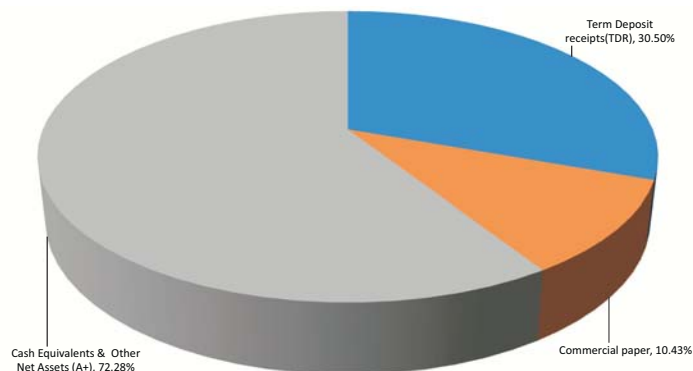
The Board of Directors of NBP Fund Management Limited is pleased to present the Thirteenth Annual Report of **NBP Islamic Savings Fund** (NBP-ISF) for the year ended June 30, 2020.

Fund's Performance

The size of NBP Islamic Savings Fund has increased from Rs. 3,642 million to Rs. 3,968 million during the period, i.e. an increase of 9%. During the said period, the unit price of the Fund has increased from Rs. 8.5913 (Ex-Div) on June 30, 2019 to Rs. 9.5313 on June 30, 2020 thus posting a return of 10.9% as compared to its Benchmark return of 6.3% for the same period. The return of the Fund is net of management fee and all other expenses.

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY 2020 compared to Rs. 12 billion in FY 2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on an aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time.

The Fund has earned a total income of Rs. 396.55 million during the year. After deducting total expenses of Rs. 67.29 million, the net income is Rs. 329.26 million. The asset allocation of NBP-ISf as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 10.84% of the opening ex-NAV (10.32% of the par value) for the period ended June 30, 2020.

Taxation

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

Auditors

The present auditors, Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.



Directors' Statement in Compliance with best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 24 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Mr. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: September 17, 2020
Place: Karachi.

ڈائریکٹرز رپورٹ

این پی بی فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز این پی بی اسلامک سیونگ فنڈ (NBP-ISF) کی تیرہویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

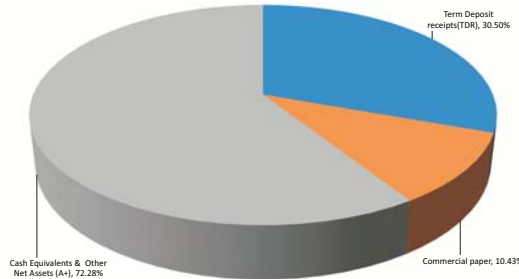
این پی بی اسلامک سیونگ فنڈ کا سائز اس مدت کے دوران 3,642 ملین روپے سے بڑھ کر 3,968 ملین روپے ہو گیا، یعنی 9% اضافہ۔ مذکورہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 8.5913 روپے (Ex-Div) سے بڑھ کر 30 جون 2020 کو 9.5313 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت کے دوران 6.3% شیئنگ مارک منافع کے مقابلے میں 10.9% منافع دیا۔ فنڈ کا یہ منافع مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

کارپوریٹ سکوک میں تجارتی سرگرمی مالی سال 2019 میں 12 ملین روپے کے مقابلے مالی سال 2020 میں تقریباً 27 ملین روپے کے مجموعی تجارتی قیمت کے ساتھ قابل ذکر 127% زیادہ رہی۔

نئے اجارہ سکوک کے ساتھ پاؤریٹیکٹر میں حکومت کے گارنٹی شدہ سکوک اور شریعہ کمپلیٹ کمرشل پیپرز کے اجراء نے طویل مدتی اور قلیل مدتی شریعت کے مطابق قرض کے زیر اثر مارکیٹ کی مدد کی۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لینی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح 100bps سے بڑھا کر 13.25% فیصد کر دی۔ طویل وقت کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔

فنڈ کو اس مدت کے دوران 396.55 ملین روپے کی آمدنی ہوئی۔ 67.29 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 329.26 ملین روپے ہے۔

این پی بی اسلامک سیونگ فنڈ کی ایٹ بلیکیشن برطانیہ 30 جون 2020 درج ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اویپنگ ex-NAV کا 10.84% (بنیادی قدر کا 10.32%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین متہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، مہسز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2021 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی بیرونی میں ڈائریکٹرز اسٹیٹمنٹ

- 1 • مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور پونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 • فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 • مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے۔ شمار یا قی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 • ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی بیرونی کی گئی ہے۔
- 5 • انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 • فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 • کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 • پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 • ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 • اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں کی گئی ہے۔
- 11 • پونٹ ہولڈنگ کا تفصیلی پینن مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔
- 12 • ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- 13 • کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کے بگوری
جناب خالد منصور جناب سعد امان اللہ خان جناب ہایوں بشیر	•1 •2 •3
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	
شیخ محمد عبدالواحد سبٹھی (چیرمین) جناب سعد الرحمان خان سید حسن ارتضیٰ کاظمی جناب علی سیگل جناب عمران ظفر	•1 •2 •3 •4 •5



اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Savings Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020

FUND MANAGER REPORT

NBP Islamic Savings Fund

NBP Islamic Savings Fund (NBP-ISF) is an Open-End Shariah Compliant Income Scheme.

Investment Objective of the Fund

The objective of NBP-ISF is to earn a reasonable rate of return in a Shariah compliant manner by investing in Shariah compliant debt securities, money market instruments and bank deposits.

Benchmark

6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP.

Fund Performance Review

This is the Thirteenth Annual report since the launch of the Fund on October 26, 2007. The Fund size increased by 9% during FY20 and stands at Rs. 3,968 million as of June 30, 2020. The Fund's return since inception is 7.0% p.a. versus the benchmark return of 5.7% p.a. During FY20, the Fund posted an annualized return of 10.9% as compared to the benchmark return of 6.3%. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its stated objectives.

The portfolio does not include potential recovery in fully provided Sukuks (Face Value of Rs 115 million), which is a potential upside for the Fund. Weighted average time to maturity of Fund is 0.07 year.

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY 2020 compared to Rs. 12 billion in FY 2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on an aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Placement with Banks and DFIs (Islamic)	30.5%	-
Cash (Cash Equivalents) & Other Assets	59.07%	72.28%
Sukuks / Commercial Paper (Islamic)	10.43%	27.72%
Total	100%	100%

Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June 2020	1.0323%	10.5549	9.5226



Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
New Allied Electronics Limited I	SUKUK	110,000,000	110,000,000	-	-	-
New Allied Electronics Limited II	SUKUK	4,905,437	4,905,437	-	-	-
Total		114,905,437	114,905,437	-	-	-

Unit Holding Pattern of NBP Islamic Savings Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
1-1000	2,361
1001-5000	547
5001-10000	231
10001-50000	971
50001-100000	544
100001-500000	749
500001-1000000	93
1000001-5000000	54
5000001-10000000	4
10000001-100000000	2
Total	5,556

During the period under question

There has been no other significant change in the state of affairs of the Fund. NBP Islamic Savings Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs.18.64 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0448/.52%. For details, investors are advised to read note 17 of the Financial Statement of the Scheme for the year ended June 30, 2020.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Islamic Savings Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 17, 2020**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer



REPORT OF THE SHARI'AH SUPERVISORY BOARD

August 31, 2020/ Muharram 11, 1442

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Thirteenth year of the operations of NBP Islamic Savings Fund (NBP-ISF). This report is being issued in accordance with clause 3.7 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

In the capacity of Shari'ah Advisor, we have prescribed criteria and procedure to be followed in ensuring Shari'ah Compliance in every investment.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance with the Shari'ah policies & guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NBP-ISF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NBP-ISF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NIF for the year ended June 30, 2020 are not in compliance with Shari'ah principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and On Behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board



INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of NBP Islamic Savings Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as per the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor.

Management Company's responsibility

Management Company of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

Responsibility of an independent assurance provider

Our responsibility is to express our opinion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the shariah principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the Shariah Principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

checking, on a test basis, compliance of specified guidelines issued by Shariah Advisor relating to maintaining of bank accounts and for making investments of the Fund; and

checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor for the year ended June 30, 2020.

Deloitte Yousuf Adil
Chartered Accountants

Dated: September 30, 2020
Place: Karachi



INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Islamic Savings Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **NBP Islamic Savings Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, the statement of comprehensive income, the statement of movement in unit holders' fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key audit matter

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

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Valuation and existence of investment</p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in commercial papers, term deposits and bai muajjal which are the main driver of the Fund's performance is.</p> <p>Considering the above factors, the valuation and existence of investments are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant control placed by the Management Company applicable to the balance; independently verified existence of investments from Central Depository Company (CDC) and bank statements and other relevant documents; performed test of details on sale, purchase and maturity of investments on a sample basis; tested valuation of investments; and any differences identified during our testing that were over our acceptable threshold were further investigated.



Information other than the financial statements and auditor's report thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

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

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

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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



on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Naresh Kumar**.

Deloitte Yousuf Adil
Chartered Accountants

Date: September 30, 2020
Place: Karachi



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	2020	2019
Note	----- Rupees in '000 -----	
ASSETS		
Bank balances	5 2,092,481	2,118,188
Investments	6 1,938,519	1,549,483
Profit accrued	7 22,621	26,157
Deposit, prepayment and other receivable	8 1,547	1,529
Receivable against transfer of units	9 16,135	-
Total assets	4,071,303	3,695,357
LIABILITIES		
Payable to NBP Fund Management Limited - Management Company	10 13,723	11,463
Payable to Central Depository Company of Pakistan Limited - Trustee	11 287	323
Payable to the Securities and Exchange Commission of Pakistan	12 653	2,283
Accrued expenses and other liabilities	13 68,330	38,918
Payable against redemption of units	14 20,660	-
Total liabilities	103,653	52,987
NET ASSETS	3,967,650	3,642,370
UNIT HOLDERS' FUND (as per attached statement)	3,967,650	3,642,370
Contingencies and commitments		
	15	
	----- Number of units -----	
Number of units in issue	22 416,273,709	382,499,381
	----- Rupees -----	
Net asset value per unit	23 9.5313	9.5226

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
Note	----- Rupees in '000 -----	
INCOME		
Return / profit on:		
- bank balances	260,523	172,925
- term deposit receipts	46,371	5,191
- sukuks	36,694	44,834
- government securities	602	9,739
- bai-muajjal	1,082	-
- commercial papers	52,290	70,226
Net loss on sale of investments	(1,013)	(4,717)
Net unrealised loss on re-measurement of investments at fair value through profit or loss	-	(2,318)
Total income	396,549	295,880
EXPENSES		
Remuneration of NBP Fund Management Limited	10.1 25,776	21,230
Sindh Sales Tax on remuneration of the Management Company	10.2 3,351	2,760
Reimbursement of operational expenses to the Management Company	10.3 3,266	3,045
Selling and marketing expenses	10.4 22,566	9,372
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1 2,450	3,438
Sindh Sales Tax on remuneration of the Trustee	11.2 318	447
Annual fee to the Securities and Exchange Commission of Pakistan	12.1 653	2,283
Settlement and bank charges	482	651
Securities transaction cost	23	59
Auditors' remuneration	16 613	693
Fund rating fee	394	365
Legal and professional charges	132	149
Annual listing fee	28	28
Printing charges	56	26
Shariah advisor fee	461	534
Total expenses	60,569	45,080
Net income from operating activities	335,980	250,800
Provision for Sindh Workers' Welfare Fund	17 (6,720)	(5,016)
Net income for the year before taxation	329,260	245,784
Taxation	18 -	-
Net income for the year after taxation	329,260	245,784
Earnings per unit	19	
Allocation of net income for the year		
Net income for the year after taxation	329,260	245,784
Income already paid on units redeemed	(110,487)	(94,173)
	218,773	151,611
Accounting income available for distribution:		
Relating to capital gain	-	-
Excluding capital gain	218,773	151,611
	218,773	151,611

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

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- Rupees in '000 -----	
Net income for the year after taxation	329,260	245,784
Other comprehensive income	-	-
Total comprehensive income for the year	329,260	245,784

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
Note	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	329,260	245,784
Adjustments:		
Return / profit on;		
- bank balances	(260,523)	(172,925)
- term deposit receipts	(46,371)	(5,191)
- sukus	(36,694)	(44,834)
- government securities	(602)	(9,739)
- bai-muajjal	(1,082)	-
- commercial papers	(52,290)	(70,226)
Net loss on sale of investments	1,013	4,717
Net unrealised loss on re-measurement of investments at fair value through profit or loss	-	2,318
Provision for Sindh Workers' Welfare Fund	6,720	5,016
	<u>(389,829)</u>	<u>(290,864)</u>
	(60,569)	(45,080)
Decrease / (increase) in assets		
Investments - net	279,951	(358,880)
Deposit, prepayment and other receivable	(18)	(237)
	279,933	(359,117)
Increase / (decrease) in liabilities		
Payable to the Management Company	2,260	4,174
Payable to the Trustee	(36)	(88)
Payable to the Securities and Exchange Commission of Pakistan	(1,630)	(931)
Accrued expenses and other liabilities	22,692	19,319
	23,286	22,474
Profit received on bank balances	304,316	178,693
Profit received on sukus	41,881	20,702
Profit received on government securities	2,611	39,729
Profit received on commercial papers	52,290	70,226
Net cash generated from / (used in) operating activities	643,748	(72,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	5,360,791	4,386,966
Amounts paid on redemption of units	(5,145,218)	(4,513,130)
Dividend paid	(215,028)	(252,565)
Net cash generated from / (used in) financing activities	545	(378,729)
Net increase / (decrease) in cash and cash equivalents during the year	644,293	(451,102)
Cash and cash equivalents at the beginning of the year	2,658,188	3,109,290
Cash and cash equivalents at the end of the year	5.2 <u>3,302,481</u>	<u>2,658,188</u>

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

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 NBP Islamic Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 17, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as shariah-compliant income scheme as per the criteria for categorization of open end collective investment scheme as specified by SECP and other allied matters. CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC on November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Trust Deed executed between the Management Company, CDC and MCBFSL. Thereafter, on July 17, 2014 CDC was re-appointed as the new Trustee of the Fund, after MCBFSL retired on prior day.

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

The Fund is an open-ended mutual fund and classified as shariah compliant "income" scheme by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

Management Company has obtained approval of SECP, pursuant to which the category of the Fund was changed from shariah compliant aggressive fixed income scheme to 'shariah compliant income scheme' and the name of the Fund was 'NAFA Islamic Income Fund' with effect from March 14, 2017.

The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return by investing in Shariah compliant securities, having a good credit rating and liquidity.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned stability rating of 'A-(f)' to the Fund.

Title of the assets of the Fund is held in the name of CDC as a trustee of the Fund.

1.2 Impact of COVID-19

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown.

General economic activities in Pakistan also slowed down together during lock down period i.e. from March 22, 2020 to May 9, 2020. However, to deal with such situation, regulators / governments across the country have introduced measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time. These mainly include:

- Time period to regularize the exposure limits breach has been extended;
- Time period to compliance with minimum size has been increased;



- Time for the announcement of daily NAV has been relaxed; and
- Reduction in the interest rate by the State Bank of Pakistan

The management is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff including remote working. Further, the Management has not identified any material adverse impact on the financial performance of the Funds due to COVID-19 pandemic situation.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting judgments and estimates

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan. It requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates



are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- a) classification of financial assets (note 4.2.2.1 and 6)
- b) impairment of financial assets (note 4.2.3)
- c) provisions (note 4.6)

3 ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS:

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact, other than certain additional disclosures on the Fund's financial statements.

Effective from accounting period beginning on or after:

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
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IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
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Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
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Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in an associate or joint venture but to which the equity method is not applied.	January 01, 2019
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IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
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IFRS 14 - Regulatory Deferral Accounts	July 01, 2019
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Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments



are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosure.

Effective from accounting period beginning on or after:

Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material	January 01, 2020
Amendments to IFRS 3 - Business Combinations: Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 Financial Instruments, IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 Leases - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 - Presentation of Financial Statements: Classification of liabilities as current or non-current	January 01, 2023
Amendments to IFRS 3 Business Combinations - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs, which are also not expected to have material impact on final reporting of the fund.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements as set out below.

4.1 Cash and cash equivalents

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



4.2 Financial assets and liabilities

4.2.1 Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.2.2 Classification and measurement

4.2.2.1 Financial Assets

There are three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVTOCI") and
- Fair value through profit or loss ("FVTPL").

Financial asset at amortised cost

"A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:"

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Asset at FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVTOCI).



In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss.

Business Model Assessment

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

4.2.2.2 Financial Liabilities

The Company classifies its financial liabilities in the following categories:

- Measured at amortized cost ("AC"), or
- Measured at Fair value through profit or loss ("FVTPL").

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL."

Classification and measurement of financial liabilities

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

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

4.2.3 Impairment of financial assets

The SECP has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.



When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

4.2.4 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Basis of valuation of shariah compliant government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKIRSV rates) which are based on the remaining tenor of the securities.

Basis of valuation of instruments (other than debt and government securities) at amortised cost:

Subsequent to initial recognition, financial assets classified as amortised cost are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.2.5 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

4.2.6 Derecognition

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets



and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.3 Impairment of non financial assets

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

4.4 Issuance and redemption of units

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

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

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

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

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

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

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

4.6 Provisions

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

4.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the 'income statement' in the period in which they arise.



- Markup / return on government securities, sukuk certificates, bai-muajjal, bank balances and term deposits are recognized on a time proportion basis using the effective interest method.

4.8 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

4.9 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.10 Distribution to the unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

4.11 Earnings per unit

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

5	BANK BALANCES	Note	2020	2019
			----- Rupees in '000 -----	
	Current accounts		22,104	18,373
	Savings accounts	5.1	2,070,377	2,099,815
			<u>2,092,481</u>	<u>2,118,188</u>

5.1 These savings accounts have an expected Profit at rates ranging from 6.65% to 8.75% per annum (2019: 5.00% to 13.85% per annum). Balance maintained with related parties i.e. National Bank of Pakistan amounted to Rs. 9.12 million (2019: Rs. 3.06 million) and Bank Islami Pakistan amounted to Rs. 2.06 million (2019: 101.69 million).

5.2	Cash and cash equivalents	2020	2019
		----- Rupees in '000 -----	
	Current accounts	22,104	18,373
	Savings accounts	2,070,377	2,099,815
	Term deposit receipts	1,210,000	540,000
		<u>3,302,481</u>	<u>2,658,188</u>



6 INVESTMENTS

	Note	2020	2019
At fair value through profit or loss			
		Rupees in '000	
Sukuks	6.1 & 6.2	-	220,609
Commercial papers	6.3	414,009	788,874
Term deposit receipts	6.4	1,210,000	540,000
Bai-muajjal	6.5	314,510	-
		1,938,519	1,549,483

6.1 Sukuks

Description	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of			
	As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size	
						(Rupees in '000)	----- (%) -----		

All sukuks have a face value of Rs. 5,000 each except for GoP Ijara Sukuks which have face value of Rs. 100,000 each.

Engro Fertilizer Limited	38,700	-	38,700	-	-	-	-	-
Engro Polymer Chemical	850	-	850	-	-	-	-	-
Shakarganj foods	30	-	30	-	-	-	-	-
GoP Ijara Sukuk - XIX	749	-	749	-	-	-	-	-
Total as at June 30, 2020					-			
Carrying value before mark to market as at June 30, 2020					-			

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
						(Rupees in '000)	----- (%) -----		

All sukuks have a face value of Rs. 5,000 except New Allied Electronics Industries (Private) Limited - 1st, issue which have face value of Rs. 312.5

New Allied Electronics Industries (Private) Limited								
- Sukuk 1	6.2.1	352,000	-	-	352,000	-	-	18.30%
New Allied Electronics Industries (Private) Limited								
- Sukuk 2	6.2.2	1,000	-	-	1,000	-	-	0.65%
Carrying value as at June 30, 2020					114,905			

6.2.1 These represent investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said Circulars.



6.2.2 The sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

6.2.3 Other particulars of sukuks outstanding as at June 30, 2020 are as follows:

Name of the investee company	Face value (unredeemed)	Profit rate per annum	Issue date	Maturity date
New Allied Electronics Industries (Private) Limited - Sukuk 1	313	2.60% + 3 month KIBOR	27-Jul-07	27-Jul-12
New Allied Electronics Industries (Private) Limited - Sukuk 2	4,905	2.20% + 6 month KIBOR	3-Dec-07	3-Dec-12

6.3 Commercial papers

Name of the investee company	Face value				Carrying value as at June 30, 2020	Carrying value as at June 30, 2019
	As at July 01, 2019	Purchases during the period	Sales / matured during the period	As at June 30, 2020		
----- (Rupees in '000) -----						
HASCOL Petroleum Ltd	418,000	-	418,000	-	-	416,147
K-Electric	380,000	-	380,000	-	-	372,727
K-Electric	-	360,000	360,000	-	-	-
K-Electric	-	85,000	85,000	-	-	-
K Electric	-	100,000	-	100,000	98,355	-
K Electric	-	100,000	-	100,000	97,518	-
K Electric	-	225,000	-	225,000	218,136	-
	798,000	870,000	1,243,000	425,000	414,009	788,874

6.4 This represent term deposit receipts with Bank Islami Pakistan Limited placed on profit rate 7% - 7.35% per annum and having maturity at July 06, 2020 and July 30, 2020.

6.5 This represents bai-muajjals of commercial paper with Pak Brunei Investment Company on June 15, 2020. This carry profit at the rate of 7.85% and will mature on December 14, 2020.

7 PROFIT ACCRUED	2020	2019
	----- Rupees in '000 -----	
Profit accrued on:		
Bank balances	21,539	18,961
Sukuks	-	5,187
Government securities	-	2,009
Bai-muajjals	1,082	-
	22,621	26,157

8 DEPOSIT, PREPAYMENT AND OTHER RECEIVABLE

Security deposit with Central Depository Company of Pakistan Limited	100	100
Advance tax	1,240	1,240
Prepayment	207	189
	1,547	1,529



9 Receivable against transfer of units

This includes amounts receivable to the fund from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units transferred by various unit holders based on their request for transfer of units from the other collective investment schemes to the Fund.

10	PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
			Rupees in '000	
	Remuneration of the Management Company	10.1	1,959	2,001
	Sindh Sales Tax on remuneration of the Management Company	10.2	255	260
	Operational expenses	10.3	1,013	1,415
	Selling and marketing expenses	10.4	7,095	5,659
	Sales load		2,430	1,303
	Sindh Sales Tax and Federal Excise Duty on sales load		971	825
			13,723	11,463

10.1 Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations 2008, an Asset Management Company shall be entitled to an accrued remuneration. During the year, Management Company has charged remuneration as follows:

- 7% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1% of average NAV, till July 11, 2019;
- 6% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1% of average NAV, applicable from July 12, 2019 till January 09, 2020; and
- 8% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1.5% of average NAV, applicable from January 10, 2020 onwards

For the purpose of above calculation, daily net income is equals to gross income minus all expenses of the Fund excluding management remuneration and related sales tax and federal excise duty thereon.

10.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

10.3 As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the scheme. Accordingly, the Management Company has charged 0.1% of the average annual net assets.

10.4 The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated June 04, 2018 allowed to charge selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) subject to the Board approval of and cap of 0.4% per annum of net assets or actual, whichever is lower. In current year, SECP through its Circular No. 11 of 2019 dated July 5, 2019, has now removed the later requirement of capping (except "Fund of Funds"). Further, all the payments are required to be approved by the Trustee.

In pursuance of above circular, the Board has approved the limits to be charged in respect of these expenses. Accordingly, effective from July 12, 2019, the Fund has charged 0.7% of daily net asset value of the Fund.



11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
			Rupees in '000	
	Remuneration of the Trustee	11.1	254	286
	Sindh Sales Tax on remuneration of the Trustee	11.2	33	37
			287	323

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

Tariff structure applicable to the Fund as at June 30, 2019 is as follows:

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

Effective from July 01, 2019, tariff structure has been revised from above table to actual custodial expenses / charges plus 0.075% per annum of average net assets.

11.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2019: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

12.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorised as "shariah compliant" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the Fund. SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the Fund and accordingly such fee has been charged at the rate of 0.02% percent during the year. The fee is paid annually in arrears.

13	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
			Rupees in '000	
	Auditors' remuneration		511	505
	Provision for Sindh Workers' Welfare Fund	17	18,641	11,921
	Federal Excise Duty on remuneration of the Management Company	13.1 & 13.2	3,955	3,955
	Settlement charges		3	6
	Withholding tax		40,115	19,327
	Capital gain Tax		3,987	2,095
	Legal and professional charges		89	32
	Bank charges		48	27
	Brokerage charges		32	32
	Printing charges		68	82
	Shariah advisor fee		477	532
	Others		404	404
			68,330	38,918



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

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

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

"However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, being prudent, is carrying provision for FED aggregating to Rs. 3.955 million as at June 30, 2020.

Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Rs. 0.0095 per unit (2019: Rs. 0.0103 per unit).

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

14 PAYABLE AGAINST REDEMPTION OF UNITS

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

15 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at June 30, 2020 and June 30, 2019.

16 AUDITORS' REMUNERATION	2020	2019
	----- Rupees in '000 -----	
Annual audit fee	378	360
Half yearly review fee	151	144
Out of pocket expenses and others including Government levies	84	189
	613	693

17 PROVISION FOR WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

"The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.



During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 2.944 million and started recognising provision of SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 18.641 million (2019: Rs. 11.921 million). Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Rs.0.0448 per unit (June 30, 2019 Rs. 0.0031) per unit.

18 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2020 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

19 EARNINGS PER UNIT

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

20 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset for the year) is 2.06% per annum including 0.34% representing government levies on Collective Investment Schemes such as sales tax and Securities and Exchange Commission of Pakistan fee for the year.



21 DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to categorize funds under their management on the basis of criteria laid down in the Circular. The Board has approved the category of the fund as 'income scheme'.

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

Following is the detail of non-compliant investments :

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets	% of gross assets
New Allied Electronics Industries (Private) Limited - Sukuk 1	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of Circular 7 of 2009	Sukuks (5.2)	110,000	(110,000)	-	-	-
New Allied Electronics Industries (Private) Limited - Sukuk 2	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of Circular 7 of 2009	Sukuks (5.2)	4,905	(4,905)	-	-	-
Total carrying value			114,905	(114,905)			

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

22 NUMBER OF UNITS IN ISSUE	Note	2020	2019
		-----Number of Units-----	-----Number of Units-----
Total units in issue at the beginning of the year		382,499,381	377,833,783
Add: units issued during the year	22.1	549,810,541	465,150,612
Less: units redeemed during the year		(516,036,213)	(460,485,014)
Total units in issue at the end of the year		416,273,709	382,499,381

22.1 "These units includes 875,421 allocated units which are issued subsequently to unitholders.

23 NET ASSET VALUE PER UNIT

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



24 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

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

24.2 The transactions with connected persons and related parties are carried at agreed terms.

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

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

24.5 Details of transactions with connected persons are as follows: 2020
----- Rupees in '000 -----
2019

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	25,776	21,230
Sindh Sales Tax on Management Company's remuneration	3,351	2,760
Operational expenses	3,266	3,045
Sales and transfer load	19,261	4,459
Selling and marketing expenses	22,566	9,372

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	2,450	3,438
Sindh Sales Tax on Remuneration of the Trustee	318	447
Security Deposit	100	100

Employees of the Management Company

Units issued / transferred in: 6,630,343 units (2019: 16,023,993 units)	66,550	154,635
Unit redeemed / transferred out units: 7,312,101 units (2019: 19,595,376 units)	74,547	193,805
Dividend re-invest: 97,701 units (2019: 115,325 units)	931	1,096

Chief Financial Officer of the Management Company

Units issued / transferred in: 29,574 units (2019: 294,643 units)	304	2,800
Unit redeemed / transferred out: 319,992 units (2019: 1,747 units)	3,196	17
Dividend re-invest: 31 units (2019: 1,698 units)	-	16

BankIslami Pakistan Limited (Common Directorship with the Management Company)

Profit on savings accounts	87,569	6,171
Purchase of term deposit receipt	3,583,000	-
Income of term deposit receipt	39,834	5,191

Hub Power Company (Common Directorship with the Management Company)

Purchase of sukuk	377,000	-
Income of sukuk	28,179	-



	2020	2019
	----- Rupees in '000 -----	
Pakistan Stock Exchange (Common Directorship with the Management Company)		
Payment of listing fee	25	-
NBP Islamic Sarmaya Izafa Fund (Fund managed by Management Company)		
Sale of sukuk	88,457	-
NBP Balanced Fund (Fund managed by Management Company)		
Sale of sukuk	26,012	-
NBP Financial Sector Income Fund (Fund managed by Management Company)		
Purchase of commercial paper	82,441	-
24.6 Balances outstanding as at the year end		
NBP Fund Management Limited - Management Company		
Remuneration of the Management Company	1,959	2,001
Sindh Sales Tax payable on remuneration of the Management Company	255	260
Operational expenses	1,013	1,415
Sales load	2,430	1,303
Sindh Sales Tax and Federal Excise Duty on sales load	971	825
Selling and marketing expenses	7,095	5,659
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	254	286
Sindh Sales tax Remuneration payable	33	37
Security deposit	100	100
National Bank of Pakistan - Parent of the Management Company		
Bank balances	9,119	3,065
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Balance in savings accounts	2,058	101,678
Term deposit receipt	590,000	540,000
Employees of the Management Company		
Investment held in the Fund: 2,633,581 units (June 2019: 1,710,757 units)	25,101	16,291
Chief Financial Officer of the Management Company		
Investment held in the Fund: 5,877 units (June 2019: 296,264 units)	56	2,821



25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA and CFA	32
2	Mr. Sajjad Anwar	CFA & MBA	20
3	Mr. Asim Wahab Khan	CFA	14
4	Mr. Muhammad Ali Bhabha	CFA, MBA, FRM and MS	25
5	Mr. Hassan Raza	ACCA, BSC and CFA	9

25.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NBP Active Allocation Riba Free Savings Fund
- NBP Financial Sector Income Fund
- NBP Money Market Fund
- NBP Government Securities Plan I
- NBP Government Securities Savings Fund
- NBP Government Securities Liquid Fund
- NBP Islamic Daily Dividend Fund
- NBP Islamic Mahana Amdani Fund
- NBP Islamic Money Market Fund
- NBP Income Opportunity Fund
- NBP Mahana Amdani Fund
- NBP Riba Free Savings Fund
- NBP Savings Fund

26 PATTERN OF UNIT HOLDING

Category	As at June 30, 2020		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
Individuals	5,488	3,241,352	81.69
Insurance Companies	3	238,491	6.01
Retirement Funds	21	165,387	4.17
Public Limited Companies	1	75	0.00
Others	43	322,345	8.12
	5,556	3,967,650	100.00

(Rupees in '000)



Category	As at June 30, 2019		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
			(Rupees in '000)
Individuals	3,518	2,758,676	75.74
Insurance companies	3	38,726	1.06
Listed companies	3	122	0.00
Retirement funds	32	182,447	5.01
Others	42	662,399	18.19
	3,598	3,642,370	100.00

27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th and 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020 and April 27, 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan*	3	2	1	74th Meeting
Mr. Syed Hasan Irtiza Kazmi*	3	3	-	-
Mr. Nasir Husain**	1	-	1	72nd Meeting
Mr. Abdul Hadi Palekar**	1	-	1	72nd Meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy**	1	1	-	-
Mr. Khalid Mansoor*	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque**	1	1	-	-
Mr. Saad Amanullah Khan*	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

* Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Kazmi, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan were appointed as directors on Board, with effect from October 04, 2019.

** Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque were retired as directors from Board, with effect from October 04, 2019.



28 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Balances with banks	-	2,092,481	2,092,481
Investments	1,938,519	-	1,938,519
Profit accrued	-	22,621	22,621
Deposits	-	100	100
Receivable against transfer of units	-	16,135	16,135
	1,938,519	2,131,337	4,069,856

As at June 30, 2020		
At fair value through profit or loss	At amortised cost	Total

-----Rupees in '000-----

Financial liabilities

Payable to the Management Company	-	1,959	1,959
Payable to Central Depository Company of Pakistan Limited - Trustee	-	254	254
Accrued expenses and other liabilities	-	1,632	1,632
Payable against redemption of units	-	20,660	20,660
Net assets attributable to redeemable units	-	3,967,650	3,967,650
	-	3,992,155	3,992,155

As at June 30, 2020		
At fair value through profit or loss	At amortised cost	Total

----- Rupees in '000 -----

Financial assets

Balances with banks	-	2,118,188	2,118,188
Investments	1,549,483	-	1,549,483
Profit accrued	-	26,157	26,157
Deposits	-	100	100
	1,549,483	2,144,445	3,693,928

As at June 30, 2019		
At fair value through profit or loss	At amortised cost	Total

----- Rupees in '000 -----

Financial liabilities

Payable to the Management Company	-	2,001	2,001
Payable to the Trustee	-	286	286
Accrued expenses and other liabilities	-	1,620	1,620
Net assets attributable to redeemable units	-	3,642,370	3,642,370
	-	3,646,277	3,646,277

As at June 30, 2019		
At fair value through profit or loss	At amortised cost	Total

----- Rupees in '000 -----



29 FINANCIAL RISK MANAGEMENT

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

29.1 Market risk

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

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

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

29.1.1 Currency risk

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

29.1.2 Interest rate risk

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

- Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing balance in savings accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 20.704 million (2019: Rs. 3.316 million).

- Sensitivity analysis for fixed rate instruments

The Fund holds term deposits receipts, bai muajjal and commercial papers that expose the Fund to fair value interest rate risk as at June 30, 2020. In case of 100 basis points increase in coupon rate on June 30, 2020, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher/lower by Rs. 3.794 million (2019: Rs. 3.794 million).

As at June 30, 2020

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
%	----- Rupees in '000 -----				

On-balance sheet financial instruments

Financial assets

Bank balances	6.65 - 8.75	2,092,481	2,070,377	-	-	22,104
Investments	6.93 - 7.85	1,938,519	1,938,519	-	-	-
Markup accrued		22,621	-	-	-	22,621
Deposits		100	-	-	-	100
Receivable against transfer of units		16,135				16,135
		4,069,856	4,008,896	-	-	60,960



As at June 30, 2020

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

% ----- Rupees in '000 -----

On-balance sheet financial instruments

Financial liabilities

Payable to the Management Company	12,497	-	-	-	12,497
Payable to the Trustee	254	-	-	-	254
Accrued expenses and other liabilities	1,632	-	-	-	1,632
Payable against redemption of units	20,660	-	-	-	20,660
Net assets attributable to redeemable units	3,967,650	-	-	-	3,967,650
	4,002,693	-	-	-	4,002,693
On-balance sheet gap	67,163	4,008,896	-	-	(3,941,733)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

As at June 30, 2019

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

% ----- Rupees in '000 -----

On-balance sheet financial instruments

Financial assets

Bank balances	5.0 - 13.8	2,118,188	2,099,815	-	-	18,373
Investments	5.24 - 13.2	1,549,483	33,881	975,602	-	540,000
Markup accrued		26,157	-	-	-	26,157
Deposits		100	-	-	-	100
		3,693,928	2,133,696	975,602	-	584,630

Financial liabilities

Payable to the Management Company		11,463	-	-	-	11,463
Payable to the Trustee		323	-	-	-	323
Accrued expenses and other liabilities		38,918	-	-	-	38,918
Net assets attributable to redeemable units		3,642,370	-	-	-	3,642,370
		3,693,074	-	-	-	3,693,074
On-balance sheet gap		854	2,133,696	975,602	-	(3,108,444)
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-



29.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to price risk.

29.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on loans and receivables, balances with banks, profit receivable, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the Fund's policy is to enter into financial instrument contracts following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

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

Bank balances by rating category	June 30, 2020	June 30, 2019
AAA	4.86%	57.11%
AA+	1.43%	0.19%
AA	0.10%	1.15%
AA-	93.38%	0.38%
A+	0.10%	4.81%
A-	0.02%	36.05%
A	0.01%	0.05%
Suspended	0.12%	0.27%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows:

	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
Balances with banks	2,092,481	2,092,481	2,118,188	2,118,188
Investments	1,938,519	1,938,519	937,504	937,504
Profit accrued	22,621	22,621	26,157	26,157
Receivable against transfer of units	16,135	16,135	-	-
Deposits	100	100	100	100
	4,069,856	4,069,856	3,081,949	3,081,949

Concentration of credit risk

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

29.3 Liquidity risk

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



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

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to 15% of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. The Fund did not withhold any significant redemptions during the year.

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

----- June 30, 2020 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees in '000-----				
Financial liabilities				
Payable to the Management Company	12,497	12,497	-	-
Payable to the Trustee	254	254	-	-
Accrued expenses and other liabilities	1,632	1,632	-	-
Payable against redemption of units	20,660	20,660	-	-
Net assets attributable to redeemable units	3,967,650	3,967,650	-	-
4,002,693	4,002,693	-	-	

----- June 30, 2019 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
-----Rupees in '000-----				
Financial liabilities				
Payable to the Management Company	11,463	11,463	-	-
Payable to the Trustee	323	323	-	-
Accrued expenses and other liabilities	1,620	1,620	-	-
Net assets attributable to redeemable units	3,642,370	3,642,370	-	-
3,655,776	3,655,776	-	-	



30 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the issuance and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies stated in note 27, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by disposal of investments where necessary.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' 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. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.



June 30, 2020	Note	Carrying amount			Fair value		
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
----- Rupees -----							
Financial assets measured at fair value							
Sukuks	6	-	-	-	-	-	-
Government securities	6	-	-	-	-	-	-
Commercial papers	6	414,009	-	414,009	-	414,009	414,009
Term deposit receipts	6	1,210,000	-	1,210,000	-	1,210,000	1,210,000
Bai-muajjal	6	314,510	-	314,510	-	314,510	314,510
		1,938,519	-	1,938,519	-	1,938,519	1,938,519
Financial assets not measured at fair value							
Bank balances	5	-	2,092,481	2,092,481	-	-	-
Profit accrued	7	-	22,621	22,621	-	-	-
Deposits	8	-	100	100	-	-	-
Receivable against transfer of units		-	16,135	16,135	-	-	-
		-	2,131,337	2,131,337	-	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company	9	-	12,497	12,497	-	-	-
Remuneration payable to the Trustee	10	-	254	254	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	11	-	653	653	-	-	-
Accrued expenses and other liabilities	12	-	68,330	68,330	-	-	-
Payable against redemption of units		-	20,660	20,660	-	-	-
Net assets attributable to redeemable units		-	3,967,650	3,967,650	-	-	-
		-	4,070,044	4,070,044	-	-	-

June 30, 2019	Note	Carrying amount			Fair value		
		Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3
----- Rupees -----							
Financial assets measured at fair value							
Sukuks	6	148,630	-	148,630	-	148,630	148,630
Government Securities	6	71,979	-	71,979	-	71,979	71,979
Commercial paper	6	788,874	-	788,874	-	788,874	788,874
Term deposit receipts	6	540,000	-	540,000	-	540,000	540,000
		1,549,483	-	1,549,483	-	1,549,483	1,549,483



	Note	Carrying amount			Fair value		
		Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value							
Bank balances	5	-	2,118,188	2,118,188	-	-	-
Profit accrued	7	-	26,157	26,157	-	-	-
Deposits, prepayments and other receivables	8	-	1,529	1,529	-	-	-
		-	2,145,874	2,145,874	-	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company	9	-	11,463	11,463	-	-	-
Remuneration payable to the Trustee	10	-	323	323	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	11	-	2,283	2,283	-	-	-
Accrued expenses and other liabilities	12	-	38,918	38,918	-	-	-
Net assets attributable to redeemable units		-	3,642,370	3,642,370	-	-	-
		-	3,695,357	3,695,357	-	-	-

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 17, 2020.

33 GENERAL

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	For the year ended June 30, 2020	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015
Net assets at the year / period ended (Rs '000)	3,967,650	3,642,370	3,775,315	4,876,177	2,566,748	1,207,394
Net income for the year / period ended (Rs '000)	329,260	245,784	214,227	81,561	43,406	45,573
Net Asset Value per unit at the year / period ended (Rs)	9.5313	9.5226	9.9920	9.5103	9.4856	9.4745
Offer Price per unit	9.6390	9.6272	10.1049	9.6178	9.6110	9.6009
Redemption Price per unit	9.5313	9.5226	9.9920	9.5103	9.4856	9.4745
Ex - Highest offer price per unit (Rs.)	9.6390	9.6272	10.1049	10.0838	9.6110	9.6009
Ex - Lowest offer price per unit (Rs.)	8.5939	8.8782	9.6190	9.5942	8.9506	8.7930
Ex - Highest redemption price per unit (Rs.)	9.5313	9.5226	9.9920	9.9711	9.4856	9.4745
Ex - Lowest redemption price per unit (Rs.)	8.5939	8.7763	9.5048	9.4870	8.8314	8.6772
Fiscal Year Opening Ex NAV	8.5913	8.7720	9.5036	9.4856	8.8298	8.6754
Total return of the fund	10.91%	8.56%	5.14%	5.40%	7.43%	9.21%
Capital growth	0.07%	0.22%	0.00%	5.33%	0.13%	1.03%
Income distribution as % of Ex-NAV	10.84%	8.34%	5.14%	0.07%	7.30%	8.18%
Income distribution as % of Par Value	10.32%	7.93%	4.88%	0.07%	6.92%	7.10%
Distribution						
Interim distribution per unit	1.0323			0.4855	-	0.7099
Final distribution per unit		0.7927	0.4883	0.0068	0.6918	-
Distribution Dates						
Interim	26-Jun-20	24-June-2019		19-Jun-17	29-Jun-16	29-Jun-15
Final			04-Jul-2018	15-Sep-17		-
Average annual return of the fund (launch date October 26, 2007)						
(Since inception to June 30, 2020)	7%					
(Since inception to June 30, 2019)		6.71%				
(Since inception to June 30, 2018)			6.53%			
(Since inception to June 30, 2017)				6.7%		
(Since inception to June 30, 2016)					6.83%	
(Since inception to June 30, 2015)						6.80%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	27 Days	20 Days	60 Days	83 Days	49 Days	2 Days
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>						

Head Office

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

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Fax: 021-35825335

Email: info@nbpffunds.com

Website: www.nbpffunds.com

 /nbpffunds



NBP FUNDS

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NBP GOVERNMENT SECURITIES FUND I



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

JS Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank Limited



Auditors

KPMG Taseer Hadi & Co.
Sheikh Sultan Trust Building,
Ground No. 2 Shaheed Chaudary Aslam Road,
Civil Lines, Karachi, 75530

Legal Advisor

Akhund Forbes
D-21, Block 4, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Fax: 051-4859031

Peshawar Office:

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

Multan Office

Khan Center, 1st Floor, Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2 & 4

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Second Annual Report of **NBP Government Securities Fund-I (NGSF-I)** for the year ended June 30, 2020.

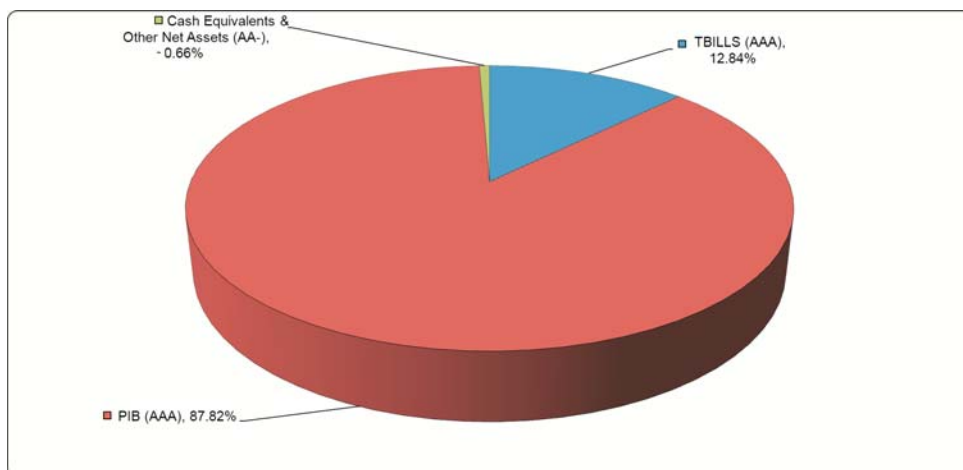
Fund's Performance

The size of NBP Government Securities Plan-I has increased from Rs. 276 million to Rs. 286 million during the period, i.e. a growth of 4%. During the period, the unit price of the Fund has increased from Rs. 8.4756 (Ex-Div) on June 30, 2019 to Rs. 10.0391 on June 30, 2020 thus posting a return of 18.4% as compared to its Benchmark return of 12.1% for the same period. The return of the Fund is net of management fee and all other expenses.

NGSP-I is categorized as an Income Fund. The Fund aims to provide attractive return with capital preservation at maturity of the plan, by investing in Government Securities not exceeding maturity of the plan. NBP Government Securities Plan-I has a fixed maturity of July 12, 2021. The Fund invests a minimum of 90% in Government Securities and minimum 10% of its assets in saving accounts with banks or in up to 90 days T-bills, which enhances liquidity profile of the Fund.

Building on the ongoing economic stabilization policies and to counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

The Fund has earned a total income of Rs. 52.224 million during the year. After deducting total expenses of Rs. 4.860 million, the net income is Rs. 47.364 million. The asset allocation of NGSP-I as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 18.01% of the opening ex-NAV (18.02% of the par value) for the period ended June 30, 2020.

Taxation

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



Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.

Directors' Statement in Compliance with best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar



Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **September 17, 2020**

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP گورنمنٹ سیکورٹیز فنڈ (NGSP-I) کی دوسری سالانہ رپورٹ برائے تختہ سال 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

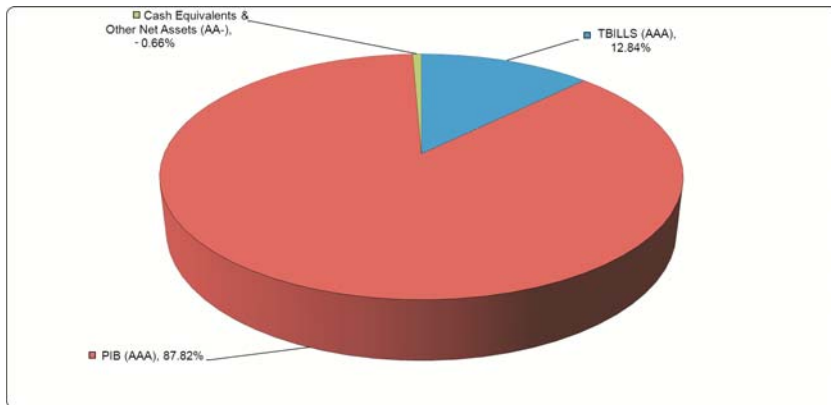
زیر جائزہ مدت کے دوران NBP گورنمنٹ سیکورٹیز پلان-I کا سائز 276 ملین روپے سے بڑھ کر 286 ملین روپے ہو گیا یعنی 4 فیصد کا اضافہ ہوا۔ زیر جائزہ مدت کے دوران، فنڈ کی پونٹ قیمت 30 جون 2019 کو 8.4756 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 10.0391 روپے ہو چکی ہے، لہذا فنڈ نے گزشتہ اسی مدت کے دوران 12.1% نیچ مارک منافع کے مقابلے میں 18.4% کا منافع دیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد حاصل ہے۔

NGSP-I آئٹم فنڈ کے طور پر درجہ بندی کیا جاتا ہے۔ فنڈ کا مقصد پلان کی میچورٹی سے قبل تک گورنمنٹ سیکورٹیز میں سرمایہ کاری کر کے پلان کی میچورٹی پر کیپٹل پر یزرویشن کے ساتھ متاثر کن منافع فراہم کرنا ہے۔ NBP گورنمنٹ سیکورٹیز پلان-I کی فکسڈ میچورٹی 12 جولائی 2021 کی ہے۔ فنڈ گورنمنٹ سیکورٹیز میں کم از کم 90% اور ٹیکوں کے ساتھ سیونگ اکاؤنٹ میں اپنے ایسیٹ کا کم از کم 10% یا T-Bills میں 90 دن تک انویسٹ کرنے کی اجازت دیتا ہے، جو فنڈ کی لیکویڈیٹی پروفائل کو بڑھاتا ہے۔

اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لیسٹی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح کو 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب 566bps، 580bps اور 608bps کی کمی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹائیکس (27) T-Bills بنایا میں منعقد کیں اور کل 14,317 ملین روپے جمع کئے۔

فنڈ نے موجودہ مدت کے دوران 52,224 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 4,860 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 47,364 ملین روپے ہے۔

درج ذیل NGSP-I کی ایسٹ بلوکیشن برمطابق 30 جون 2020ء حسب ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020ء کے اختتام کے بعد اوپننگ ex-NAV کا 18.01% (بنیادی قدر کا 18.02%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر آگم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔



آڈیٹرز

موجودہ آڈیٹرز، میسرز KPMG تا شیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2021 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی بیرونی میں ڈائریکٹرز اسٹیٹمنٹ

1. مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے۔ شاریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی بیرونی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں کی گئی ہے۔
11. یونٹ ہولڈنگ کا تفصیلی پیرین مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
13. کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

نام	کیٹگری
<ol style="list-style-type: none"> 1. جناب خالد منصور 2. جناب سعدا مان اللہ خان 3. جناب ہمایوں بشیر 	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
<ol style="list-style-type: none"> 1. شیخ محمد عبدالواحد سیٹھی (چیئرمین) 2. جناب سعد الرحمن خان 3. سید حسن الرضی کاظمی 4. جناب علی سیگل 5. جناب عمران ظفر 	نان ایگزیکٹو ڈائریکٹرز



اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنانس مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Government Securities Fund - I (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad

Chief Operating Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NBP Government Securities Plan-I

NBP Government Securities Plan-I (NGSP-I) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Government Securities Plan-I is to provide attractive return with capital preservation at maturity of the plan, by investing in Government Securities not exceeding maturity of the plan.

Benchmark

Average 6-Month PKRV.

Fund Performance Review

This is the Second Annual report since the launch of the Fund on March 18, 2019. The Fund size stands at Rs. 286 million as of June 30, 2020. Since its inception, the Fund posted a return of 14.5% p.a. versus the benchmark return of 12.0% p.a. This translates into outperformance of 2.5% p.a. During FY20, the Fund posted a 18.4% return versus the benchmark return of 12.1%. The return of the Fund is net of the management fee.

NBP Government Securities Plan I (NGSP-I) has a fixed maturity of July 12, 2021. The Fund invests a minimum of 90% in Government Securities and a maximum of 10% of its assets in saving accounts with banks or in up to 90 days T-Bills, which enhances liquidity profile of the Fund.

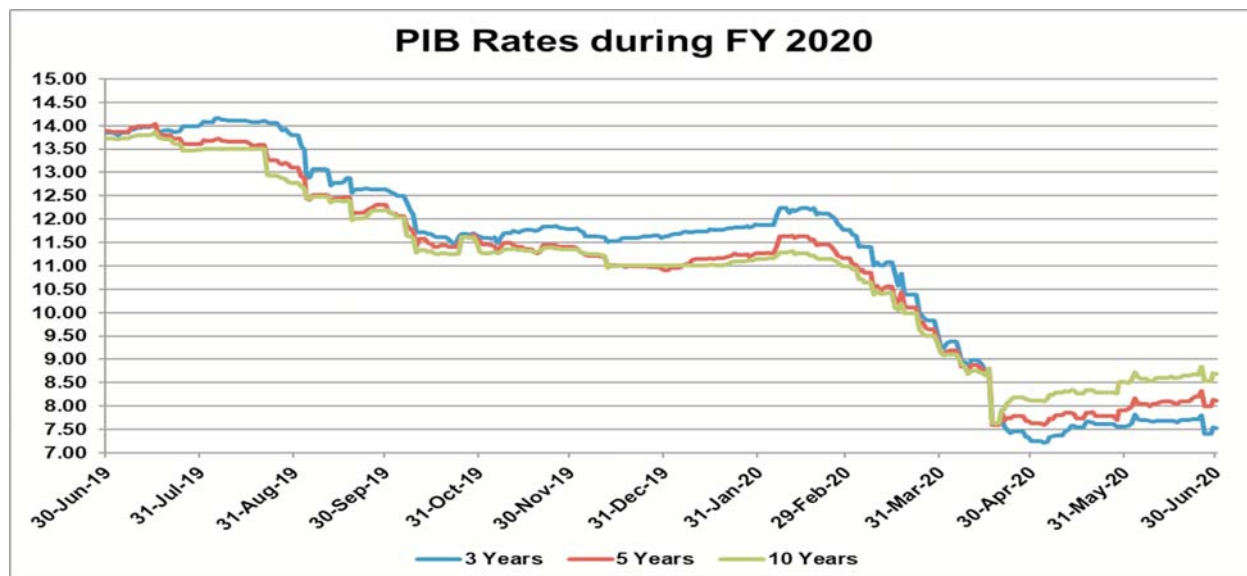
Building on the ongoing economic stabilization policies and to counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
PIBs	87.82%	85.63%
T-Bills	12.84%	5.38%
Cash (Cash Equivalents) & Other Assets	-0.66%	8.99%
Total	100%	100%



PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2019

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June -20	18.019%	11.8043	10.0024

Unit Holding Pattern of NBP Government Securities Plan-I as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
1-1000	-
1001-5000	4
5001-10000	4
10001-50000	22
50001-100000	4
100001-500000	9
500001-1000000	2
1000001-5000000	1
10000001-100000000	1
Total	47



During the period under question

There has been no significant change in the state of affairs of the Fund. NBP Government Securities Plan-I does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 1.019 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. Rs. 0.0357 / 0.43%. For details, investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit Holders of the NBP Government Securities Fund I

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the NBP Government Securities Fund I ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2020, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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



Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditors' report is **Muhammad Nadeem**.

Date: September 30, 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	NGSP-I	
		2020	2019
		(Rupees in '000)	
Assets			
Bank balances	5	626	17,364
Investments	6	288,231	251,160
Profit receivables		8,564	9,029
Preliminary expenses and floatation costs	7	550	1,085
Advance and prepayment	8	1,654	212
Total assets		299,625	278,850
Liabilities			
Payable to NBP Fund Management Limited - Management Company	9	1,056	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee	10	16	27
Payable to Securities and Exchange Commission of Pakistan	11	56	72
Payable against redemption of units		3,455	-
Accrued expenses and other liabilities	12	8,706	430
Total liabilities		13,289	2,865
Net assets		286,336	275,985
Unit holders' fund (as per statement attached)		286,336	275,985
Contingency and commitment	13		
		(Number of units)	
Number of units in issue	14	28,522,003	27,592,030
		(Rupees)	
Net assets value per unit		10.0391	10.0024

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	NGSP-I	
		For the year ended 30 June 2020	For the period from 18 March 2019 to 30 June 2019
		(Rupees in '000)	
Income			
Income from Market Treasury Bills		2,687	2,424
Income from Pakistan Investment Bonds		14,072	2,662
Mark up income on Pakistan Investment Bonds		18,587	4,530
Profit on bank deposits		1,761	1,857
Income from contingent load		64	261
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - net		372	(968)
Net unrealised appreciation / (diminution) on re-measurement of investments at FVTPL		14,681	(6,660)
Total income		52,224	4,106
Expenses			
Remuneration to NBP Fund Management Limited - Management Company	9.1	1,673	575
Sindh Sales Tax on remuneration to Management Company	9.2	217	75
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1	167	96
Sindh Sales Tax on remuneration to Trustee	10.2	22	12
Selling and marketing expenses	9.3	279	96
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	279	96
Annual fee - Securities and Exchange Commission of Pakistan	11	56	72
Amortisation of preliminary expenses and floatation costs		535	152
Auditors' remuneration	15	291	151
Mutual fund rating fee		193	61
Annual listing fee		27	25
Settlement and bank charges		30	22
Printing charges		84	21
Legal and professional charges		40	20
Securities transaction cost		-	10
Total expenses		3,893	1,484
Net income from operating activities		48,331	2,622
Provision for Sindh Workers' Welfare Fund	12.1	(967)	(52)
Net income for the year / period before taxation		47,364	2,570
Taxation	16	-	-
Net income for the year / period		47,364	2,570
Allocation of net income for the year / period			
Net income for the year / period		47,364	2,570
Income already paid on units redeemed		(1,062)	(1,002)
		46,302	1,568
Accounting income available for distribution:			
-Relating to capital gains		14,655	-
-Excluding capital gains		31,647	1,568
		46,302	1,568

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	NGSP-I	
	For the year ended 30 June 2020	For the period from 18 March 2019 to 30 June 2019
	(Rupees in '000)	
Net income for the year / period	47,364	2,570
Other comprehensive income for the year / period	-	-
Total comprehensive income for the year / period	47,364	2,570

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	NGSP-I	
	For the year ended 30 June 2020	For the period from 18 March 2019 to 30 June 2019
Note	(Rupees in '000)	
CASH FLOWS FOR THE YEAR / PERIOD FROM OPERATING ACTIVITIES		
Net income for the year / period	47,364	2,570
Adjustments:		
Provision for Sindh Workers' Welfare Fund	967	52
Amortisation of preliminary expenses and floatation costs	535	152
Net unrealised (appreciation) / diminution on re-measurement of investments at FVTPL	(14,681)	6,660
	<u>34,185</u>	<u>9,434</u>
(Increase) / decrease in assets		
Investments	(22,390)	(257,820)
Profit receivables	465	(9,029)
Advance and prepayment	(1,442)	(212)
Preliminary expenses and floatation costs	-	(1,237)
	<u>(23,367)</u>	<u>(268,298)</u>
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - Management Company	(1,280)	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee	(11)	27
Payable to Securities and Exchange Commission of Pakistan	(16)	72
Accrued expenses and other liabilities	7,309	378
	<u>6,002</u>	<u>2,813</u>
Net cash generated from / (used in) operating activities	<u>16,820</u>	<u>(256,051)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	17	
Amounts received against issuance of units	37,489	377,645
Payment against redemption of units	(25,785)	(104,216)
Distribution during the year / period	(45,262)	(14)
Net cash (used in) / generated from financing activities	<u>(33,558)</u>	<u>273,415</u>
Net (decrease) / increase in cash and cash equivalents	<u>(16,738)</u>	<u>17,364</u>
Cash and cash equivalents at beginning of the year / period	17,364	-
Cash and cash equivalents at end of the year / period	<u>5</u> <u>626</u>	<u>17,364</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Government Securities Fund – I ("the Fund") was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 07 December 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 05 December 2018 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 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 the 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 the Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund has been categorised as an open ended 'Income scheme' and is listed on Pakistan Stock Exchange. The units are transferable and can be redeemed by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at initial price of Rs. 10 on 18 March 2019 and received Rs. 379.926 million against initial public offer from various investors and accordingly the Fund commenced its business activities on the same date. The duration of the Fund is perpetual. The initial maturity of NBP Government Securities Plan - I will be on 12 July 2021.
- 1.4 The Fund has initially offered NBP Government Securities Plan - I (NGSP - I) and may offer upto a total of five allocation plans. The objective of the NBP Government Securities Fund – I is to provide attractive return with capital preservation at maturity of the plan, by investing primarily in Government Securities not exceeding maturity of the plan.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'AA-(f)' to the Fund.
- 1.6 Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- provisions of and directives issued under the Companies Act, 2017 along with part and the requirements VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations).

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



2.2 Accounting convention

These financial statements are prepared under the historical cost convention except for investments which are carried at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) Valuation of Investment (Note 4.2.4)
- (b) Provisions (Note 4.5)
- (c) Element of income (Note 4.8)
- (d) Classification and impairment of financial assets (Note 4.2.1 and 4.2.5)

3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The application of amendments are not likely to have an impact on the Fund's financial statements.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The company may use the Framework



as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, the Companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific outs. The application of amendments are not likely to have an impact on the Fund's financial statements.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of



comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The application of amendments are not likely to have an impact on the Fund's financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The application of amendments are not likely to have an impact on the Fund's financial statements.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 a funding IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The application of amendments are not likely to have an impact on the Fund's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

4.1 New, Amended and Revised Standards and Interpretations of IFRSs

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

4.2 Financial Assets

4.2.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:



- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well "as profit margin."

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:



- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this include cash and cash equivalents and receivables, if any. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.3 Initial recognition and measurement

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

4.2.4 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.



4.2.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The carrying value of the Fund's assets are reviewed.

4.2.6 Derecognition

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

4.2.7 Offsetting of financial assets and liabilities

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

4.2.8 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.2.9 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

4.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at mortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over the maturity period of the Fund starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.



4.5 Provisions

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

4.6 Taxation

The income of the Fund 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current period and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.7 Issue and redemption of units

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

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

4.8 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.



MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.9 Earnings per unit

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

4.10 Net assets value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

4.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Discount on purchase of Market Treasury Bills and Pakistan Investment Bonds is amortised to income statement using the straight line method.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

4.12 Distributions

Distributions declared are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

5 BANK BALANCES

2020 **2019**
(Rupees in '000)

In savings accounts	5.1	626	17,364
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5.1 These carry a rate of return ranging from 5.5% to 14.25% (2019: 11% to 13%) per annum.

6 INVESTMENTS

Financial assets 'at fair value through profit or loss'

Market Treasury Bills	6.1	36,774	14,841
Pakistan Investment Bonds	6.2	251,457	236,319
		288,231	251,160



6.1 Market Treasury Bills

Issue date	Tenor	Face value				Market value / Carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of total investments
		As At 1 July 2019	Purchases during the year	Sales / matured during the year	As at 30 June 2020			
		----- (Rupees in '000) -----				----- (%) -----		
09 May 2019	03 Months	15,000	-	15,000	-	-	-	-
18 July 2019	03 Months	-	14,000	14,000	-	-	-	-
01 August 2019	03 Months	-	10,335	10,335	-	-	-	-
24 October 2019	03 Months	-	15,000	15,000	-	-	-	-
07 November 2019	03 Months	-	15,000	15,000	-	-	-	-
05 December 2019	03 Months	-	22,000	22,000	-	-	-	-
30 January 2020	03 Months	-	15,000	15,000	-	-	-	-
27 February 2020	03 Months	-	22,000	22,000	-	-	-	-
23 April 2020	03 Months	-	15,000	-	15,000	14,956	0.05	0.05
21 May 2020	03 Months	-	22,000	-	22,000	21,818	0.08	0.08
Total			150,335	128,335	37,000	36,774	0.13	0.13

6.1.1 These carries a rate of return of 7.09% and 7.10% per annum.

6.2 Pakistan Investment Bonds

Issue date	Tenor	Face value				Market value / Carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of total investments
		As At 1 July 2019	Purchases during the year	Sales / matured during the year	As at 30 June 2020			
		----- (Rupees in '000) -----				----- (%) -----		
12 July 2018	03 years	266,000	-	15,000	251,000	251,457	0.88	0.87
Total		266,000	-	15,000	251,000	251,457	0.88	0.87

6.2.1 This carries a rate of return of 7.25% per annum.

7 PRELIMINARY EXPENSES AND FLOTATION COSTS

	2020 (Rupees in '000)	2019
Opening Balance	1,085	-
Incurred during the year / period	-	1,237
Less: Amortisation for the year / period	(535)	(152)
Balance at end of the year / period	<u>550</u>	<u>1,085</u>

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over the maturity period of the Fund as per the requirements set out in the Trust Deed.

8 ADVANCE AND PREPAYMENT

		2020 (Rupees in '000)	2019
Advance tax	8.1	1,550	104
Prepaid Mutual Fund Rating fee		104	108
		<u>1,654</u>	<u>212</u>



- 8.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on bank deposit and investment paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008- VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on dividends and profit on bank deposits as at 30 June 2020 amounts to Rs. 1.550 million (2019: Rs. 0.104 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by HCS in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court (HSC) through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the HSC by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the HSC granted the petitioners leave to appeal from the initial judgement of HCS. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as Advance tax as at 30 June 2020 as in the opinion of the management, the amount of tax deducted at source will be refunded.

9 PAYABLE TO NBP FUND MANAGEMENT Limited - MANAGEMENT COMPANY

	Note	2020 (Rupees in '000)	2019
Management remuneration	9.1	144	142
Sindh Sales Tax on management remuneration	9.2	19	18
Sales and transfer load		626	626
Sindh Sales Tax on sales load		81	81
Selling and Marketing Expense	9.3	73	96
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	73	96
Formation Cost Payable to Management Company		-	1,237
Other payable		40	40
		1,056	2,336

- 9.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 0.6% of the average net assets of the Fund.

- 9.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% was charged on management remuneration and sales load.



9.3 As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme upto 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived capping for charging selling and marketing expense. However, the Management Company has continued to charge selling and marketing expenses at the rate of 0.1 % per annum of average net assets of the Fund or actual expenses whichever is lower.

9.4 In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. On 20 June 2019 SECP vide S.R.O. 639 (I)/2019, has substituted clause (s) of sub regulation 3 of regulation 60 and accordingly has removed cap of charging 0.1% per annum of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services. However, the Management Company is charging 0.1% of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	2020 (Rupees in '000)	2019
Trustee remuneration	10.1	14	24
Sindh Sales Tax on Trustee remuneration	10.2	2	3
		<u>16</u>	<u>27</u>

10.1 Upto 30 June 2019, the Trustee was entitled to a monthly remuneration for services rendered to the Fund as stated below under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund.

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.10% p.a. of net assets
Over Rs. 1,000 million	Rs.1 million plus 0.06% p.a. of Net Assets exceeding Rs. 1,000 million.

With effective from 1 July 2019 the Trustee has revised its remuneration and charged remuneration at the rate of 0.06% per annum of net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

10.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the year, Sindh Sales Tax at the rate of 13% was charged on trustee remuneration.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan, An amount equal to 0.075% per annum of the average net assets of the Fund has been charged till 30 June 2019 and with effective from 1 July 2019 SECP has revised its fee rate to 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears.



12 ACCRUED EXPENSES AND OTHER LIABILITIES		2020	2019
		(Rupees in '000)	
Provision for Sindh Workers' Welfare Fund	12.1	1,019	52
Withholding tax		7,400	224
Auditors' remuneration		190	103
Brokerage fee		-	10
Bank charges		19	1
Printing charges		18	17
Legal fee		60	20
Settlement Charges		-	3
		<u>8,706</u>	<u>430</u>

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

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of financial institutions. The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014. Accordingly provision for SWWF since inception of the Fund has been made.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the current period the net asset value of the Fund as at 30 June 2020 would higher by Rs. 0.0357 (June 2019: Rs. 0.0019) per unit.

13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 30 June 2020 (30 June 2019: Nil).

14 NUMBER OF UNITS IN ISSUE		2020	2019
		(Number of units)	
Opening units		27,592,030	-
Units issued	14.1	3,747,278	37,913,388
Less: units redeemed		(2,817,305)	(10,321,358)
Total units in issue at end of the year / period		<u>28,522,003</u>	<u>27,592,030</u>

14.1 This includes 3,747,278 units (2019: 126,975 units) issued against Dividend Reinvestment Plan amounting to Rs. 37.489 million (2019: 1.268 million) net of taxation.

14.2 The Management Company on 24 June 2020 (2019: 26 June 2019) declared interim distribution amounted to Rs. 1.8019 per unit (2019: Rs. 0.0524 per unit) (for full period) for the year ended 30 June 2020 . The aggregate cash distribution is Rs. 45.262 million (2019: Rs. 1.503 million)



15 AUDITORS' REMUNERATION

2020 2019
(Rupees in '000)

Statutory audit fee	150	112
Half yearly review fee	65	-
Out of pocket expenses and others including government levy	76	39
	<u>291</u>	<u>151</u>

16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.12 and 14.2), no provision for taxation has been made in these financial statements.

17 RECONCILIATION OF RECEIVABLE AND LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend Payable	Total
	------(Rupees in '000) -----			
Balance as at 1 July 2019	-	-	-	-
Receivable against issuance of units	37,489	-	-	37,489.00
Payable against redemption of units	-	29,240	-	29,240
Dividend Payable	-	-	45,262	45,262
	37,489	29,240	45,262	111,991
Dividend reinvestment	(37,489)	-	(44,802)	(82,291)
Amount paid on redemption of units	-	(25,785)	-	(25,785)
Dividend paid	-	-	(460)	(460)
	(37,489)	(25,785)	(45,262)	(108,536)
Balance as at 30 June 2020	<u>-</u>	<u>3,455</u>	<u>-</u>	<u>3,455</u>

18 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the period) is 1.74% per annum.

Total expense ratio (excluding government levies) is 1.29% per annum.



19 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020		
	At Amortised Cost	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	626	-	626
Investments	-	288,231	288,231
Profit receivables	8,564	-	8,564
	<u>9,190</u>	<u>288,231</u>	<u>297,421</u>

	30 June 2020		
	At fair value through profit or loss	At Amortised Cost	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	1,056	1,056
Payable to Central Depository Company of Pakistan Limited - Trustee	-	16	16
Payable against redemption of units	-	3,455	3,455
Accrued expenses and other liabilities	-	287	287
	<u>-</u>	<u>4,814</u>	<u>4,814</u>

	30 June 2019		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	17,364	-	17,364
Investments	-	251,160	251,160
Profit receivables	9,029	-	9,029
	<u>26,393</u>	<u>251,160</u>	<u>277,553</u>

	30 June 2019		
	Mandatorily at fair value through profit or loss	At Amortised Cost	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	2,336	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee	-	27	27
Accrued expenses and other liabilities	-	154	154
	<u>-</u>	<u>2,517</u>	<u>2,517</u>

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 20.1** Connected persons include NBP Fund Management Limited (NBP Funds) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Baltoro Growth Fund being the sponsors, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, entities under common management or directorships, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company and unit holders holding 10 percent or more units of the Fund.



- 20.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 20.3** Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 20.4** The details of significant transactions and balances with connected persons at year / period end except those disclosed elsewhere in these financial statements are as follows:

20.5 Transactions during the year / period:	For the year ended 30 June 2020	For the period from 18 March 2019 to 30 June 2019
	(Rupees in '000)	
NBP Fund Management Limited Management Company		
Management remuneration	1,673	575
Sindh Sales Tax on remuneration to Management Company	217	75
Allocation of expenses related to registrar services, accounting, operation and valuation services	279	96
Selling and marketing expenses	279	96
Sales Load and Sales Tax on sales Load	-	707
Central Depository Company of Pakistan Limited - Trustee		
Remuneration to the Trustee	167	96
Sindh Sales Tax on remuneration to Trustee	22	12
Settlement Charges	7	4
Fauji Akbar Portia Marine Terminals Limited		
Dividend reinvestment: 1,537,775 (June 2019 : 44,534) units	15,384	445
Pakistan Stock Exchange		
Listing Fee	25	-
Barret Hudgson Pakistan (Private) Limited		
Dividend reinvestment: 1,255,927 (June 2019 : 36,371) units	12,565	364
GIA Export Marketing Service (Private) Limited		
Dividend reinvestment: 488,934 (June 2019 : 14,160) units	4,891	142
	2020	2019
	(Rupees in '000)	
20.6 Amounts outstanding as at year / period end:		
NBP Fund Management Limited - Management Company		
Management remuneration payable	144	142
Sindh Sales Tax payable	19	18
Allocation of expenses related to registrar services, accounting, operation and valuation services	73	96
Selling and Marketing Expense	73	96
Formation Cost Payable	-	1,237
Sales load and transfer load payable	626	626
Sindh Sales Tax on sales load	81	81
Other payable	40	40



	2020	2019
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	14	24
Sindh Sales Tax payable	2	3
Fauji Akbar Portia Marine Terminals Limited		
Units held: 11,582,308 (June 2019 : 10,044,534) units	116,276	100,469
Barret Hudgson Pakistan (Private) Limited		
Units held: 9,459,467 (June 2019 : 8,203,541) units	94,965	82,055
GIA Export Marketing Service (Private) Limited		
Units held: 3,682,586 (June 2019 : 3,193,652) units	36,970	31,944

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S. No	Name	Qualifications	Experience in year
1	Dr. Amjad Waheed	MBA, Doctorate in Business Administration and CFA	32
2	Mr. Sajjad Anwar	CFA and MBA Finance	20
3	Mr. Asim Wahab Khan	CFA	25
4	Mr. Muhammad Ali Bhabha*	MBA, MS (CS), CFA, FRM	9
5	Mr. Hassan Raza	ACCA, CFA, BSC	14

*Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NBP Government Securities Liquid Fund, NBP Mahana Amdani Fund, NBP Money Market Fund, NBP Riba Free Saving Fund, NBP Financial Sector Income Fund, NBP Active Allocation Riba Free Savings Fund, NBP Islamic Money Market Fund, NBP Islamic Savings Fund, NBP Income Opportunity Fund, NBP Government Securities Savings Fund, NBP Islamic Mahana Amdani Fund, NBP Savings Fund and NBP Islamic Daily Dividend Fund.

22 TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

No commission paid / payable to brokers / dealers during the year ended 30 June 2020:

List of brokers / dealers by percentage of commission paid / payable during the period ended 30 June 2019:

S. No	Particulars	Percentage (%)
1	ICON Securities Private Limited	44
2	Bright Capital Private Limited	56

23 PATTERN OF UNIT HOLDING

	As at 30 June 2020		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ----
Category			
Individuals	43	37,719	13.17
Others	4	248,617	86.83
	47	286,336	100.00



Category	As at 30 June 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ----
Individuals	66	51,069	18.50
Others	5	224,916	81.50
	<u>71</u>	<u>275,985</u>	<u>100.00</u>

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th, 75th Board meetings were held on 30 August 2019, 24 October 2019, 27 February 2020, 27 April 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held during tenure of	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [Note 24.2]	3	2	1	74th meeting
Syed Hasan Irtiza Kazmi [Note 24.2]	3	3	-	-
Mr. Nasir Husain [Note 24.1]	1	-	1	72nd meeting
Mr. Abdul Hadi Palekar [Note 24.1]	1	-	1	72nd meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [Note 24.1]	1	1	-	-
Mr. Khalid Mansoor [Note 24.2]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [Note 24.1]	1	1	-	-
Mr. Saad Amanullah Khan [Note 24.2]	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

24.1 Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque retired from the Board with effect from 04 October 2019.

24.2 Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Khan, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan opted as director on the Board with effect from 04 October 2019.

25 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.



The Fund primarily invests in a portfolio of money market investments such as government securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

25.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

Management of market risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

25.1.1 Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

25.1.2 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

Presently, the fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.0063 million (2019: 0.1736 million)

(b) Sensitivity analysis for fixed rate instruments

Fixed rate instruments comprise Market Treasury Bills and Pakistan Investment Bonds. Except for Market Treasury Bills and Pakistan Investment Bonds, the Fund's income and net assets are substantially independent of changes in market interest rate.

As at 30 June 2020, the Fund holds Market Treasury Bills and Pakistan Investment Bonds which are classified as 'at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on 30 June 2020, with all other variables held constant, the net income for the period and net assets would have been lower by Rs. 2.4726 million. In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2020, with all other variables held constant, the net income for the period and net assets would have been higher by Rs. 2.5138 million.

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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



30 June 2020					
Yield / interest rate	Exposed to yield / interest rate risk				Total
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	5.50% - 14.25%	626	-	-	626
Investments	7.09% - 7.25%	36,774	-	251,457	288,231
Profit receivables		-	-	8,564	8,564
		<u>37,400</u>	<u>-</u>	<u>251,457</u>	<u>297,421</u>
Financial liabilities					
Payable to NBP Fund Management Limited - Management Company		-	-	1,056	1,056
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	16	16
Payable against redemption of units		-	-	3,455	3,455
Accrued expenses and other liabilities		-	-	287	287
		<u>-</u>	<u>-</u>	<u>4,814</u>	<u>4,814</u>
On-balance sheet gap		<u>37,400</u>	<u>-</u>	<u>251,457</u>	<u>292,607</u>
Off-balance sheet financial instruments					
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>37,400</u>	<u>-</u>	<u>251,457</u>	<u>292,607</u>
Cumulative interest rate sensitivity gap		<u>37,400</u>	<u>37,400</u>	<u>288,857</u>	
30 June 2019					
Yield / interest rate	Exposed to yield / interest rate risk				Total
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	11.00% - 13.00%	17,364	-	-	17,364
Investments	7.25% - 11.00%	14,841	-	236,319	251,160
Profit receivables		-	-	9,029	9,029
		<u>32,205</u>	<u>-</u>	<u>236,319</u>	<u>277,553</u>
Financial liabilities					
Payable to NBP Fund Management Limited - Management Company		-	-	2,336	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	27	27
Accrued expenses and other liabilities		-	-	154	154
		<u>-</u>	<u>-</u>	<u>2,517</u>	<u>2,517</u>
On-balance sheet gap		<u>32,205</u>	<u>-</u>	<u>236,319</u>	<u>275,036</u>
Off-balance sheet financial instruments					
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>32,205</u>	<u>-</u>	<u>236,319</u>	<u>275,036</u>
Cumulative interest rate sensitivity gap		<u>32,205</u>	<u>32,205</u>	<u>268,524</u>	



25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as at 30 June 2020.

25.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment and bank balances. Risks attributable to investments in Market Treasury Bills and Pakistan Investment Bonds is limited as Market Treasury Bills and Pakistan Investment Bonds are guaranteed by the Federal Government. While bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances. The bank ratings are based on The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited as at 30 June 2020 and 30 June 2019.

Bank Balances	2020	2019
	(Rupees in '000)	
AA+	195	4
AA-	431	17,360
	<u>626</u>	<u>17,364</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2020 is the carrying amount of the financial assets.

Concentration of credit risk

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

25.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to ten percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, during the current period, no borrowing was obtained by the Fund.



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

Maturity analysis for financial liabilities

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

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2020			
	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	1,056	-	-	1,056
Payable to Central Depository Company of Pakistan Limited - Trustee	16	-	-	16
Payable against redemption of units	3,455	-	-	3,455
Accrued expenses and other liabilities	287	-	-	287
	4,814	-	-	4,814
Unit holders' fund	286,336	-	-	286,336
----- (Rupees in '000) -----				
	30 June 2019			
	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	2,336	-	-	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee	27	-	-	27
Accrued expenses and other liabilities	154	-	-	154
	2,517	-	-	2,517
Unit holders' fund	275,985	-	-	275,985



26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

IFRS 13, 'Fair Value Measurement' 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. The fair value hierarchy has the following levels:

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair value hierarchy.

		30 June 2020						
		Carrying value			Fair value			
		At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Market Treasury Bills		36,774	-	36,774	-	36,774	-	36,774
- Pakistan Investment Bond		251,457	-	251,457	-	251,457	-	251,457
		288,231	-	288,231	-	288,231	-	288,231
Financial assets not measured at fair value								
	26.1							
Bank balances		-	626	626				
Profit receivables		-	8,564	8,564				
		-	9,190	9,190				
Financial liabilities not measured at fair value								
	26.1							
Payable to NBP Fund Management Limited - Management company		-	1,056	1,056				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	16	16				
Payable against redemption of units		-	3,455	3,455				
Accrued expenses and other liabilities		-	287	287				
		-	4,814	4,814				



30 June 2019

	Carrying value			Fair value			
	At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Market Treasury Bills	14,841	-	14,841	-	14,841	-	14,841
- Pakistan Investment Bond	236,319	-	236,319	-	236,319	-	236,319
	<u>251,160</u>	<u>-</u>	<u>251,160</u>	<u>-</u>	<u>251,160</u>	<u>-</u>	<u>251,160</u>
Financial assets not measured at fair value							
Bank balances	-	17,364	17,364				
Profit receivables	-	9,029	9,029				
	<u>-</u>	<u>26,393</u>	<u>26,393</u>				
Financial liabilities not measured at fair value							
Payable to NBP Fund Management Limited - Management company	-	2,336	2,336				
Payable to Central Depository Company of Pakistan Limited - Trustee	-	27	27				
Accrued expenses and other liabilities	-	154	154				
	<u>-</u>	<u>2,517</u>	<u>2,517</u>				

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

26.2 Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units.

As at 30 June 2020, The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Fund shall be one hundred million rupees at all time during the life of the fund.

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

In accordance with the risk management policies stated in note 25, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.



28 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerges as a contagion risk around the globe, including Pakistan. To reduce the impact on the businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- c) Time for announcement of daily NAV as per the regulatory requirements is extended from 18:30 pm to the start of the next working day.

Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and securities of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made assessment for Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 17, 2020.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



Performance Table

Particulars	NGSP-I	
	For the year ended June 30, 2020	For the year ended June 30, 2019
	(Rs. In '000')	(Rs. In '000')
Net assets at the year / period ended (Rs. '000')	286,336	275,985
Net Income at the year / period ended (Rs. '000')	47,364	2,570
Net Asset Value per unit at the year / period ended (Rs.)	10.0391	10.0024
Offer price per unit	N/A	N/A
Redemption price per unit	10.0391	10.0024
Ex - Highest offer price per unit (Rs.)	N/A	N/A
Ex - Lowest offer price per unit (Rs.)	N/A	N/A
Ex - Highest redemption price per unit (Rs.)	10.0396	10.1338
Ex - Lowest redemption price per unit (Rs.)	8.4782	9.9479
Opening NAV at Since Inception (March 18, 2019)	10.0000	10.0000
Total return of the fund	18.39%	0.52%
Capital growth	0.38%	-
Income distribution as a % of ex nav	18.01%	0.52%
Income distribution as a % of par value	18.02%	0.52%
Distribution		
Interim distribution per unit	1.8019	0.0524
Final distribution per unit		
Distribution date		
Interim	24-Jun-20	24-Jun-19
Interim		
Final		
Average annual return of the Fund (launch date March 18' 2019) (Since inception to June 30, 2020)	14.54%	1.92%
Weighted average portfolio duration	308 Days	1.5 years

"Past performance is not necessarily indicative of future performance and that unit prices and investment return returns may go down, as well as up."

Head Office

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Website: www.nbpffunds.com

 /nbpffunds

NBP RIBA FREE SAVINGS FUND



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

Al Baraka Islamic Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
United Bank Limited



Auditors

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

Legal Advisor

Akhund Forbes
D-21, Block 4, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

Khan Center, 1st Floor,
Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2&4

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Tenth Annual Report of **NBP Riba Free Savings Fund (NRFSF)** for the year ended June 30, 2020.

Fund's Performance

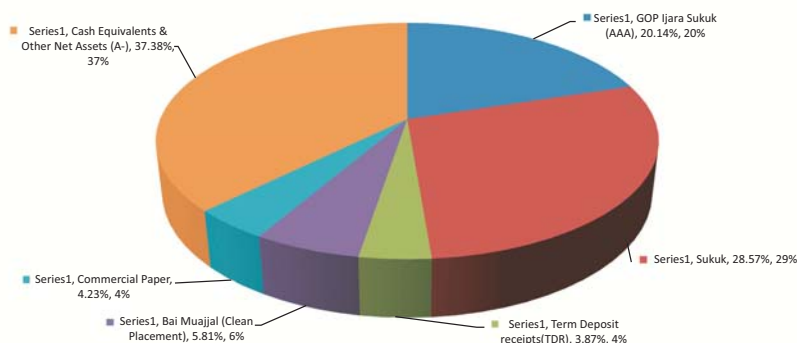
The size of NBP Riba Free Savings Fund has decreased from Rs. 6,569 million to Rs. 5,163 million during the period, i.e. a drop of 21%. During the period, the unit price of the Fund has increased from Rs. 9.2194 (Ex-Div) on June 30, 2019 to Rs. 10.2319 on June 30, 2020 thus posting a return of 11.0% as compared to its Benchmark return of 6.3% for the same period. The return of the Fund is net of management fee and all other expenses.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. The stability rating of the Fund by PACRA is A (f), which denotes a strong capacity to maintain relative stability in returns and very low exposure to risks. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY 2020 compared to Rs. 12 billion in FY 2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on an aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time.

The Fund has earned a total income of Rs.751.695 million during the year. After deducting total expenses of Rs. 118.724million, the net income is Rs. 632.971million.

The asset allocation of NBP Riba Free Savings Fund as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 10.69% of the opening ex-NAV (10.91% of the par value) for the period ended June 30, 2020.

Taxation

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

Auditors

The present auditor Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies



and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs A.F. Ferguson & Co., Chartered Accountants, for the year ending June 30, 2021.

Directors' Statement in Compliance with best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 23 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Nasir Husain 3. Mr. Abdul Hadi Palekar 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: September 17, 2020
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP ریفاری سیونگ فنڈ کی دسویں سالانہ رپورٹ برائے سال تختہ 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

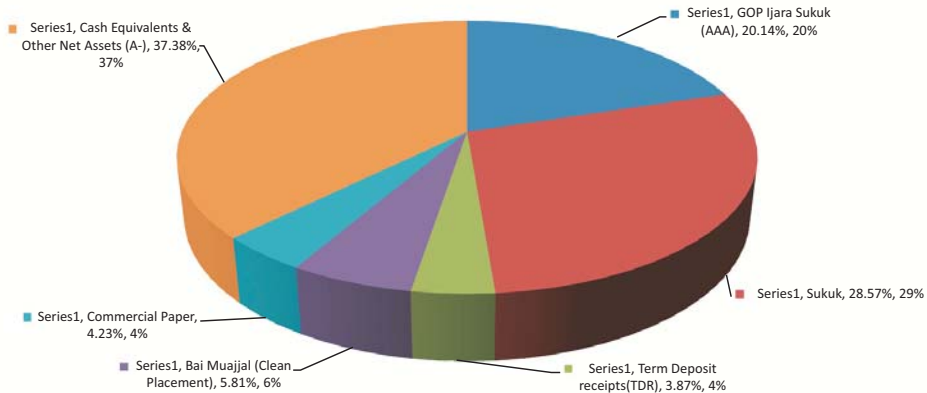
فنڈ کی کارکردگی

NBP ریفاری سیونگ فنڈ کا سائز اس مدت کے دوران 6,569 ملین روپے سے کم ہو کر 5,163 ملین روپے ہو گیا۔ یعنی 21% کمی ہوئی۔ زیر جائزہ مدت کے دوران، فنڈ کی یونٹ قیمت 30 جون 2019 کو 9.2194 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 10.2319 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت کے دوران 6.3% پیچ مارک منافع کے مقابلے میں 11.0% کا منافع دیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

INRFSF ایک اسلامک انکم اسکیم ہے، جس کا اسٹاک مارکیٹ سے کوئی براہ راست یا بالواسطہ تعلق نہیں ہے۔ فنڈ کو PACRA کی طرف سے A(f) کی اسٹیٹیلٹی ریٹنگ دی گئی ہے جو منافع جات میں استحکام برقرار رکھنے کی زبردست اہلیت اور خطرات کی زد میں آنے کے بہت معمولی امکانات کی نشان دہی کرتی ہے۔ فنڈ کا مقصد اسلامی بینکوں / کمرشل بینکوں کی اسلامی ونڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے تو اتنے سے بہتر منافع فراہم کرنا ہے، جب کہ اعلیٰ کوائٹی کے کریڈٹ پروفائل کے ساتھ آسان لیکویڈیٹی بھی مہیا کرنا ہے۔ کسی بھی واحد انشرومنٹ کی میچورٹی، مساوائے حکومت پاکستان کے اجارہ سلوک، 6 ماہ سے تجاوز نہیں کر سکتی۔ GOP اجارہ سلوک 6 ماہ کو پین ری سیٹ کے ساتھ فلونگ ریٹ شریعہ کمپلیٹ سیکورٹیز ہیں۔ یہ پرائسنگ رسک کو کم از کم کرتی ہے۔

کارپوریٹ سلوک میں تجارتی سرگرمی مالی سال 2019 میں 12 ملین روپے کے مقابلے مالی سال 2020 میں تقریباً 27 ملین روپے کے مجموعی تجارتی قیمت کے ساتھ قابل ذکر 127% زیادہ رہی۔ نئے اجارہ سلوک کے ساتھ بجلی کے شعبے کو حکومت کے گارنٹی شدہ سلوک اور شریعہ کمپلیٹ کمرشل پیپرز کے اجراء نے طویل مدتی اور قلیل مدتی شریعہ کمپلیٹ ڈیٹ آلات کے زیر اثر مارکیٹ کی مدد کی۔ اقتصادی استحکام کی جاری پالیسیوں کی تعمیر اور زرمبادلہ کی شرح گراؤ، یونٹی لینی قیمتوں میں اضافہ، اور وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات سے افراط زر کے بڑے اثرات کا مقابلہ کرتے ہوئے، اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے IMPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کمی کر کے 7 فیصد کر دی۔ فنڈ نے سال کے دوران 751.695 ملین روپے کی کل آمدنی کمائی ہے۔ 118.724 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 632.971 ملین روپے ہے۔

30 جون 2020 کو NBP ریفاری سیونگ فنڈ کی ایٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اوپننگ ex-NAV کا 10.69% (بنیادی قدر کا 10.91%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte یوسف عادل اینڈ کو، چارٹرڈ اکاؤنٹنٹس، نے فنڈ کے آڈیٹری صلاحیت میں اپنی پانچ سالہ مدت مکمل کر لی ہے۔ نان بینکنگ فنانس کمپنیز کی ریگولیشن (i) 38 اور نوٹیفائیڈ ریگولیشنز 2008 کے تقاضے کے مطابق ان کی تجدیلی ضروری ہے۔ بورڈ نے 30 جون 2021 کو ختم ہونے والے سال میں میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دی ہے۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1 میٹجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور پونٹ ہولڈرز فنڈز میں تجدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیبیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں کی گئی ہے۔
- 11 پونٹ ہولڈنگ کا تفصیلی پینن مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔
- 13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی متارثی انٹریٹ نہیں رکھتی۔ 30

جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں



نام	کٹیگری
1. جناب خالد منصور 2. جناب سعد امان اللہ خان 3. جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
1. شیخ محمد عبدالواحد سیٹھی (چیئرمین) 2. جناب سعد الرحمان خان 3. جناب سید حسن ارتضیٰ کاظمی 4. جناب علی سیگل 5. جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمیٹی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP ڈیٹا مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Riba Free Savings Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad

Chief Operating Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NBP Riba Free Savings Fund

NBP Riba Free Savings Fund (NRFSF) is an Open-end Shariah Compliant Income Scheme.

Investment Objective of the Fund

The objective of NBP Riba Free Savings Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah Compliant banks and money market/debt securities.

Benchmark

6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP.

Fund Performance Review

This is the Tenth Annual report since the launch of the Fund on August 20, 2010. The Fund size has decreased by 21% during FY20 and stands at Rs. 5,163 million as of June 30, 2020. The Fund has posted a return of 8.1% p.a. since its inception versus the benchmark return of 5.7% p.a. During FY20, the Fund posted a return of 11.0% as compared to the benchmark return of 6.3%. This translates into outperformance of 4.7% p.a. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its investment objectives.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to the stock market. The Fund was awarded A(f) stability rating by PACRA. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah-compliant securities with six-monthly coupon resets. This minimizes pricing risk.

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY 2020 compared to Rs. 12 billion in FY 2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on an aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-19	30-Jun-18
Cash (Cash Equivalents) & Other Assets	47.06%	78.59%
GOP Ijara Sukuk	20.14%	-
Sukuk	28.57	-
Commercial Paper	4.23%	21.41%
Total	100.00%	100.00%



Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June 26, 2020	10.91%	11.2958	10.2049

Unit Holding Pattern of NBP Riba Free Savings Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
1-1000	2991
1001-5000	501
5001-10000	422
10001-50000	1287
50001-100000	548
100001-500000	604
500001-1000000	73
1000001-5000000	47
5000001-10000000	6
10000001-100000000	6
Total	6,485

During the period under question:

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

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 27.973 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs.0.0554. For details, investors are advised to read note 19 of the Financial Statement of the Scheme for the year ended June 30, 2020.



STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Riba Free Savings Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 17, 2020**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer



REPORT OF THE SHARI'AH SUPERVISORY BOARD

August 31, 2020/ Muharram 11, 1442

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Tenth year of the operations of NBP Riba Free Savings Fund (NRFSF). This report is being issued in accordance with clause 3.14 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

In the capacity of Shari'ah Supervisory Board, we have prescribed criteria and procedure to be followed in ensuring Shari'ah Compliance in every investment.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance with the Shari'ah policies & guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NRFSF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NRFSF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NRFSF for the year ended June 30, 2020 are not in compliance with Shari'ah principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and On Behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board



INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of NBP Riba Free Savings Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as per the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor.

Management Company's responsibility

Management Company of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

Responsibility of an independent assurance provider

Our responsibility is to express our opinion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the Shariah Principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the Shariah Principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- checking, on a test basis, compliance of specified guidelines issued by Shariah Advisor relating to maintaining of bank accounts and for making investments of the Fund; and
- checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor for the year ended June 30, 2020.

Deloitte Yousuf Adil
Chartered Accountants

Dated: September 30, 2020
Place: Karachi



INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Riba Free Savings Fund Report on the audit of the financial statements

Opinion

We have audited the financial statements of **NBP Riba Free Savings Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, the statement of comprehensive income, the statement of movement in unit holders' fund and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key audit matter

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

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Valuation and existence of investments</p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements represent significant portion of the net assets of the Fund</p> <p>The Fund's primary activity is, inter alia, to invest in commercial papers, sukuks, term deposits and bai Mujjal which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence of investments are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance; independently verified existence of investments from the Central Depository Company (CDC), bank account statements and other relevant documents; performed test of details on sale, purchase and maturity of investments on a sample basis; tested valuation of investments; and any differences identified during our testing that were over our acceptable threshold were investigated further.



Information other than the financial statements and auditor's report thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not received this information and therefore cannot report in this regard.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

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

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

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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



financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Naresh Kumar**.

Deloitte Yousuf Adil
Chartered Accountants

Date: September 30, 2020

Place: Karachi.



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	2020	2019
Note	----- Rupees in '000 -----	
ASSETS		
Bank balances	5 2,076,787	4,208,621
Investments	6 3,232,720	2,381,549
Profit accrued	7 61,805	68,097
Deposit and prepayment	8 437	416
Receivable against transfer of units	9 12,083	-
Total assets	5,383,832	6,658,683
LIABILITIES		
Payable to NBP Fund Management Limited - Management Company	10 14,989	22,303
Payable to Central Depository Company of Pakistan Limited - Trustee	11 380	620
Payable to the Securities and Exchange Commission of Pakistan	12 1,209	4,197
Accrued expenses and other liabilities	13 110,086	61,651
Payable against redemption of units	14 94,496	861
Total liabilities	221,160	89,632
NET ASSETS	5,162,672	6,569,051
UNIT HOLDERS' FUND (as per statement attached)	5,162,672	6,569,051
Contingencies and commitments	15	
		----- Number of units -----
Number of units in issue	16 504,564,248	643,712,304
		----- Rupees -----
Net asset value per unit	17 10.2319	10.2049

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
Note	Rupees in '000	
INCOME		
Return / profit on;		
- bank balances	621,417	479,811
- government securities	10,774	2,949
- commercial papers	73,064	99,869
- sukuks	68,095	-
- bai-muajjal	1,290	-
Net loss on sale of investments	(62)	-
Net unrealised loss on re-measurement of investments at fair value through profit or loss	6.2 (22,883)	(380)
Total income	751,695	582,249
EXPENSES		
Remuneration of NBP Asset Management Limited - Management Company	10.1 43,782	40,067
Sindh Sales Tax on remuneration of the Management Company	10.2 5,692	5,208
Reimbursement of operational expenses to the Management Company	10.3 6,044	5,596
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1 4,533	5,489
Sindh Sales Tax on remuneration of the Trustee	11.2 589	714
Selling and marketing expense	41,668	18,988
Annual fee to the Securities and Exchange Commission of Pakistan	12 1,209	4,197
Settlement and bank charges	131	710
Auditors' remuneration	18 652	732
Fund rating fee	453	412
Legal and professional charges	69	55
Annual listing fee	28	28
Printing charges	53	18
Shariah advisor fee	882	952
Total expenses	105,785	83,166
Net income from operating activities	645,910	499,083
Provision for Sindh Workers' Welfare Fund	19 (12,918)	(9,982)
Net income for the year before taxation	632,992	489,101
Taxation	20 -	-
Net income for the year after taxation	632,992	489,101
Earnings per unit	21	
Allocation of net income for the period:		
Net income for the period after taxation	632,992	489,101
Income already paid on units redeemed	(265,372)	(217,557)
	367,620	271,544
Accounting Income available for distribution		
Relating to capital gain	-	-
Excluding capital gain	367,620	271,544
	367,620	271,544

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

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- Rupees in '000 -----	
Net income for the year after taxation	632,992	489,101
Other comprehensive income	-	-
Total comprehensive income for the year	632,992	489,101

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	2,020	2019
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	632,992	489,101
Adjustments:		
Return / profit on;		
- bank balances	(621,417)	(479,811)
- government securities	(10,774)	(2,949)
- commercial papers	(73,064)	(99,869)
- sukuks	(68,095)	-
- letter of placement	(1,290)	-
Net unrealised loss on re-measurement of investments at fair value through profit or loss	22,883	380
Net loss on sale of investments	62	-
Provision for Sindh Workers' Welfare Fund	12,918	9,982
	(738,777)	(572,267)
	(105,785)	(83,166)
(Increase) / decrease in assets		
Investments - net	(1,649,116)	(1,306,546)
Deposit and prepayment	(21)	(216)
	(1,649,137)	(1,306,762)
(Decrease) / increase in liabilities		
Payable to the Management Company	(7,314)	17,390
Payable to the Trustee	(240)	229
Payable to the Securities and Exchange Commission of Pakistan	(2,988)	1,724
Accrued expenses and other liabilities	35,517	33,321
	24,975	52,664
Profit on bank balances received	671,396	433,067
Profit on government securities received	-	3,175
Profit on commercial papers	73,064	99,869
Profit on sukuks	36,472	-
Net cash used from operating activities	(949,015)	(801,153)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	8,575,558	12,757,705
Amounts paid on redemption of units	(10,179,300)	(10,339,320)
Distributions paid	(354,077)	(354,961)
Net cash (used in) / generated from financing activities	(1,957,819)	2,063,424
Net (decrease) / increase in cash and cash equivalents during the year	(2,906,834)	1,262,271
Cash and cash equivalents at the beginning of the year	5,183,621	3,921,350
Cash and cash equivalents at the end of the year	2,276,787	5,183,621

5.2

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Riba Free Savings Fund (the Fund) was established under a Trust Deed executed between NBP Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 18, 2010 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

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 the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund and classified as an Islamic "income scheme" by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in Shariah compliant banks and money market / debt securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned stability rating of 'A(f)' to the Fund.

Title of the assets of the Fund is held in the name of CDC as a trustee of the Fund.

1.2 Impact of COVID-19

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown.

General economic activities in Pakistan also slowed down together during lock down period i.e. from March 22, 2020 to May 9, 2020. However, to deal with such situation, regulators / governments across the country have introduced measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time. These mainly include:

- Time period to regularize the exposure limits breach has been extended;
- Time period to compliance with minimum size has been increased;
- Time for the announcement of daily NAV has been relaxed; and
- Reduction in the interest rate by the State Bank of Pakistan

The management is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff including remote working. Further, the Management has not identified any material adverse impact on the financial performance of the Funds due to COVID-19 pandemic situation.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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



- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting judgments and estimates

"The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan. It requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:"

- a) classification of financial assets (note 4.2.2.1 and 6)
- b) impairment of financial assets (note 4.2.3)
- c) provisions (note 4.6)

3 ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS:

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact, other than certain additional disclosures on the Fund's financial statements.



Effective from accounting period beginning on or after:

Amendments to IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 16 Leases: This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in an associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments: Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.	

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

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

Effective from accounting period beginning on or after:

Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material	January 01, 2020
Amendments to IFRS 3 - Business Combinations: Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 Financial Instruments, IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 Leases - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 - Presentation of Financial Statements: Classification of liabilities as current or non-current	January 01, 2023



Effective from accounting period beginning on or after:

Amendments to IFRS 3 Business Combinations - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs, which are also not expected to have material impact on final reporting of the fund.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements as set out below.

4.1 Cash and cash equivalents

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

4.2 Financial assets and liabilities

4.2.1 Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.2.2 Classification and measurement

4.2.2.1 Financial Assets

There are three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVTOCI") and
- Fair value through profit or loss ("FVTPL").

Financial asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:



- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Asset at FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVTOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss.

Business Model Assessment

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

4.2.2.2 Financial Liabilities

The Company classifies its financial liabilities in the following categories:

- Measured at amortized cost ("AC"), or
- Measured at Fair value through profit or loss ("FVTPL").

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.



Classification and measurement of financial liabilities

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

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

4.2.3 Impairment of financial assets

The SECP has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore, the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

4.2.4 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP).

In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKIRSV rates) which are based on the remaining tenor of the securities.



Basis of valuation of instruments (other than debt and government securities) at amortised cost:

Subsequent to initial recognition, financial assets classified as amortised cost are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.2.5 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

4.2.6 Derecognition

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.3 Impairment of non financial assets

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

4.4 Issuance and redemption of units

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

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

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

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

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



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

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

4.6 Provisions

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

4.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the 'income statement' in the period in which they arise.
- Markup / return on government securities, sukuk certificates, bai-muajjal, bank balances and term deposits are recognized on a time proportion basis using the effective interest method.

4.8 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

4.9 Distribution to the unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.



5	BANK BALANCES	Note	2020 Rupees in '000	2019
	Current accounts		23,739	23,890
	Saving accounts	5.1	<u>2,053,048</u>	<u>4,184,731</u>
			<u>2,076,787</u>	<u>4,208,621</u>

5.1 These savings accounts carry profit at rates ranging from 7.25% to 8.75% per annum (2019: 2.42% to 13.85% per annum). Balance maintained with related parties i.e. National Bank of Pakistan and BankIslami Pakistan amounted to Rs. 6.629 million (2019: 877.252 million).

5.2	CASH AND CASH EQUIVALENT	Note	2020 Rupees in '000	2019
	Current accounts		23,739	23,890
	Saving accounts		2,053,048	4,184,731
	Term deposit receipts		<u>2,00,000</u>	<u>9,75,000</u>
			<u>2,276,787</u>	<u>5,183,621</u>

6	INVESTMENTS	Note	2020 Rupees in '000	2019
	Financial assets at fair value through profit or loss			
	Government securities - Ijarah sukus	6.1	1,039,618	-
	Commercial paper	6.2	218,136	1,406,549
	Term deposit receipts	6.3	200,000	975,000
	Sukus	6.4	1,475,000	-
	Bai-muajjal	6.5	<u>299,966</u>	<u>-</u>
			<u>3,232,720</u>	<u>2,381,549</u>

6.1 **Government securities - Ijarah sukus**

Description	Issue date	Maturity date	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
			As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
Ijarah sukuk - I	April 30, 2020	April 30, 2025	-	157,500	-	157,500	763,875	14.80	23.63	1.02
Ijarah sukuk - II	May 29, 2020	May 29, 2025	-	55,000	-	55,000	275,743	5.34	8.53	0.37
							<u>1,039,618</u>			
							1,062,500			

6.2 This represents the purchase of commercial paper from K Electric on April 06, 2020 (having face value of Rs. 225 million). This carry profit at the rate of 12.18% and will mature on October 06, 2020.

6.3 This carry profit rate of 7.35% (2019: 13.60%) per annum and having maturity at July 06, 2020.



6.4 Sukuks

Description	Issue date	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
						Rupees in '000'	----- % -----		
The Hub Power company	August 22, 2019	-	7,000	-	7,000	700,000	13.56	21.65	1.00
Pak Energy	May 21, 2020	-	55,000	-	55,000	500,000	9.68	15.47	2.75
Kelectric	December 27, 2019	-	100,000	-	100,000	275,000	5.33	8.51	1.16
						1,475,000			
Carrying value before mark to market as at June 30, 2020						1,475,000			

6.5 This represents bai-muajjal of GoP Ijarah with Pak Brunei Investment Company on June 11, 2020. This carry profit at the rate of 7.85% and will mature on December 10, 2020.

7 PROFIT ACCRUED

Profit accrued on:

	2020	2019
	----- Rupees in '000 -----	
bank balances	17,071	53,675
government securities	10,774	-
term deposit receipt	1,047	14,422
sukuks	31,623	-
bai-muajjal	1,290	-
	61,805	68,097

8 DEPOSIT AND PREPAYMENT

Security deposit with Central Depository Company of Pakistan Limited	200	200
Prepayment	237	216
	437	416

9 Receivable against transfer of units

This includes amounts receivable to the Fund from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units transferred by various unit holders based on their request for transfer of units from the other collective investment schemes to the Fund.

		2020	2019
	Note	----- Rupees in '000 -----	
10 PAYABLE TO NBP ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration Payable to the Management Company	10.1	2,891	5,048
Sindh Sales Tax on remuneration of the Management Company	10.2	360	657
Operational Expenses	10.3	1,422	3,161
Selling and marketing expense payable	10.4	9,947	12,645
Sales load payable		16	405
Sindh Sales Tax and Federal Excise Duty on sales load		353	387
		14,989	22,303



10.1 Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations 2008, an Asset Management Company shall be entitled to an accrued remuneration. During the year, Management Company has charged remuneration as follows:

- 7% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1.25% of average NAV, till July 11, 2019;
- 6% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1.25% of average NAV, applicable from July 12, 2019 onwards.

For the purpose of above calculation, daily net income is equals to gross income minus all expenses of the Fund excluding management remuneration and related sales tax and federal excise duty thereon.

10.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

10.3 As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the scheme. Accordingly, the Management Company has charged 0.1% of the average annual net assets.

10.4 The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated June 04, 2018 allowed to charge selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) subject to, cap of 0.4% per annum of net assets or actual whichever is lower and Board approval. In current year, SECP through its Circular No. 11 of 2019 dated July 5, 2019, has now removed cap of 0.4% on all open end funds (except "Fund of Funds"). In addition to the requirement of Board approval, now these expenses to be paid to AMC on reimbursement basis and subject to approval of the Trustee.

In pursuance of above circular, the Board has approved the limits to be charged in respect of these expenses. Accordingly, effective from July 12, 2019, the Fund has charged 0.7% of daily net asset value of the Fund.

11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
			Rupees in '000 -----	
	Remuneration of the Trustee	11.1	337	549
	Sindh Sales Tax on remuneration of the Trustee	11.2	43	71
			380	620

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

Effective from July 1, 2019, tariff structure has been revised from above table to actual custodial expenses / charges plus 0.075% per annum of average net assets.

Tariff structure applicable to the Fund as at June 30, 2019 is as follows:

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



11.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2019: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as "income scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year. The fee is paid annually in arrears.

	Note	2020 ----- Rupees in '000 -----	2019 -----
13 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		551	536
Provision for Sindh Workers' Welfare Fund	19	27,973	15,055
Federal Excise Duty on remuneration of the Management Company	11.1 & 11.2	10,657	10,657
Settlement charges payable		9	42
Withholding tax payable		60,447	28,060
Capital gain tax payable		9,376	6,155
Legal and professional charges payable		80	22
Bank charges payable		58	112
Printing charges payable		29	59
Others liabilities		906	953
		110,086	61,651

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

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

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

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs.10.657 million as at June 30, 2020.

Had the provision not been made, the net asset value per unit as at June 30, 2020 would have been higher by Rs. 0.0211 per unit (2019: Rs. 0.0166 per unit).

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

14 PAYABLE AGAINST REDEMPTION OF UNITS

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



15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

	2020	2019
Note	-----Number of units-----	
16 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	643,712,304	374,671,846
Add: units issued during the year	16.1 815,260,368	1,229,423,431
Less: units redeemed during the year	(954,408,424)	(960,382,973)
Total units in issue at the end of the year	<u>504,564,248</u>	<u>643,712,304</u>

16.1 These units includes 482,191 allocated units which are issued subsequently to unitholders.

17 NET ASSET VALUE PER UNIT

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

	2020	2019
	----- Rupees in '000 -----	
18 AUDITORS' REMUNERATION		
Annual audit fee	442	421
Half yearly review fee	177	169
Out of pocket expenses	33	142
	<u>652</u>	<u>732</u>

19 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

"The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.



In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 10.079 million and started recognising provision of SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 27,973 million (2019: Rs. 15,055 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 0.0554 (June 30, 2019: Rs. 0.0234) per unit.

20 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2020 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

21 EARNINGS PER UNIT

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

22 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the year) is 1.97% per annum including 0.34% representing government levies on Collective Investment Schemes such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

23 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

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

23.2 The transactions with connected persons and related parties are carried out at agreed terms.

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

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

	2020	2019
	----- Rupees in '000 -----	
23.5 Details of transactions with connected persons and related parties are as follows:		
NBP Asset Management Limited - Management Company		
Remuneration of the Management Company	43,782	40,067
Sindh Sales Tax on remuneration of the Management Company	5,692	5,208
Reimbursement of operational expenses to the Management Company	6,044	5,596
Sales load	959	3,054
Sindh Sales Tax and Federal Excise Duty on sales load	125	397
Selling and marketing expense	41,668	18,988
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	4,533	5,489
Sindh Sales Tax on remuneration of the Trustee	589	714
CDS charges	-	29
Employees of the Management Company		
Units issued / transferred in: 3,408,195 units (2019: 13,250,832 units)	36,125	140,210
Units redeemed / transferred out: 4,753,227 units (2019: 12,854,195 units)	51,151	137,391
Dividend re-invest: 82,734 units (2019: 82,734 units)	336	843
National Fullerton Asset Management Employee Provident Fund (Provident Fund of the Management Company)		
Units issued / transferred in: 436,294 units (2019: 756,481 units)	4,452	7,487
Units redeemed / transferred out: 722,390 units (2019: 764,748 units)	8,003	8,415
Bank Islami Pakistan Limited (Common Directorship with the Management Company)		
Profit on bank balances	183,360	66,178
Profit on term deposits	83,206	24,130
Purchase of term deposits	6,421,000	2,210,000
Purchase of GoP Ijarah sukuks	787,500	-
Pakistan Stock Exchange (Common Directorship with the Management Company)		
Payment of listing fee	25	-
NBP ISLAMIC MAHANA AMDANI FUND (Fund managed by Management Company)		
Sale of Commercial Paper	388,056	-
NBP ISLAMIC DAILY DIVIDEND FUND (Fund managed by Management Company)		
Sale of Commercial Paper	157,638	-

	2020	2019
	----- Rupees in '000 -----	
NBP ISLAMIC MONEY MARKET FUND (Fund managed by Management Company)		
Sale of Commercial Paper	201,131	-
Hub Power Company Limited (Fund managed by Management Company)		
Purchase of sukuk	700,000	-
Income on sukuk	28,483	
Portfolios Managed by the Management Company		
Dividend re-invest units issued: 418,182 (2019: 48,732)	4,270	497
Units issued / transferred in: 14,786,200 units (2019: 13,183,520)	157,924	137,571
Units redeemed / transferred out: 14,745,162 units (2019: 10,201,338)	158,577	110,103
Mr Khalid Mehmood - CFO of Management Company		
Dividend re-invest units issued: Nil (2019: 6,546)	-	67
Units issued / rasferred In: 38,846 units (2019: 579,832)	400	5,926
Units redeemed / transferred out: 441,969 units (2019: 269,569)	4,722	2,831
23.6	Details of amounts outstanding as at year end with connected persons and related parties are as follows:	
NBP Asset Management Limited - Management Company		
Remuneration of the Management Company	2,891	5,048
Sindh Sales Tax on remuneration of the Management Company	360	657
Operational expenses	1,422	3,161
Sales load	16	405
Sindh Sales Tax and Federal Excise Duty on sales load	353	387
Selling and marketing expense	9,947	12,645
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	337	549
Sindh sales tax on remuneration of the Trustee	43	71
CDS charges	13	13
Security deposit	200	200
National Bank of Pakistan (Parent of the Management Company)		
Bank balance in current account	2,758	2,837
Bank Islami Pakistan Limited (Common Directorship with the Management Company)		
Bank balance	3,871	874,415
Profit accrued	49	15,885

	2020	2019
	----- Rupees in '000 -----	
Employees of the Management Company		
Investment held in the Fund: 833,335 Units (2019: 1,599,198 units)	8,527	16,320
National Fullerton Asset Management Employee Provident Fund (Provident Fund of the Management Company)		
Investment held in the Fund: 436,294 Units (2019: 722,390)	4,464	7,372
Mr Khalid Mehmood - CFO		
Investment held in the Fund: Nil Units (2019: 403,123)	-	4,114
Portfolios Managed by the Management Company		
Units held: 6,811,544 (2019: 6,353,216)	69,695	64,834

24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA & CFA	32
2	Mr. Sajjad Anwar	CFA and MBA	20
3	Mr. Muhammad Ali Bhabha	CFA, FRM, MBA & MS(CS)	25
4	Mr. Hassan Raza	CFA, ACCA & BSC	9
5	Mr. Taha Khan Javed	CFA & MBA	14

24.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NBP Active Allocation Riba Free Savings Fund
- NBP Financial Sector Income Fund
- NBP Money Market Fund
- NBP Government Securities Plan I
- NBP Government Securities Savings Fund
- NBP Government Securities Liquid Fund
- NBP Islamic Daily Dividend Fund
- NBP Islamic Mahana Amdani Fund
- NBP Islamic Money Market Fund
- NBP Income Opportunity Fund
- NBP Mahana Amdani Fund
- NBP Islamic Savings Fund
- NBP Savings Fund



25 TRANSACTIONS WITH BROKERS / DEALERS

The brokerage expense is Rs. 14,567 during the year ended June 30, 2020 (2019: Nil).

List of top ten brokers by percentage of commission charged during the year ended June 30,2020.

S.No	Broker Name	Percentage (%)
1	Paramount Capital (Private) Limited	100

26 PATTERN OF UNIT HOLDING

Category	As at June 30, 2020		
	Number of unit holders	Net asset value of the amount invested Rupees in '000	Percentage of investment
Individuals	6,362	3,142,778	60.88%
Associated companies and directors	1	4,464	0.09%
Insurance companies	1	566	0.01%
Retirement funds	61	890,205	17.24%
Public limited companies	2	249	0.00%
Others	58	1,124,410	21.78%
	6,485	5,162,672	100.00%

Category	As at June 30, 2019		
	Number of unit holders	Net asset value of the amount invested Rupees in '000	Percentage of investment
Individuals	6,160	3,484,218	53.04%
Associated companies and directors	1	7,372	0.11%
Insurance companies	6	49,206	0.75%
Retirement funds	68	1,472,467	22.42%
Public limited companies	5	304,458	4.63%
Others	70	1,251,329	19.05%
	6,310	6,569,051	100.00%



27 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 72nd, 73rd, 74th and 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020 and April 27, 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Shaikh Muhammad Abdul Wahid Sethi	4	4	0	-
Mr. Saad ur Rahman Khan*	3	2	1	74th Meeting
Mr. Syed Hasan Irtiza Kazmi*	3	3	0	-
Mr. Nasir Husain**	1	0	1	-
Mr. Abdul Hadi Palekar**	1	0	1	72nd Meeting
Mr. Ali Saigol	4	4	0	72nd Meeting
Mr. Imran Zaffar	4	4	0	-
Mr. Kamal Amir Chinoy**	1	1	0	-
Mr. Khalid Mansoor*	3	3	0	-
Mr. Humayun Bashir	4	4	0	-
Mr. Shehryar Faruque**	1	1	0	-
Mr. Saad Amanullah Khan*	3	3	0	-
Dr. Amjad Waheed	4	4	0	-

* Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Kazmi, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan were appointed as directors on Board, with effect from October 04, 2019.

** Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque were retired as directors from Board, with effect from October 04, 2019.

28 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2020			
Amortised Cost	At fair value through profit or loss	At fair value through other comprehensive income	Total

----- Rupees in '000 -----

Financial assets

Balance with banks	2,076,787	-	-	2,076,787
Investments	-	3,232,720	-	3,232,720
Profit accrued	61,805	-	-	61,805
Deposit	200	-	-	200
Receivable against transfer of units	12,083	-	-	12,083
	2,150,875	3,232,720	-	5,383,595



As at June 30, 2020		
At amortised cost	At fair value through profit or loss	Total

----- Rupees in '000 -----

Financial liabilities

Payable to the Management Company	14,989	-	14,989
Payable to the Trustee	380	-	380
Accrued expenses and other liabilities	1,632	-	1,632
Payable against redemption of units	94,496	-	94,496
Net assets attributable to redeemable units	5,162,672	-	5,162,672
	5,274,169	-	5,274,169

As at June 30, 2019			
Amortised Cost	At fair value through profit or loss	At fair value through other comprehensive income	Total

----- Rupees in '000 -----

Financial assets

Balance with banks	4,208,621	-	-	4,208,621
Investments	-	2,381,549	-	2,381,549
Profit accrued	68,097	-	-	68,097
Deposit	200	-	-	200
	4,276,918	2,381,549	-	6,658,467

As at June 30, 2019		
At amortised cost	At fair value through profit or loss	Total

----- Rupees in '000 -----

Financial liabilities

Payable to the Management Company	22,303	-	22,303
Payable to the Trustee	620	-	620
Accrued expenses and other liabilities	13,242	-	13,242
Net assets attributable to redeemable units	6,569,051	-	6,569,051
	6,605,216	-	6,605,216

29 FINANCIAL RISK MANAGEMENT

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

29.1 Market risk

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

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

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



29.1.1 Currency risk

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

29.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds interest bearing based balance in savings accounts, variable rate instruments such as sukuks and GoP ijarah exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by approximately Rs. 35.28 million (2019: Rs. 40.06 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

The Fund holds commercial paper, bai-muajjal and term deposit receipts that expose the Fund to fair value interest rate risk as at June 30, 2020. In case of 100 basis points increase in coupon rate on June 30, 2020, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher by Rs. 16.14 million (2019: Rs. 19.28 million). In case of 100 basis points decrease in KIBOR on June 30, 2020, with all other variables held constant, the net assets of the Fund and net income for the year would have been lower by Rs. 20.09 million (June 30, 2019: Rs. 22.66 million).

Interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

As at June 30, 2020					
Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
%		Rupees in '000			

On-balance sheet financial instruments

Financial assets

Balance with banks	7.25 - 8.75	2,076,787	2,053,048	-	-	23,739
Investments	12.18 - 6.97	3,232,720	418,136	2,814,584	-	-
Profit accrued		61,805	-	-	-	61,805
Deposit		200	-	-	-	200
Receivable against transfer of units		12,083	-	-	-	12,083
		5,383,595	2,471,184	2,814,584	-	97,827



As at June 30, 2020

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

% ----- Rupees in '000 -----

Financial liabilities

Payable to the Management Company	14,989	-	-	-	14,989
Payable to the Trustee	380	-	-	-	380
Accrued expenses and other liabilities	1,632	-	-	-	1,632
Payable against redemption of units	94,496	-	-	-	94,496
Net assets attributable to redeemable units	5,162,672	-	-	-	5,162,672
	5,274,169	-	-	-	5,274,169

On-balance sheet gap

109,426 2,471,184 2,814,584 - (5,176,342)

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap

- - - - -

As at June 30, 2019

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

% ----- Rupees in '000 -----

On-balance sheet financial instruments

Financial assets

Balance with banks	2.42 - 13.85	9,98,890	9,75,000	-	-	23,890
Investments	11.66 & 12.51	1,406,549	1,406,549	-	-	-
Profit accrued		68,097	-	-	-	68,097
Deposit		200	-	-	-	200
		2,473,736	2,381,549	-	-	92,187

Financial liabilities

Payable to the Management Company		22,303	-	-	-	22,303
Payable to the Trustee		620	-	-	-	620
Accrued expenses and other liabilities		13,242	-	-	-	13,242
Net assets attributable to redeemable units		6,569,051	-	-	-	6,569,051
		6,605,216	-	-	-	6,605,216

On-balance sheet gap

(4,131,480) 2,381,549 - - (6,513,029)

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap

- - - - -



29.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to equity price risk as the Fund does not hold any equity securities as at June 30, 2020.

29.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances, profit accrued receivable on bank balances and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. The risk of default is considered minimal due to inherent systematic measures taken therein. The Fund does not face any credit risk with respect to investment in government securities as these represent the interest of the Government of Pakistan. Therefore, the Fund does not expect to incur material credit losses on its financial assets.

The Fund's significant credit risk arises mainly on account of its placements with banks. The credit rating profile of balances with banks is as follow:

Bank balances by rating category	2020	2019
AAA	2.1%	19.8%
AA+	1.7%	13.6%
AA	0.1%	0.0%
AA-	2.3%	10.7%
A+	0.2%	23.2%
A-	93.4%	31.3%
Suspended Ratings	0.3%	0.3%
Others	0.0%	1.4%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows:

	June 30, 2020		June 30, 2019	
	Financial assets	Maximum Exposure	Financial assets	Maximum Exposure
----- Rupees in '000 -----				
Balance with banks	2,076,787	2,076,787	4,208,621	4,208,621
Investments	3,232,720	2,193,102	2,381,549	2,381,549
Profit accrued	61,805	51,031	68,097	68,097
Deposit	200	200	200	200
Receivable against transfer of units	12,083	12,083	-	-

Concentration of credit risk

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



29.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities that can be readily disposed / profit and loss savings accounts and are considered readily realisable.

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

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

As at June 30, 2020			
Total	Upto three months	Over three months and upto one year	Over one year

----- Rupees in '000 -----

Financial liabilities

Payable to the Management Company	14,989	14,989	-	-
Payable to the Trustee	380	380	-	-
Accrued expenses and other liabilities	1,632	1,632	-	-
Payable against redemption of units	94,496	94,496	-	-
	111,497	111,497	-	-

As at June 30, 2019			
Total	Upto three months	Over three months and upto one year	Over one year

----- Rupees in '000 -----

Financial liabilities

Payable to the Management Company	22,303	22,303	-	-
Payable to the Trustee	620	620	-	-
Accrued expenses and other liabilities	13,242	13,242	-	-
Net assets attributable to redeemable units	6,569,051	6,569,051	-	-
	6,605,216	6,605,216	-	-



30 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy:

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

The following table presents the fund's financial assets which are carried at fair value.

	Note	Carrying amount			Fair value			
		Fair value through profit & loss	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
June 30, 2020								
Rupees in 000								
Financial assets measured at fair value								
Government securities - GoP Ijarah sukuk		1,039,618	-	1,039,618	-	1,039,618	-	1,039,618
Commercial paper		218,136	-	218,136	-	218,136	-	218,136
Term deposit receipts	6	200,000	-	200,000	-	200,000	-	200,000
Sukuk		1,475,000	-	1,475,000	-	1,475,000	-	1,475,000
Bai-muajjal		299,966	-	299,966	-	299,966	-	299,966
		3,232,720	-	3,232,720	-	3,232,720	-	3,232,720
Financial assets not measured at fair value								
Bank balances	5	-	2,076,787	2,076,787	-	-	-	-
Accrued profit on bank balances	7	-	17,071	17,071	-	-	-	-
Accrued profit on investments	7	-	10,774	10,774	-	-	-	-
Accrued profit on term deposit receipts	7	-	1,047	1,047	-	-	-	-
Deposits	8	-	200	200	-	-	-	-
Receivable against transfer of units		-	12,083	12,083	-	-	-	-
		-	2,117,962	2,117,962	-	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company	10	-	14,989	14,989	-	-	-	-
Remuneration payable to the Trustee	11	-	380	380	-	-	-	-
Payable against redemption of units		-	94,496	94,496	-	-	-	-
Accrued expenses and other liabilities	13	-	1,632	1,632	-	-	-	-
Net assets attributable to redeemable units		-	5,162,672	5,162,672	-	-	-	-
		-	5,274,169	5,274,169	-	-	-	-



	Note	Carrying amount			Fair value		
		Fair value through profit & loss	Amortized Cost	Total	Level 1	Level 2	Level 3
June 30, 2019							
Rupees in 000							
Financial assets measured at fair value							
Government securities - GoP ijarah sukuku		-	-	-	-	-	-
Commercial paper	6	1,406,549	-	1,406,549	-	1,406,549	1,406,549
Term deposit receipts		975,000	-	975,000	-	975,000	975,000
		<u>2,381,549</u>	<u>-</u>	<u>2,381,549</u>	<u>-</u>	<u>2,381,549</u>	<u>2,381,549</u>
Financial assets not measured at fair value							
Bank balances	5	-	4,208,621	4,208,621	-	-	-
Accrued profit on bank balances	7	-	53,675	53,675	-	-	-
Accrued profit on term deposit receipts		-	14,422	14,422	-	-	-
Deposits and other receivables	8	-	416	416	-	-	-
		<u>-</u>	<u>4,277,134</u>	<u>4,277,134</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value							
Payable to the Management Company	10	-	22,303	22,303	-	-	-
Remuneration payable to the Trustee	11	-	620	620	-	-	-
Accrued expenses and other liabilities	13	-	13,242	13,242	-	-	-
Net assets attributable to redeemable units		-	6,569,051	6,569,051	-	-	-
		<u>-</u>	<u>6,605,216</u>	<u>6,605,216</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no transfers between above levels during the year.

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

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

31 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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



In accordance with the risk management policies stated in note 26, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 17, 2020.

33 GENERAL

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

33.2 Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**For NBP Fund Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	for the Year ended June 30, 2020	for the Year ended June 30, 2019	for the Year ended June 30, 2018	for the Year ended June 30, 2017	for the Year ended June 30, 2016	for the Year ended June 30, 2015
Net assets (Rs. '000')	5,162,672	6,569,051	4,017,201	2,127,149	1,160,226	799,218
Net Income (Rs. '000')	632,992	489,101	169,695	60,421	18,826	62,036
Net Asset Value per units (Rs.)	10.2319	10.2049	10.7219	10.1882	10.1693	10.1642
Offer price per unit	10.2897	10.2625	10.7825	10.2458	10.2365	10.2320
Redemption price per unit	10.2319	10.2049	10.7219	10.1882	10.1693	10.1642
Ex - Highest offer price per unit (Rs.)	10.2897	10.2625	10.7825	10.2458	10.2365	10.2320
Ex - Lowest offer price per unit (Rs.)	9.2222	9.4344	10.2471	9.6871	9.7058	9.5350
Ex - Highest redemption price per unit (Rs.)	10.2319	10.2049	10.7219	10.1882	10.1693	10.1642
Ex - Lowest redemption price per unit (Rs.)	9.2222	9.3783	10.1895	9.6249	9.6397	9.4718
Fiscal Year Opening Ex Nav	10.2049	9.3736	10.1882	9.6235	9.6361	9.4676
Total return of the fund	10.95%	8.87%	5.20%	5.87%	5.53%	7.36%
Capital growth	0.26%	0.17%	0.00%	-0.13%	0.05%	0.14%
Income distribution as a % of ex nav	10.69%	8.694%	5.24%	5.99%	5.48%	7.22%
Income distribution as a % of par value	10.91%	8.858%	5.33%	5.77%	5.57%	6.83%
Distribution						
Interim distribution per unit	1.0909	0.8858		0.5768	0.5570	0.6831
Final distribution per unit			0.5334	-	-	-
Distribution dates						
Interim	26-Jun-2020	26-Jun-2019		21-Jun-2017	30-Jun-2016	30-Jun-2015
Final			04-Jul-2018			-
Average annual return (launch date 21-08-2010)						
(Since inception to June 30, 2020)	8.11%					
(Since inception to June 30, 2019)		7.79%				
(Since inception to June 30, 2018)			7.66%			
(Since inception to June 30, 2017)				8.01%		
(Since inception to June 30, 2016)					8.38%	
(Since inception to June 30, 2015)						9%
(Since inception to June 30, 2014)						
(Since inception to June 30, 2013)						
(Since inception to June 30, 2012)						
(Since inception to June 30, 2011)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	67 Days	14 Days	4 Days	8 Days	78 days	15 days

"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."

Head Office

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Fax: 021-35825335

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Website: www.nbpfunds.com

 /nbpfunds



NBP FUNDS

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NBP MAHANA AMDANI FUND



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

Albaraka Bank of Pakistan
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Faysal Bank Limited



Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
Khushhali Bank Limited
MCB Bank Limited
Meezan Bank Limited
Samba Bank Limited
Silk Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
Telenor Microfinance Bank Limited
The First Microfinance Bank Limited
The Bank of Punjab
U Microfinance Bank Limited
United Bank Limited
Zarai Taraqiati Bank Limited
Mobilink Microfinance Bank Limited

Multan Office:

Khan Center, 1st Floor,
Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2&4

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

Akhund Forbes
D-21, Block 4, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Fax: 051-4859031

Peshawar Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

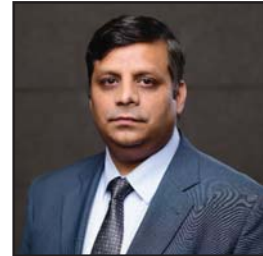
Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Eleventh Annual Report of **NBP Mahana Amdani Fund (NMAF)** for the year ended June 30, 2020.

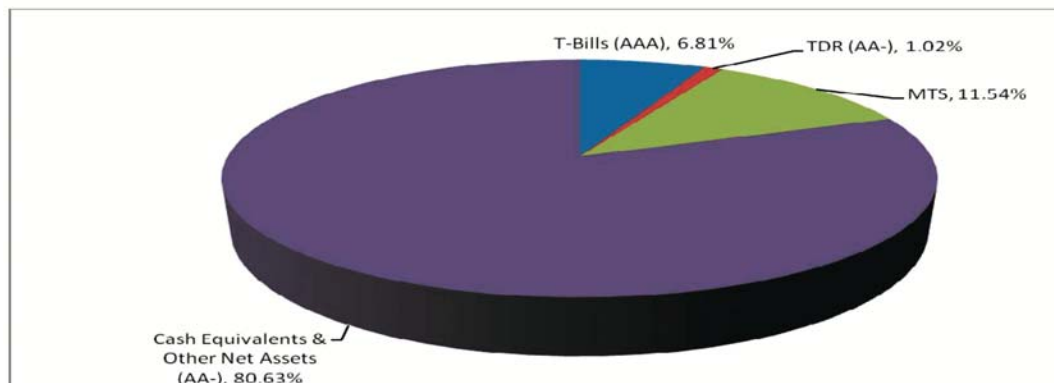
Fund's Performance

The size of NBP Mahana Amdani Fund has significantly increased from Rs. 545 million to Rs. 2,928 million during the period, i.e. an extraordinary increase of 437%. During the said period, the unit price of the Fund has increased from Rs. 9.0102 (Ex-Div) on June 30, 2019 to Rs. 10.1765 on June 30, 2020 thus posting a return of 12.9% as compared to its Benchmark return of 12.2% for the same period. The return of the Fund is net of management fee and all other expenses.

The Fund is rated 'AA- (f)' by PACRA, which denotes a very strong capacity to maintain relative stability in returns and very low exposure to risks. The Fund is allowed to invest in MTS. However, internal guidelines permit financing in only fundamentally strong companies. It is pertinent to mention that in this asset class the Fund provides financing at only pre-determined rate of return with no direct exposure to the stock market.

During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

The Fund has earned a total income of Rs. 248.514 million during the year. After deducting total expenses of Rs. 27.440million, the net income is Rs. 221.074million. The asset allocation of NBP Mahana Amdani Fund as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 12.79% of the opening ex-NAV (13% of the par value) for the period ended June 30, 2020.



Taxation

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

Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.

Directors' Statement in Compliance with best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 30 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar



Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **September 17, 2020**

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ میجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP ماہانہ آمدنی فنڈ (NMAF) کی گیارہویں سالانہ رپورٹ برائے مختتمہ سال 30 جون 2020 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

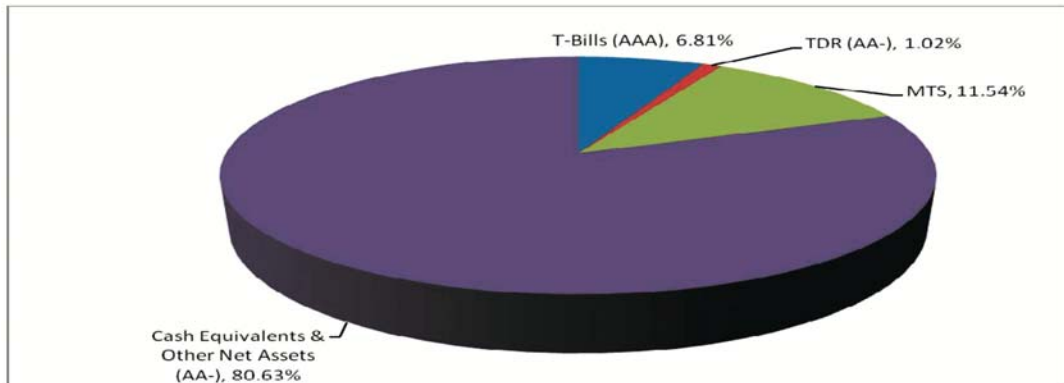
فنڈ کی کارکردگی

اس مدت کے دوران این بی پی ماہانہ آمدنی فنڈ کا سائز 545 ملین روپے سے بڑھ کر 2,928 ملین روپے ہو گیا ہے، یعنی 437% کا اضافہ ہوا۔ مذکورہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 9.0102 روپے (Ex-Div) سے بڑھ کر 30 جون 2020 کو 10.1765 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لئے اپنے بیچ مارک منافع 12.2% کے مقابلے میں 12.9% منافع درج کرایا۔ فنڈ کی یہ کارکردگی میجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

فنڈ کو PACRA کی طرف سے AA-(f) کی ریٹنگ دی گئی ہے جو منافع جات میں متعلقہ استحکام برقرار رکھنے کی زبردست اہلیت اور خطرات کی زد میں آنے کے بہت معمولی امکانات کی نشاندہی کرتی ہے۔ فنڈ کی میچورٹی کی بنیادی تہیٰ اوسط مدت ایک سال سے زائد نہیں ہو سکتی۔ فنڈ کو MTS میں سرمایہ کاری کی اجازت ہے، تاہم NBP فنڈ ز کی داخلی ہدایات صرف بنیادی طور پر مستحکم کمپنیوں میں سرمایہ کاری کی اجازت دیتی ہیں۔ یہ یہاں ذکر مناسب ہے کہ اس ایسیٹ کلاس میں فنڈ منافع کی پہلے سے طے شدہ شرح منافع پر فائدہ اٹانگ فراہم کرتا ہے اور اسٹاک مارکیٹ میں براہ راست سرمایہ کاری نہیں کرتا۔

مالی سال 2020 کے دوران، TFCs/سلوک میں تجارتی سرگرمی مالی سال 2019 میں 16 بلین روپے کے مقابلے میں مالی سال 2020 کے دوران 87 فیصد اضافے کے ساتھ تقریباً 29 بلین روپے کی مجموعی تجارتی قیمت رہی۔ طویل مدتی کریڈٹ کی طلب خاص طور پر پاور سیکٹور کے شعبہ میں قابل ذکر حد تک بڑھ گئی جیسا کہ بنیادی اجراء میں اضافہ دیکھا گیا۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زر مبادلہ کی شرح گراؤ، (ii) یوٹی لینی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب 566bps، 580bps اور 608bps کی کمی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹائیس (27) T-Bills نیلامیاں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

فنڈ کو سال کے دوران 248.514 بلین روپے کی مجموعی آمدنی ہوئی۔ 27.440 بلین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 221.07 بلین روپے ہے۔
30 جون 2020 کو این بی پی ماہانہ آمدنی فنڈ کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

مینیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والی مدت کے لئے اوپننگ ex.NAV کا 12.79% (بنیادی قدر کا 13%) عبوری نقد ڈیویڈنڈ منظور دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر اکٹم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، مینسز اے ایف فرگون اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2020 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی بیرونی میں ڈائریکٹرز اسٹیٹمنٹ

1. مینیجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی بیرونی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی دواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران مینیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 30 میں کی گئی ہے۔
11. یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، سی ای او، سی ایف او، مینیجنگ ڈائریکٹر اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔



13۔ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

کیٹگری	نام
غیر جانبدار ڈائریکٹرز	•1 جناب خالد منصور
	•2 جناب سعد امان اللہ خان
	•3 جناب ہمایوں بشیر
ایگزیکٹو ڈائریکٹر	ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)
نان ایگزیکٹو ڈائریکٹرز	•1 شیخ محمد عبدالواحد سیٹھی (چیئر مین)
	•2 جناب سعد الرحمان خان
	•3 جناب سید حسن ارتضیٰ کاظمی
	•4 جناب علی سیدگل
	•5 جناب عمران ظفر

اظہار تشکر

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

بورڈ اپنے اسٹاک ہولڈرز کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP منڈی منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Mahana Amdani Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad

Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NBP Mahana Amdani Fund

NBP Mahana Amdani Fund (NMAF) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Mahana Amdani Fund is to minimize risk, preserve capital and generate a reasonable return along with a high degree of liquidity from a portfolio primarily constituted of bank deposits and money market instruments.

Benchmark

6-Month KIBOR.

Fund Performance Review

This is the Eleventh Annual report since the launch of the Fund on November 21, 2009. The Fund size increased extraordinarily by 437% during the year and stands at Rs. 2,928 million as of June 30, 2020. Since its inception, the Fund has generated 8.9% p.a. return against the benchmark return of 7.7% p.a. This translates into outperformance of 1.2% p.a. During FY20, the Fund posted a 12.9% return versus the benchmark return of 12.2%. The return of the Fund is net of management fee and all other expenses.

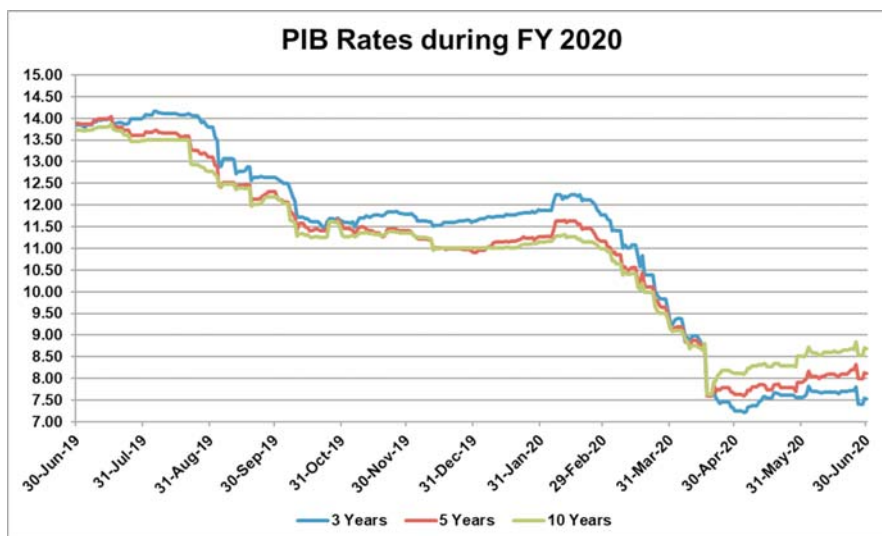
During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
T-Bills	6.81%	0.91%
Placements with Banks	1.02%	9.17%
Money Market Placements	-	-
Margin Trading System (MTS)	-	-
Cash (Cash Equivalents) & Other Assets	80.63%	89.92%
Total	100.00%	100.00%



PIB yields during the year are shown in the below graph:



Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June 26, 2020	13.00%	11.4631	10.1629

Unit Holding Pattern of NBP Mahana Amdani Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
1-1000	1,011
1001-5000	319
5001-10000	192
10001-50000	621
50001-100000	354
100001-500000	386
500001-1000000	52
1000001-5000000	28
5000001-10000000	3
10000001-100000000	3
Total	2,969

During the period under question

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

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 6.645 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.023. For details, investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Mahana Amdani Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NBP Mahana Amdani Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer notes 4 and 5 to the annexed financial statements)	
	<p>The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2020 amounted to Rs. 2,300.436 million and Rs. 229.418 million respectively.</p> <p>The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> tested the design and operating effectiveness of the key controls for valuation of investments. obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2020 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed. re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies. obtained approval of the Board of Directors of the Management Company in relation to opening of bank accounts. obtained bank reconciliation statements and tested reconciling items on a sample basis.



Other Matter

The financial statements of the Fund for the year ended June 30, 2019 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated September 27, 2019.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

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

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Date: September 29, 2020



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020 ----- Rupees in '000 -----	2019
ASSETS			
Bank balances	4	2,300,436	465,647
Investments	5	229,418	89,710
Receivable against Margin Trading System (MTS)	6	337,740	19
Profit receivable	7	15,424	5,628
Deposits and prepayments	8	614	590
Receivable against transfer of units		104,640	973
Total assets		2,988,272	562,567
LIABILITIES			
Payable to NBP Fund Management Limited - the Management Company	9	16,749	12,819
Payable to Central Depository Company of Pakistan Limited - the Trustee	10	249	86
Payable to the Securities and Exchange Commission of Pakistan	11	361	327
Payable against redemption of units		13,891	-
Accrued expenses and other liabilities	12	29,111	4,303
Total liabilities		60,361	17,535
NET ASSETS		2,927,911	545,032
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,927,911	545,032
CONTINGENCIES AND COMMITMENTS			
	13	----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE	14	287,712,816	53,629,608
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT	15	10.1765	10.1629

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
Note	----- (Rupees in 000) -----	
INCOME		
Income on government securities	34,222	1,978
Income on commercial papers	7,904	778
Income on term deposit receipts	7,058	2,156
Profit on bank deposits	160,415	36,556
Income from Margin Trading System (MTS)	30,904	6,129
Gain / (loss) on sale of investments - net	7,930	(34)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.4 81	(7)
Total income	248,514	47,556
EXPENSES		
Remuneration of NBP Fund Management Limited - the Management Company	9.1 4,622	3,164
Sindh sales tax on remuneration of Management Company	9.2 601	411
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	10.1 1,354	741
Sindh sales tax on remuneration of the Trustee	10.2 176	96
Annual fee to the Securities and Exchange Commission of Pakistan	11.1 361	327
Allocated expenses	9.4 1,806	436
Selling and marketing expenses	9.5 8,908	1,369
Settlement and bank charges	3,502	994
Annual listing fee	28	28
Auditors' remuneration	16 616	628
Legal and professional charges	106	33
Mutual fund rating fee	503	433
NCCPL fee	250	275
Printing and other charges	95	4
Total operating expenses	22,928	8,939
Net income from operating activities	225,586	38,617
Provision against Sindh Workers' Welfare Fund	12.1 (4,512)	(772)
Net income for the year before taxation	221,074	37,845
Taxation	17 -	-
Net income for the year after taxation	221,074	37,845
Earnings per unit	18	
Allocation of net income for the year:		
Net income for the year after taxation	221,074	37,845
Income already paid on units redeemed	(132,907)	(1,506)
	88,167	36,339
Accounting income available for distribution:		
- Relating to capital gains	2,037	-
- Excluding capital gains	86,130	36,339
	88,167	36,339

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- Rupees in '000 -----	
Net income for the year after taxation	221,074	37,845
Other comprehensive income for the year	-	-
Total comprehensive income for the year	221,074	37,845

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

Note	2020	2019
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	221,074	37,845
Adjustments:		
Profit on bank balances	(160,415)	(36,556)
Income on term deposit receipts	(7,058)	(2,156)
Income from Margin Trading System	(30,904)	(6,129)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	(81)	7
	<u>22,616</u>	<u>(6,989)</u>
Decrease / (increase) in assets		
Investments - net	59,791	(14,468)
Receivable against Margin Trading System	(337,721)	89,652
Deposits and prepayments	(24)	(240)
	<u>(277,954)</u>	<u>74,944</u>
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - the Management Company	3,930	988
Payable to Central Depository Company of Pakistan Limited - the Trustee	163	-
Payable to the Securities and Exchange Commission of Pakistan	34	(29)
Accrued expenses and other liabilities	24,808	845
	<u>28,935</u>	<u>1,804</u>
Profit received on term deposit receipts	6,241	31,014
Profit received on bank balances	153,867	2,334
Profit received on Margin Trading System	28,473	6,551
	<u>(37,822)</u>	<u>109,658</u>
Net cash flows (used in) / generated from operating activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance of units - net of refund of element	8,362,771	490,073
Net payments against redemption of units	(6,206,508)	(417,408)
Distributions paid	(84,234)	62,235
Net cash flows generated from financing activities	<u>2,072,029</u>	<u>10,480</u>
Net increase in cash and cash equivalents during the year	<u>2,034,207</u>	<u>120,088</u>
Cash and cash equivalents at the beginning of the year	465,647	350,506
Cash and cash equivalents at the end of the year	<u><u>2,499,854</u></u>	<u><u>470,594</u></u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Mahana Amdani Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on October 9, 2009, in accordance with the Non-Banking and Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

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

The Fund has been categorised as an open ended 'income scheme' pursuant to the provisions contained in Circular 7 of 2009.

The objectives of the fund are to minimise risk, preserve capital and to provide reasonable return to investors along with a high degree of liquidity from a portfolio primarily constituting of bank deposits and money market investments.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM1 as at June 24, 2020 (2019: AM1) to the Management Company and rating of AA-(f) with stable outlook as at April 17, 2020.

The title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

2.2 Standards, interpretations and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.



2.3 Standards, interpretations and amendments to published accounting and standards that are not yet effective:

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of the these amendments on the financial statements of the Fund.

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and, therefore, have not been disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.2 and 5), provision for Federal Excise Duty (note 9.3), provision for SWWF (note 12.1) and provision for taxation (note 3.12 and 17).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention, except for investments that have been measured at fair values.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

3.1 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.



3.2 Financial assets

3.2.1 Classification and subsequent measurement

Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- at amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL)

based on the business model of the entity.

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognised at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

3.2.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

3.2.2.1 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP in accordance with the provisioning policy duly approved by the Board of Directors.

3.2.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.2.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.2.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.



3.3 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.4 Offsetting of financial assets and financial liabilities

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

3.5 Provisions

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

3.6 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.7 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as at the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as at the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.8 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

Element of income represents the difference between net asset value per unit on the issuance or redemption date, as the case may be, of units and the net asset value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders' fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.



3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are recorded in the year in which these arise.
- Profit on bank balances is recognised on an accrual basis using effective interest rate method.

3.11 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and the Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.12 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed as cash dividend to the unit holders in cash.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

3.13 Earnings / (loss) per unit

Earnings per unit is calculated by dividing the net income for the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earnings per unit is not practicable as disclosed in note 18.

3.14 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

4 BANK BALANCES

	Note	2020 Rupees in '000	2019
Balances with banks in:			
Current accounts		5,449	2,118
Savings accounts	4.1	2,294,987	463,529
		<u>2,300,436</u>	<u>465,647</u>

4.1 These include balances of Rs 1.75 million (2019: Rs 1.75 million) maintained with National Bank of Pakistan (a related party).

4.2 These include balances amounting to Rs 0.839 million and Rs 7.302 million (2019: Rs 0.323 million and Rs 3.59 million respectively) maintained with BankIslami Pakistan Limited and National Bank of Pakistan (related parties) respectively, that carry profit at the rates 7% and 4.5% per annum respectively (2019: 13.5% and 8% per annum). Other savings accounts of the Fund carry profits at the rates ranging from 6.5% to 15.5% per annum (2019: 7.3% to 14% per annum).

5 INVESTMENTS

	Note	2020 Rupees in '000	2019
Financial assets 'at fair value through profit or loss'			
Government securities - Market Treasury Bills	5.1	199,418	4,947
Term deposit receipts	5.2	30,000	50,000
Commercial papers	5.3	-	34,763
		<u>229,418</u>	<u>89,710</u>



5.1 Government securities - Market Treasury Bills

5.1.1 Investments in government securities

Issue date	Tenor	Face value				Market value as at June 30, 2020	Market value as a percentage of	
		As at July 1, 2019	Purchases during the year	Sold / matured during the year	As at June 30, 2020		net assets	total investments
						(Rupees in '000) ----- (%) -----		
October 24, 2019	12 months	-	93,000	(93,000)	-	-	-	-
July 18, 2019	6 months	-	35,000	(35,000)	-	-	-	-
May 9, 2019	3 months	5,000	-	(5,000)	-	-	-	-
February 27, 2020	3 months	-	750,000	(750,000)	-	-	-	-
October 10, 2019	12 months	-	300,000	(300,000)	-	-	-	-
November 7, 2019	3 months	-	85,000	(85,000)	-	-	-	-
December 5, 2019	3 months	-	1,100,000	(1,100,000)	-	-	-	-
January 2, 2020	12 months	-	100,000	(100,000)	-	-	-	-
April 23, 2020	3 months	-	300,000	(100,000)	200,000	199,418	6.81%	86.92%
Total		5,000	2,763,000	(2,568,000)	200,000	199,418		

Carrying value as at June 30, 2020

199,337

Market value as at June 30, 2019

4,947

Carrying value as at June 30, 2019

4,954

5.1.1 These carry purchase yield of 7.99% (2019: 7.4% to 13.2%) and are due to mature on July 16, 2020.

5.1.2 Investments in Market Treasury Bills with market value of Rs 199.418 million (2019: Rs 4.947 million) have been pledged with National Clearing Company of Pakistan Limited as collateral against margin in accordance with Circular 11 of 2007 by the SECP.

5.2 Term deposit receipts

Name of the bank	Issue date	Maturity date	Profit rate (%) / Tenor	As at July 1, 2019	Purchased during the year	Matured during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments	Market value as a percentage of net assets
----- Rupees in '000 ----- Percentage -----											
Mobilink Microfinance Bank Limited	22-Oct-19	21-Oct-20	15.60% 12 month	-	30,000	-	30,000	30,000	30,000	13.08	1.02
JS Bank Limited	27-Sep-19	27-Dec-19	14.20% 3 month	-	60,000	(60,000)	-	-	-	-	-
JS Bank Limited	27-Jun-19	27-Sep-19	14.20% 3 month	50,000	-	(50,000)	-	-	-	-	-
Total as at June 30, 2020								<u>30,000</u>	<u>30,000</u>		
Total as at June 30, 2019								<u>50,000</u>	<u>50,000</u>		



5.3 Commercial papers

Name of security	Maturity date	Yield	Number of certificates				As at June 30, 2020		Market value as a percentage of	
			As at July 1, 2019	Purchased during the year	Matured during the year	As at June 30, 2020	Carrying value	Market value	Net assets	Total investments

---- (Rupees in '000) ---- ----- (%) -----

Hub Power Company Limited	March 24, 2020	15.40%	-	50,000	50,000	-	-	-	-	-
Hub Power Company Limited	July 22, 2019	12.11%	35,000	-	35,000	-	-	-	-	-
Hub Power Company Limited	March 24, 2020	14.35%	-	200,000	200,000	-	-	-	-	-
K-Electric Limited	February 28, 2020	15.38%	-	50,000	50,000	-	-	-	-	-

Total as at June 30, 2020

- -

Total as at June 30, 2019

34,763 34,763

5.3.1 These carry purchase yield of nil (2019: 12.11%) per annum. There is no outstanding commercial paper as at June 30, 2020.

5.4 Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'

Note **2020** **2019**
----- (Rupees in '000) -----

Market value of investments	5.1, 5.2 & 5.3	229,418	89,710
Less: carrying value of investments	5.1, 5.2 & 5.3	(229,337)	(89,717)
		<u>81</u>	<u>(7)</u>

6 RECEIVABLE AGAINST MARGIN TRADING SYSTEM (MTS)

Receivable against MTS	6.1	<u>337,740</u>	<u>19</u>
------------------------	-----	-----------------------	-----------

6.1 This carried average profit rate of 10.05% per annum (2019: Nil per annum).

7 PROFIT RECEIVABLE

Profit receivable on:

- Savings accounts		12,104	5,556
- Margin trading system		2,431	-
- Term deposit receipts		889	72
		<u>15,424</u>	<u>5,628</u>

8 DEPOSITS AND PREPAYMENTS

Prepaid rating fee		264	240
Deposit with Central Depository Company of Pakistan Limited		100	100
Deposit with National Clearing Company of Pakistan Limited		250	250
		<u>614</u>	<u>590</u>



9	PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY	Note	2020	2019
			------(Rupees in '000)-----	
	Remuneration payable to the Management Company	9.1	352	357
	Sindh sales tax on remuneration of the Management Company	9.2	45	46
	Provision for Federal Excise Duty on remuneration of the Management Company	9.3	10,620	10,620
	Provision for Federal Excise Duty on sales load	9.3	292	292
	Allocated expenses payable	9.4	636	213
	Selling and marketing expenses payable	9.5	2,546	853
	Sales and transfer load payable		1,743	133
	Sindh sales tax on sales load		227	17
	Others		288	288
			<u>16,749</u>	<u>12,819</u>

9.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration under the following rates:

2020				2019	
Rate applicable from July 1, 2019 to July 11, 2019	Rate applicable from July 12, 2019 to November 26, 2019	Rate applicable from November 27, 2019 to December 12, 2019	Rate applicable from December 13, 2019 to June 30, 2020	Rate applicable from July 1, 2018 to September 9, 2018	Rate applicable from September 10, 2018 to June 30, 2019
7% of net income of the Fund subject to floor and capping of 0.5% and 1.5% per annum of average annual net assets	6% of net income of the Fund subject to floor and capping of 0.5% and 1.5% per annum of average annual net assets	3% of net income of the Fund subject to floor and capping of 0.4% and 1% per annum of average annual net assets	1% of net income of the Fund subject to floor and capping of 0.15% and 1% per annum of average annual net assets	10% of net income of the Fund subject to floor and capping of 0.5% and 1.5% per annum of average annual net assets	7% of net income of the Fund subject to floor and capping of 0.5% and 1.5% per annum of average annual net assets

The remuneration is payable to the Management Company monthly in arrears.

9.2 During the year, an amount of Rs 0.601 million (2019: Rs 0.411 million) was charged on account of sales tax on management remuneration levied through the Sindh Sales Tax on Services Act, 2011.

9.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.



During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 10.912 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2020 would have been higher by Re 0.038 per unit (2019: Re 0.203 per unit).

- 9.4** In accordance with Regulation 60 of the NBFC Regulations, an asset management company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% per annum of the average annual net assets of the scheme or actual whichever is less, for allocation of such expenses to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%.

Accordingly, the Management Company has currently fixed a maximum capping of 0.1% per annum of the average annual net assets of the scheme for allocation of such expenses to the Fund.

- 9.5** The SECP had allowed an asset management company to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019) subject to maximum cap of 0.4% per annum of the average annual net assets of the Fund or actual expenses whichever is lower.

During the current year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% has been removed and now an asset management company is required to set a maximum limit for charging of such expenses to the Fund and the same should be approved by the Board of Directors of the Management Company as part of an annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, the Management Company has charged selling and marketing expenses at the below mentioned rates duly approved by Board of Directors of the Management Company:

Effective dates	Applicable rates
From July 1, 2019 till July 11, 2019	0.4% per annum of average daily net assets
From July 12, 2019 till January 19, 2020	0.7% per annum of average daily net assets
From January 20, 2020 till June 30, 2020	0.4% per annum of average daily net assets



10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE	Note	2020	2019
			----- Rupees in '000 -----	
	Remuneration payable to the Trustee	10.1	175	71
	Sindh sales tax payable on Trustee remuneration	10.2	23	9
	Settlement charges payable		51	6
			<u>249</u>	<u>86</u>

10.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, Trustee has revised its tariff as follows:

2019		2020
Net assets	Fee	0.075% per annum of average annual net assets
- up to Rs 1 billion	0.17% per annum of net assets	
- Rs 1 billion to Rs 5 billion	Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1 billion	
- Above Rs 5 billion	Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5 billion	

10.2 During the year, an amount of Rs 0.176 million (2019: Rs 0.096 million) was charged on account of sales tax on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

11	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2020	2019
			----- Rupees in '000 -----	
	Annual fee payable	11.1	<u>361</u>	<u>327</u>

11.1 In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee (applicable to all categories of CISs) to 0.02% per annum of average annual net assets of the Fund. Previously, the rate of annual fee applicable to income funds was 0.075% per annum of average annual net assets. Accordingly, the Fund has charged the SECP fee at the rate of 0.02% per annum of the average annual net assets during the year.

12	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
			----- Rupees in '000 -----	
	Provision against Sindh Workers' Welfare Fund	12.1	6,645	2,133
	Auditors' remuneration		456	484
	Printing charges payable		50	38
	Bank charges payable		145	18
	Withholding tax payable		17,683	543
	Capital gains tax payable		2,529	48
	Legal and professional charges payable		85	-
	Laga and levy charges payable		513	34
	Others		1,005	1,005
			<u>29,111</u>	<u>4,303</u>



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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2020, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Re 0.023 per unit (2019: Re 0.040 per unit).

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

14 NUMBER OF UNITS IN ISSUE	2020	2019
	(Number of units)	
Total units in issue at beginning of the year	53,629,608	46,359,587
Add: Units issued during the year	790,002,217	48,266,288
Less: Units redeemed during the year	(555,919,009)	(40,996,267)
Total units in issue at end of the year	<u>287,712,816</u>	<u>53,629,608</u>

15 NET ASSET VALUE PER UNIT

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

16 AUDITORS' REMUNERATION	2020	2019
	----- (Rupees in '000) -----	
Annual audit fee	372	420
Fee for half yearly review	147	168
Income certification	50	-
Out of pocket expenses and others including government levy	47	40
	<u>616</u>	<u>628</u>

17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2020 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.



18 EARNINGS PER UNIT

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

19 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2020 is 1.52% (2019: 2.23%) which includes 0.31% (2019: 0.37%) representing government levies on the Fund such as provision against Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

20 TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

20.1 Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), Baltoro Growth Fund being the sponsors, NAFA Pension Fund and NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, 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, directors and their close family members and key management personnel of the Management Company.

20.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

20.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

20.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

20.5 Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

20.6 Details of transactions with related parties / connected persons are as follows:

	2020	2019
	----- Rupees in '000 -----	
NBP Fund Management Limited - the Management Company		
Remuneration of NBP Fund Management Limited - the Management Company	4,622	3,164
Sindh sales tax on remuneration of the Management Company	601	411
Sales load	14,490	465
Sindh sales tax on sales load	1,884	60
Allocated expenses	1,806	436
Selling and marketing expenses	8,908	1,369
Dividend reinvestment units issued: 100,415 units (2019: Nil units)	1,021	-
Units issued: 25,102,103 units (2019: Nil units)	270,253	-
Units redeemed: 12,877,800 units (2019: Nil units)	147,000	-
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	1,354	741
Sindh sales tax on remuneration of the Trustee	176	96
Settlement charges	578	156



	2020	2019
	----- Rupees in '000 -----	
NBP Endowment Fund Student Loan Scheme**		
Units issued: Nil units (2019: 1,585 units)	-	16
Key management personnel of the Management Company		
Dividend reinvestment units issued: 18,110 units (2019: Nil units)	184	-
Units issued: 9,432,787 units (2019: 213,678 units)	102,644	1,943
Units redeemed: 6,994,480 units (2019: 663,672 units)	78,420	6,766
NBP Government Securities Saving Fund		
Purchase of Market Treasury Bills	82,978	-
Hub Power Company Limited - common directorship		
Purchase of commercial papers	246,000	-
Askari Bank Limited - common directorship**		
Profit on bank deposits	-	44
BankIslami Pakistan Limited - common directorship		
Profit on bank deposits	278	28
Dr Amjad Waheed - chief executive officer		
Units issued: 83,842 units (2019: Nil units)	900	-
Units redeemed: 83,842 units (2019: Nil units)	908	-
Muhammad Murtaza Ali - Company Secretary / COO		
Units issued: 172,012 units (2019: Nil units)	1,750	-
Ali Saigol - Directors		
Dividend reinvestment - units issued 43 units (2019:Nil units)	-	-
Units issued: 973 units (2019: Nil units)	10	-
Fauji Fertilizers Company Limited - common directorship		
Units issued: 57,224,762 units (2019: Nil units)	619,959	-
Units redeemed: 57,224,762 units (2019: Nil units)	634,116	-
Pakistan Stock Exchange Limited - common directorship*		
Listing fee paid	25	-
National Clearing Company of Pakistan Limited - common directorship		
fee paid	250	275
Portfolio managed by the Management Company		
Purchase of Market Treasury Bills	278,477	-
NBP Income Opportunity Fund		
Purchase of commercial paper	199,529	-
20.7 Amounts / balances outstanding as at year end:		
NBP Fund Management Limited - the Management Company		
Remuneration payable to the Management Company	352	357
Sindh sales tax on remuneration of the Management Company	45	46
Federal Excise Duty on remuneration of the Management Company	10,620	10,620
Federal Excise Duty on sales load	292	292
Allocated expenses payable	636	213
Selling and marketing expenses payable	2,546	853
Sales and transfer load payable	1,743	133
Sindh sales tax on sales load	227	17
Others	288	288
Units held: 12,324,718 units (2019: Nil units)	125,422	-



	2020	2019
	----- Rupees in '000 -----	
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration payable to the Trustee	175	71
Sindh sales tax payable on Trustee remuneration	23	9
Security deposit	100	100
Settlement charges payable	51	6
National Bank of Pakistan - parent company		
Current account	1,751	1,751
Savings account	7,302	3,592
Profit receivable on savings account	10	50
Summit Bank Limited - common directorship**		
Bank balances	-	748
Askari Bank Limited - common directorship**		
Bank balances	-	93
Profit receivable on savings account	-	34
NBP Endowment Fund Student Loan Scheme**		
Units held: Nil units (2019: 16,058 units)	-	163
Key management personnel of the Management Company		
Units held: 2,495,660 units (2019: 15,945 units)	25,397	162
BankIslami Pakistan Limited - common directorship		
Bank balances	839	323
Profit receivable on savings account	5	12
Syed Muhammad Asif Ali - unit holders with more than 10% holding**		
Units held: Nil units (2019: 6,476,677 units)	-	65,822
Muhammad Murtaza Ali - Company Secretary / COO		
Units held: 172,012 units (2019: Nil units)	1,750	-
Ali Saigol - Director		
Units held: 1,016 units (2019: Nil units)	10	-

* Prior period comparative has not been shown as the company was not a related party / connected person as at June 30, 2019

** Current year figure has not been presented as the person is not classified as a related party / connected person of the Fund as at June 30, 2020

21	CASH AND CASH EQUIVALENTS	Note	2020	2019
			----- (Rupees in '000) -----	
	Bank balances	4	2,300,436	465,647
	Government securities:			
	- Market Treasury Bills (original maturity of 3 months or less)	5.1	199,418	4,947
			<u>2,499,854</u>	<u>470,594</u>



22 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Bank balances	2,300,436	-	2,300,436
Investments	-	229,418	229,418
Receivable against Margin Trading System	337,740	-	337,740
Profit receivable	15,424	-	15,424
Deposits	350	-	350
Receivable against transfer of units	104,640	-	104,640
	<u>2,758,590</u>	<u>229,418</u>	<u>2,988,008</u>

2020		
At amortised cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
2,300,436	-	2,300,436
-	229,418	229,418
337,740	-	337,740
15,424	-	15,424
350	-	350
104,640	-	104,640
<u>2,758,590</u>	<u>229,418</u>	<u>2,988,008</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	-	16,749	16,749
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	249	249
Payable against redemption of units	-	13,891	13,891
Accrued expenses and other liabilities	-	2,254	2,254
	<u>-</u>	<u>33,143</u>	<u>33,143</u>

2020		
At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----		
-	16,749	16,749
-	249	249
-	13,891	13,891
-	2,254	2,254
<u>-</u>	<u>33,143</u>	<u>33,143</u>

Financial assets

Bank balances	465,647	-	465,647
Investments	-	89,710	89,710
Receivable against Margin Trading System	19	-	19
Profit receivable	5,628	-	5,628
Deposits	350	-	350
Receivable against transfer of units	973	-	973
	<u>472,617</u>	<u>89,710</u>	<u>562,327</u>

2019		
At amortised cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
465,647	-	465,647
-	89,710	89,710
19	-	19
5,628	-	5,628
350	-	350
973	-	973
<u>472,617</u>	<u>89,710</u>	<u>562,327</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	-	12,819	12,819
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	86	86
Accrued expenses and other liabilities	-	1,579	1,579
	<u>-</u>	<u>14,484</u>	<u>14,484</u>

2019		
At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----		
-	12,819	12,819
-	86	86
-	1,579	1,579
<u>-</u>	<u>14,484</u>	<u>14,484</u>



23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund, the NBFC Regulations and the directives issued by the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

23.1 Market risk

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee and regulations laid down by the SECP.

Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

23.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

23.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks, investments in term deposit receipts and Market Treasury Bills. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

The Fund is exposed to cash flow interest rate risk for balances in savings accounts on which interest rate range between 4.5% to 15.5% per annum. A reasonably possible change of 100 basis points in interest rates on the last repricing date would have increased / decreased the net income for the year and the net assets of the Fund by Rs 22.950 million (2019: Rs 4.635 million). The analysis assumes that all other variables remain constant.

b) Sensitivity analysis for fixed rate instruments

The Fund's fixed rate risk arises from investment in Market Treasury Bills and term deposit receipts. In case of 100 basis points increase / decrease in rates on June 30, 2020, with all other variables held constant, the net income for the year and net assets would have been higher / lower by Rs. 2.294 million (2019: Rs 0.897 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:



2020					
Effective profit rate (%)	Exposed to profit rate risk			Not exposed to profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- (Rupees in '000) -----

On balance sheet financial instruments

Financial assets

Bank balances	4.5% - 15.50%	2,294,987	-	-	5,449	2,300,436
Investments	8.10% - 15.60%	199,418	30,000	-	-	229,418
Receivable against Margin Trading System		337,740	-	-	-	337,740
Profit receivable		-	-	-	15,424	15,424
Deposits		-	-	-	350	350
Receivable against transfer of units		-	-	-	104,640	104,640
		<u>2,832,145</u>	<u>30,000</u>	<u>-</u>	<u>125,863</u>	<u>2,988,008</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	16,749	16,749
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	249	249
Payable against redemption of units		-	-	-	13,891	13,891
Accrued expenses and other liabilities		-	-	-	2,254	2,254
		<u>-</u>	<u>-</u>	<u>-</u>	<u>33,143</u>	<u>33,143</u>

On-balance sheet gap

<u>2,832,145</u>	<u>30,000</u>	<u>-</u>	<u>92,720</u>	<u>2,954,865</u>
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Total interest rate sensitivity gap

<u>2,832,145</u>	<u>30,000</u>	<u>-</u>	<u>92,720</u>	<u>2,954,865</u>
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Cumulative interest rate sensitivity gap

<u>2,832,145</u>	<u>2,862,145</u>	<u>2,862,145</u>
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2019					
Effective profit rate (%)	Exposed to profit rate risk			Not exposed to profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- (Rupees in '000) -----

On balance sheet financial instruments

Financial assets

Bank balances	7.3% - 14%	463,529	-	-	2,118	465,647
Investments	7.40% - 13.20%	89,710	-	-	-	89,710
Receivable against Margin Trading System		19	-	-	-	19
Profit receivables		-	-	-	5,628	5,628
Deposits		-	-	-	350	350
Receivable against transfer of units		-	-	-	973	973
		<u>553,258</u>	<u>-</u>	<u>-</u>	<u>9,069</u>	<u>562,327</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	12,819	12,819
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	86	86
Accrued expenses and other liabilities		-	-	-	1,579	1,579
		<u>-</u>	<u>-</u>	<u>-</u>	<u>14,484</u>	<u>14,484</u>

On-balance sheet gap

<u>553,258</u>	<u>-</u>	<u>-</u>	<u>(5,415)</u>	<u>547,843</u>
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Total interest rate sensitivity gap

<u>553,258</u>	<u>-</u>	<u>-</u>	<u>(5,415)</u>	<u>547,843</u>
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Cumulative interest rate sensitivity gap

<u>553,258</u>	<u>553,258</u>	<u>553,258</u>
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23.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund does not have any financial instruments which are subject to price risk.

23.2 Credit risk

23.2.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- Rupees in '000 -----				
Bank balances	2,300,436	2,300,436	465,647	465,647
Investments	229,418	30,000	89,710	84,763
Receivable against Margin Trading System	337,740	337,740	19	19
Profit receivable	15,424	15,424	5,628	5,628
Deposits and prepayments	614	614	590	590
Receivable against transfer of units	104,640	104,640	973	973
	2,988,272	2,788,854	562,567	557,620

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

23.2.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon and investments in term deposit receipts and commercial papers. The credit rating profile of balances with banks and investment in debt securities is as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
Bank balances and accrued profit		
AAA	4.99%	1.78%
AA+	0.89%	1.36%
AA-	48.46%	56.05%
AA	0.01%	0.09%
A+	12.44%	13.32%
A-	0.00%	0.01%
A	10.48%	11.13%
BBB-	0.12%	0.06%
Term deposit receipt		
AA-	-	8.90%
A	1.03%	-
Commercial papers		
A-1+	-	0.06%



23.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions at the option of the unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short term to ensure settlement, the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the current year.

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

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including balances with banks have been included in the maturity grouping of one month.

----- 2020 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
Financial assets						
Bank balances	2,300,436	-	-	-	-	2,300,436
Investments	199,418	-	30,000	-	-	229,418
Receivable against MTS	337,740	-	-	-	-	337,740
Profit receivables	14,535	-	889	-	-	15,424
Deposits	-	-	-	-	350	350
Receivable against transfer of units	104,640	-	-	-	-	104,640
	2,956,769	-	30,889	-	350	2,988,008
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company	16,749	-	-	-	-	16,749
Payable to Central Depository Company of Pakistan Limited - the Trustee	249	-	-	-	-	249
Payable against redemption of units	13,891	-	-	-	-	13,891
Accrued expenses and other liabilities	2,254	-	-	-	-	2,254
	33,143	-	-	-	-	33,143
Net assets	2,923,626	-	30,889	-	350	2,954,865



----- 2019 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
Financial assets						
Bank balances	465,647	-	-	-	-	465,647
Investments	-	89,710	-	-	-	89,710
Receivable against MTS	19	-	-	-	-	19
Profit receivables	5,556	72	-	-	-	5,628
Deposits	-	-	-	-	350	350
Receivable against transfer of units	973	-	-	-	-	973
	472,195	89,782	-	-	350	562,327
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company	12,819	-	-	-	-	12,819
Payable to Central Depository Company of Pakistan Limited - the Trustee	86	-	-	-	-	86
Accrued expenses and other liabilities	1,579	-	-	-	-	1,579
	14,484	-	-	-	-	14,484
Net assets	457,711	89,782	-	-	350	547,843

24 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

24.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2020 and June 30, 2019, the Fund held the following financial instruments measured at fair values:



	2020			
	Level 1	Level 2	Level 3	Total
ASSETS	----- Rupees in '000 -----			
Financial assets - at fair value through profit or loss				
Government securities - Market Treasury Bills	-	199,418	-	199,418
Term deposit receipt**	-	30,000	-	30,000
	-	229,418	-	229,418

	2019			
	Level 1	Level 2	Level 3	Total
ASSETS	----- Rupees in '000 -----			
Financial assets 'at fair value through profit or loss'				
Government securities - Market Treasury Bills	-	4,947	-	4,947
Term deposit receipt**	-	50,000	-	50,000
Commercial papers*	-	34,763	-	34,763
	-	89,710	-	89,710

* The valuation of commercial papers has been done based on amortisation of commercial papers to their face values as per the guidelines given in Circular 33 of 2012 since the residual maturity of these investments is less than six months and are placed with counterparties which have high credit rating.

** The carrying value of these securities approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.

25 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' Fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

26 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	2,941	2,756,833	94.16%	1,272	474,677	87.09%
Associated companies	3	125,434	4.28%	1	163	0.03%
Retirement funds	7	31,168	1.07%	5	19,068	3.50%
Others	18	14,476	0.49%	18	51,124	9.38%
	2,969	2,927,911	100.00%	1,296	545,032	100.00%



27 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2020 -----		-----2019 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Bright Capital (Private) Limited	86.05%	Icon Securities (Private) Limited	100.00%
Invest One Market Limited	13.95%		

27.1 The Fund has traded with only the above mentioned seven brokers / dealers during the year ended June 30, 2020 (2019: two brokers / dealers).

28 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	32
Mr. Sajjad Anwar	Chief Investment Officer	CFA / MBA	20
Mr. Asim Wahab Khan	Deputy Chief Investment Officer	CFA	14
Mr. Hassan Raza	Head of Research	ACCA / BSC / CFA	9
Muhammad Ali Bhabha	Head of Fixed Income	CFA, MBA, FRM and MS	25

29 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Muhammad Ali Bhabha	Fund Manager	CFA, MBA, FRM and MS	NAARFSF, NFSIF, NGSLE, NGSF I, NIOF, NIDDF, NIMAF, NIMMF, NBP - ISF, NMAF, NMMF, NRFSF, NBP - SF

30 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 72nd, 73rd, 74th, 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020, April 27, 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held / Applicable	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [note 27.1]	3	2	1	74th Meeting
Syed Hasan Irtiza Kazmi [note 27.2]	3	3	-	-
Mr. Nasir Husain [note 27.3]	1	-	1	72nd Meeting
Mr. Abdul Hadi Palekar [note 27.4]	1	-	1	72nd Meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [note 27.5]	1	1	-	-
Mr. Khalid Mansoor [note 27.6]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [note 27.7]	1	1	-	-
Mr. Saad Amanullah Khan [note 27.8]	3	3	-	-
Dr. Amjad Waheed	4	4	-	-



- 30.1 Mr. Saad ur Rahman Khan opted as Director on the Board with effect from October 04, 2019.
- 30.2 Syed Hasan Irtiza Kazmi opted as Director on the Board with effect from October 04, 2019.
- 30.3 Mr. Nasir Husain retired from the Board with effect from October 04, 2019.
- 30.4 Mr. Abdul Hadi Palekar retired from the Board with effect from October 04, 2019.
- 30.5 Mr. Kamal Amir Chinoy retired from the Board with effect from October 04, 2019.
- 30.6 Mr. Khalid Mansoor opted as Director on the Board with effect from October 04, 2019.
- 30.7 Mr. Shehryar Faruque retired from the Board with effect from October 04, 2019.
- 30.8 Mr. Saad Amanullah Khan opted as Director on the Board with effect from October 04, 2019.

31 CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

32 GENERAL

32.1 Rounding off

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

32.2 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularise the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- c) The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- d) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- e) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

32.3 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

33 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 17, 2020 by the Board of Directors of the Management Company.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	for the Year ended June 30, 2020	for the Year ended June 30, 2019	for the Year ended June 30, 2018	for the Year ended June 30, 2017	for the Year ended June 30, 2016	for the Year ended June 30, 2015
Net assets at the year / period ended (Rs '000)	2,927,911	545,032	495,769	441,250	522,797	494,677
Net income for the year / period ended (Rs '000)	221,074	37,845	25,142	26,437	15,377	69,309
Net Asset Value per unit at the year / period ended (Rs)	10.1765	10.1629	10.6940	10.4115	10.1194	10.1148
Offer Price per unit at year end	10.2915	10.2203	10.7544	10.1988	10.1766	10.1823
Redemption Price per unit at year end	10.1765	10.1629	10.6940	10.1415	10.1194	10.1148
Ex - Highest offer price per unit (Rs.)	10.2915	10.2203	10.7544	10.1988	10.8068	10.1823
Ex - Lowest offer price per unit (Rs.)	9.0129	9.3765	10.2004	9.4427	10.1749	9.3743
Ex - Highest redemption price per unit (Rs.)	10.1765	10.1629	10.8152	10.1415	10.7461	10.1148
Ex - Lowest redemption price per unit (Rs.)	9.0129	9.3192	10.1431	9.3822	10.1177	9.3122
Fiscal Year Opening EX Nav	9.0102	9.3144	10.4115	9.3807	10.1148	9.3076
Total return of the fund	12.91%	9.11%	5.40%	8.11%	6.10%	8.67%
Capital growth	0.11%	0.56%	0.10%	-0.38%	-0.14%	0.02%
Income distribution as a % of ex nav	12.79%	8.55%	5.30%	8.50%	6.24%	8.65%
Income distribution as a % of par value	13.00%	8.67%	5.52%	7.97%	6.31%	8.05%
Distribution						
Interim distribution per unit	1.3002	0.7824		0.7969	0.6313	0.8049
Final distribution per unit		0.0845	0.5519	-	-	-
Distribution Dates						
Interim	26-Jun-20			19-Jun-17		
Interim						
Interim		29-Aug-18				
Interim		28-Sep-18				
Interim		29-Oct-18				
Interim		28-Nov-18				
Interim		28-Dec-18				
Interim		28-Jan-19				
Interim		26-Feb-19				
Interim		28-Mar-19				
Interim		27-Apr-19				
Interim		28-May-19				29-Jun-15
Final		24-Jun-19	04-Jul-18			-
Average annual return of the fund (launch date Nov 21, 2009)						
(Since inception to June 30, 2020)	8.93%					
(Since inception to June 30, 2019)		8.53%				
(Since inception to June 30, 2018)			8.50%			
(Since inception to June 30, 2017)				8.86%		
(Since inception to June 30, 2016)					9.00%	
(Since inception to June 30, 2015)						9.50%
(Since inception to June 30, 2014)						
(Since inception to June 30, 2013)						
(Since inception to June 30, 2012)						
(Since inception to June 30, 2011)						
(Since inception to June 30, 2010)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	9 Days	10 Days 22 Days		27 Days	22 Days	76 Days

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up

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