

**NAFA ISLAMIC ACTIVE ALLOCATION
FUND - III**



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

Allied Bank Limited
Bank Al Habib Limited
Dubai Islami Bank Limited
Habib Bank Limited
JS Bank Limited
Meezan Bank Limited
Soneri Bank Limited



Auditors

A.F. Fergusons & 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, 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
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

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

Multan Office

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

This is the Third Annual Report for the period ended June 30, 2020, since launch of **NAFA Islamic Active Allocation Fund-III (NIAAF-III)** on June 22, 2018.

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income/Money Market Funds.

NAFA Islamic Active Allocation Fund-III has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through three (3) Allocation Plans including NAFA Islamic Capital Preservation Plan-III (NICPP-III), NAFA Islamic Capital Preservation Plan-IV (NICPP-IV) & NBP Islamic Capital Preservation Plan-V (NICPP-V).

Islamic Money Market:

NBP Islamic Money Market Fund

Islamic Equity Fund:

NBP Islamic Active Allocation Equity Fund

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.

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY2020 compared to Rs. 12 billion in FY2019. 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 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.

NAFA Islamic Capital Preservation Plan-III (NICPP-III)

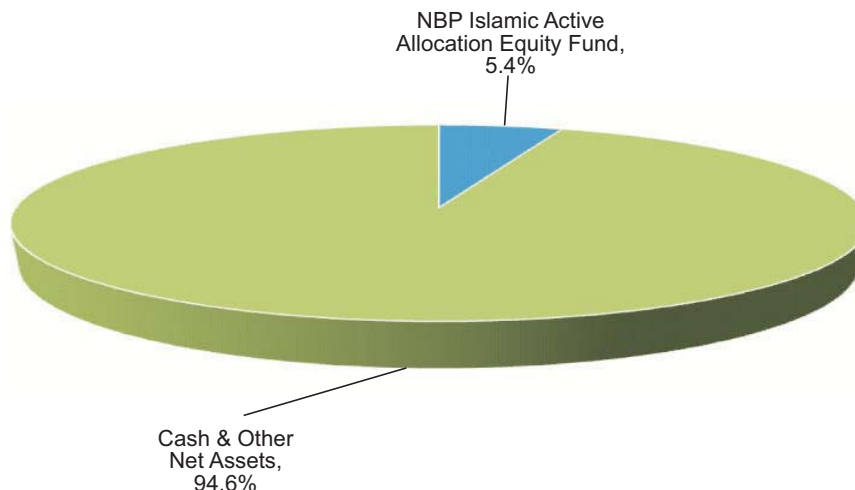
This is the third annual report for the period ended June 30, 2020, since launch NAFA Islamic Capital Preservation Plan-III (NICPP-III) on June 22, 2018. The objective of the Plan is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

Plan's Performance

During the fiscal year, NAFA Islamic Capital Preservation Plan-III (NICPP III) increased by 4.5% as against the benchmark which increased by 2.7%, thus, the Plan outperformed the benchmark by 1.8% during the year. Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-III (NICPP-III) has increased from Rs. 94.6916 (Ex-Div) on June 22, 2018 to Rs. 99.0600 on June 30, 2020, thus showing an increase of 4.6%. The Benchmark return during the same period was increased by 0.2%. Thus, the Plan has outperformed its Benchmark by 4.4% since its inception on June 22, 2018. This performance is net of management fee and all other expenses. The size of the Plan is Rs. 151 million.

The Plan has earned a total income of Rs. 20.76 million during the year. After deducting total expenses of Rs. 4.75 million, the net income is Rs. 16.01 million.

The asset allocation of the Plan as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 4.35% of the opening ex-NAV (4.31% of the par value) in NAFA Islamic Capital Preservation Plan - III (NICPP III) 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.



NAFA Islamic Capital Preservation Plan-IV (NICPP-IV)

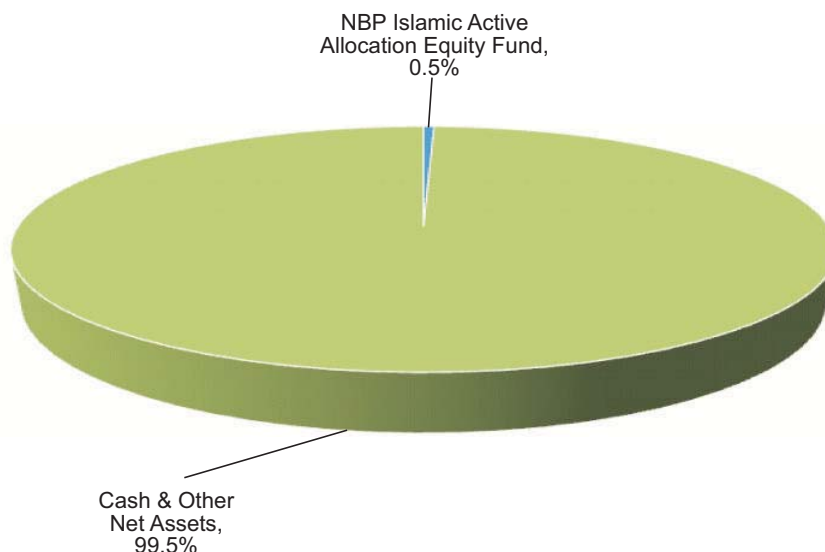
This is the second annual report for the period ended June 30, 2020, since launch NAFA Islamic Capital Preservation Plan-IV (NICPP-IV) on September 14, 2018. The objective of the Plan is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

Plan's Performance

During the fiscal year, NAFA Islamic Capital Preservation Plan-IV (NICPP IV) increased by 3.7% as against the benchmark which increased by 2.6%, thus, the Plan outperformed the benchmark by 1.1% during the year. Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-IV (NICPP-IV) has increased from Rs. 96.5816 on September 14, 2018 to Rs. 98.9102 on June 30, 2020, thus showing a increase of 2.4%. The Benchmark during the same period was decreased by 0.3%. Thus, the Plan has outperformed its Benchmark by 2.7% since its inception on September 14, 2018. This performance is net of management fee and all other expenses. The size of the Plan is Rs. 146 million.

The Plan has earned a total income of Rs. 9.32 million during the year. After deducting total expenses of Rs. 3.03 million, the net income is Rs. 6.29 million.

The asset allocation of the Plan as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 3.54% of the opening ex-NAV (3.50% of the par value) in NAFA Islamic Capital Preservation Plan - IV (NICPP IV) 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.

NBP Islamic Capital Preservation Plan-V (NICPP-V)

This is the second annual report for the period ended June 30, 2020, since launch NBP Islamic Capital Preservation Plan-V (NICPP-V) on December 17, 2018. The objective of the Plan is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

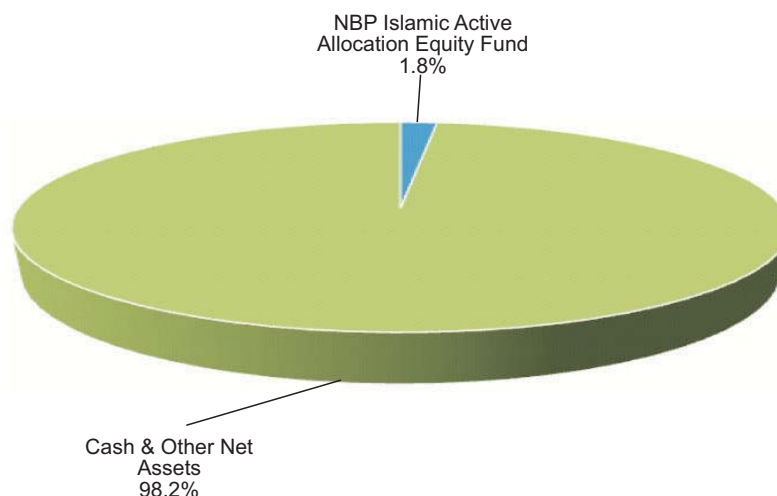


Plan's Performance

During the fiscal year, NBP Islamic Capital Preservation Plan-V (NICPP V) increased by 3.1% as against the benchmark which increased by 2.7%, thus, the Plan outperformed the benchmark by 0.4% during the year. Since launch of the plan, the unit price of NBP Islamic Capital Preservation Plan-V (NICPP-V) has increased from Rs. 97.0758 (Ex-Div) on December 17, 2018 to Rs. 98.2859 on June 30, 2020, thus showing an increase of 1.2%. The Benchmark during the same period was decreased by 0.3%. Thus, the Plan has outperformed its Benchmark by 1.5% since its inception on December 17, 2018. This performance is net of management fee and all other expenses. The size of the Plan is Rs. 90 million.

The Plan has earned a total income of Rs. 6.69 million during the year. After deducting total expenses of Rs. 2.03 million, the net income is Rs. 4.66 million.

The asset allocation of the Plan as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 3.01% of the opening ex-NAV (2.96% of the par value) in NBP Islamic Capital Preservation Plan - V (NICPP V) 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, A.F Fergusons & 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 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 19 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	1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	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

22 جون 2018 کو قائم ہونے والے NAFA اسلامک ایکٹو ایلوکیشن فنڈ-III (NIAAF-III) کی 30 جون 2020 مختتمہ سال کے لئے یہ تیسری سالانہ رپورٹ ہے۔ فنڈ کا مقصد شریعہ کمپلیٹ ایکیویٹی فنڈ اور انکم منی ماریٹ فنڈز کی فعال طور منظم پورٹ فولیو سے انویسٹرز کو متاثر کن منافع کمانے کا موقع فراہم کرنا ہے۔

NAFA اسلامک ایکٹو ایلوکیشن فنڈ-III (NIAAF-III) ایک ٹرسٹ اسکیم کی شکل میں تیار کیا گیا ہے جو کہ تین (3) ایلوکیشن پلانز کے ذریعے درج ذیل مجموعی سرمایہ کاری اسکیموں میں سرمایہ کاری کریں گے، یہ پلانز NAFA اسلامک کپٹیل پریزیوشن پلان III- (NICCP-III)، NAFA اسلامک کپٹیل پریزیوشن پلان IV- (NICCP-IV) اور NBP اسلامک کپٹیل پریزیوشن پلان V- (NICCP-V) ہیں۔

اسلامک منی ماریٹ فنڈ: NBP اسلامک منی ماریٹ فنڈ

اسلامک ایکویٹی فنڈ: NBP اسلامک ایکٹو ایلوکیشن ایکویٹی فنڈ

مالی سال 2019-20، اسٹاک ماریٹ 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 ملین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 ملین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 ملین امریکی ڈالر کی آمدنی مثبت خبروں کے باوجود ماریٹ کا آغاز مثبت خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرٹیکل 370 کی منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے ماریٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم تر سطح پر 44,929 پر لے آیا جس نے ماریٹ کے وسیع حصے میں حصص کی مالیت کو واضح کر دیا۔ پرنکس مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک ماریٹ 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 خطیر 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 ماریٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن/شٹ ڈاؤن کے باعث اسٹاک ماریٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک ماریٹ 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 مدداری پیکیج 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۔ ریپڈ فنانسنگ انشروٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ملک 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 جبکہ پہلے خدشہ تھا۔ نتیجتاً ماریٹ 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 وار کارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسریز، سینٹ، کمپلیکس، انجینئرنگ، کھاد، دواسازی، کاغذ اور بورڈ، بیکنگ اور گلاس اینڈ سرامکس کے شعبوں نے ماریٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس ماریٹنگ، پاور جنریشن اینڈ ڈسٹری بیوشن، اور نیکیسٹائل کمپوزٹ کے شعبے ماریٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 ملین امریکی ڈالر کے خالص ان فلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 ملین امریکی ڈالر کے ساتھ پوزیشن مستحکم کی دوسری جانب غیر ملکی سرمایہ کار 285 ملین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک/DFIs اور میچل فنڈز بھی بالترتیب 55 ملین امریکی ڈالر اور 50 ملین امریکی ڈالر کے خالص آؤٹ فلو کے ساتھ نمایاں فروخت کنندہ رہے۔

کارپوریٹ سکوک میں تجارتی سرگرمی مالی سال 2019 میں 12 بلین روپے کے مقابلے مالی سال 2020 میں تقریباً 27 بلین روپے کے مجموعی تجارتی قیمت کے ساتھ قابل ذکر 127% زیادہ رہی۔ نئے اجارہ سکوک کے ساتھ بجلی کے شعبے کو حکومت کے گارنٹی شدہ سکوک اور شریعہ کمپلیٹ کمرشل سپرڈ کے اجراء نے طویل مدتی اور قلیل مدتی شریعہ کمپلیٹ ڈیٹ آلات کے زیر اثر ماریٹ کی مدد کی۔ اقتصاد کی استحکام کی جاری پالیسیوں کی تعمیر اور (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لیتی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات سے افراط زر کے بڑے اثرات کا مقابلہ کرتے



ہونے، اسٹیٹ بینک پاکستان نے جولائی 2019 میں پالیسی شرح 100bps بڑھا کر 13.25 فیصد کردی۔ طویل وقفے کے بعد، اسٹیٹ بینک نے 17 مارچ، 2020 کو منعقدہ اپنے ایم پی سی اجلاس میں پالیسی شرح 25bps کم کردی۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک نے جارحانہ مانیٹری میں آسانی پیدا کی اور مختصر مدت میں پالیسی شرح 7 فیصد تک کمی کر کے مجموعی طور پر 625bps کردی۔ پالیسی شرح میں اس کمی کے اثرات سورجگن ییلڈ پر پڑے کیونکہ 3 ماہ 6 اور 12 ماہ کی ٹی بلز پیداوار بالترتیب 566 پیسز پوائنٹس، 580 پیسز پوائنٹس اور 608 پیسز پوائنٹس تک کم ہوئی۔ SBP نے زیر جائزہ مدت کے دوران ستائیس (27) ٹی بلز نیلامیاں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

NAFA اسلامک کیپٹل پریزرویشن پلان-III (NICCP-III)

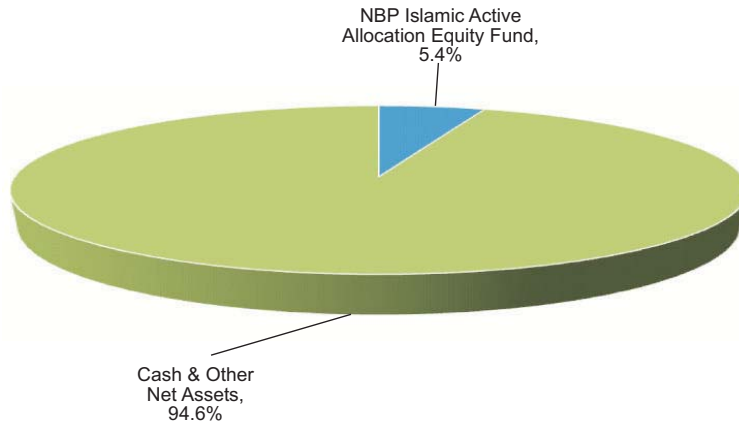
22 جون 2018 کو قائم ہونے والے NAFA اسلامک کیپٹل پریزرویشن پلان-III (NICCP-III) کی 30 جون 2020 مختتمہ سال کے لئے یہ تیسری سالانہ رپورٹ ہے۔ پلان کا مقصد شریعہ کمپلیٹ ایکٹیو فنڈ اور انکم / منی مارکیٹ فنڈ کی فعال طور منظم پورٹ فولیو سے انویسٹرز کو متاثر کن منافع کمانے کا موقع فراہم کرنا ہے۔

پلان کی کارکردگی

مالی سال کے دوران NAFA اسلامک کیپٹل پریزرویشن پلان-III (NICCP-III) کے بیچ مارک جو 2.7% زیادہ ہوا کے مقابلے 4.5% زیادہ ہوا، لہذا، پلان نے سال کے دوران 1.8% بیچ مارک کی بہتر کارکردگی دکھائی۔ 22 جون 2018 کو اپنے قیام سے NAFA اسلامک کیپٹل پریزرویشن پلان-III (NICCP-III) کے یونٹ کی قیمت 94.6916 روپے (Ex-Div) سے بڑھ کر 30 جون 2020 کو 99.0600 روپے ہو گئی، لہذا 0.2% کا اضافہ ظاہر کیا۔ لہذا پلان کی کارکردگی اپنے بیچ مارک سے 4.4% بہتر رہی۔ پلان کی یہ کارکردگی میٹجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ پلان کا سائز 151 ملین روپے ہے۔

اسلامک کیپٹل پریزرویشن پلان-III (NICCP-III) کو اس مدت کے دوران 20.76 بلین روپے کی آمدنی ہوئی۔ 4.75 بلین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 16.01 بلین روپے ہے۔

30 جون 2020 کو پلان کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد NAFA اسلامک کیپٹل پریزرویشن پلان-III (NICCP-III) میں اوپننگ ex-NAV کا 4.35% (بنیادی قدر کا 4.31%) 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 شق 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

NAFA اسلامک کیپیٹل پریزرویشن پلان-IV (NICCP-IV)

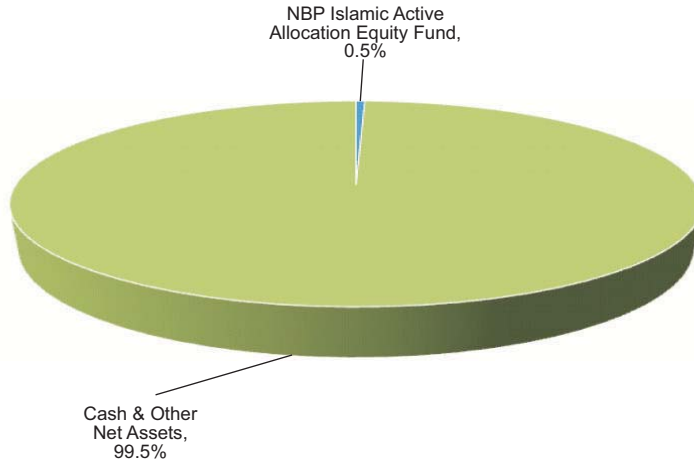
14 ستمبر 2018 کو قائم ہونے والے NAFA اسلامک کیپیٹل پریزرویشن پلان-IV (NICCP-IV) کی 30 جون 2020 مختتمہ سال کے لئے یہ دوسری سالانہ رپورٹ ہے۔ پلان کا مقصد شریعہ کیپلیٹ ایکٹیو فنڈ اور انکم / منی مارکیٹ فنڈز کی فعال طور منظم پورٹ فولیو سے انویسٹرز کو متاثر کن منافع کمائے کا موقع فراہم کرنا ہے۔

پلان کی کارکردگی

مالی سال کے دوران NAFA اسلامک کیپیٹل پریزرویشن پلان-IV (NICCP-IV) کی بیچ مارک منفعیت جو 2.6% زیادہ ہوئی کے مقابلے میں 3.7% زیادہ ہوئی۔ لہذا پلان نے سال کے دوران اپنے بیچ مارک سے 1.1% کی بہتر کارکردگی ظاہر کی۔ 14 ستمبر 2018 کو اپنے قیام سے NAFA اسلامک کیپیٹل پریزرویشن پلان-IV (NICCP-IV) کے یونٹ کی قیمت 96.5816 روپے سے بڑھ کر 30 جون 2020 کو 98.9102 روپے ہو گئی، لہذا 2.4% کا اضافہ ظاہر کیا۔ اسی مدت کے دوران بیچ مارک 0.3% کم ہوا۔ لہذا، پلان نے 14 ستمبر 2018 کو اپنے قیام سے اپنے بیچ مارک میں 2.7% کی بہتر کارکردگی دکھائی۔ پلان کی یہ کارکردگی بیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ پلان کا سائز 146 ملین روپے ہے۔

NAFA اسلامک کیپیٹل پریزرویشن پلان-IV (NICCP-IV) کو اس مدت کے دوران 9.32 ملین روپے کی آمدنی ہوئی۔ 3.03 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 6.29 ملین روپے ہے۔

30 جون 2020 کو پلان کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

بیجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد NAFA اسلامک کیپیٹل پریزرویشن پلان-IV (NICCP-IV) میں اوپننگ ex-NAV کا 3.54% (بنیادی قدر کا 3.50%) 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 کیپیٹل گین منہا 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۔

INBP اسلامک کیپیٹل پریزرویشن پلان-V (NICCP-V)

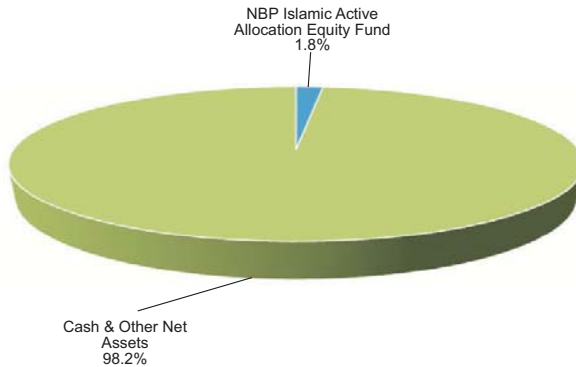
17 دسمبر 2018 کو قائم ہونے والے این بی اسلامک کیپیٹل پریزرویشن پلان-V (NICCP-V) کی 30 جون 2020 مختتمہ سال کے لئے یہ دوسری سالانہ رپورٹ ہے۔ پلان کا مقصد شریعہ کیپلیٹ ایکٹیو فنڈ اور انکم / منی مارکیٹ فنڈز کی فعال طور منظم پورٹ فولیو سے انویسٹرز کو متاثر کن منافع کمائے کا موقع فراہم کرنا ہے۔

پلان کی کارکردگی

مالی سال کے دوران NBP اسلامک کیپیٹل پریزرویشن پلان (NICCP-V) کی بیچ مارک منفعت جو 2.7% زیادہ ہوئی کے مقابلے میں 3.1% زیادہ ہوئی۔ لہذا پلان نے سال کے دوران اپنے بیچ مارک سے 0.4% کی بہتر کارکردگی ظاہر کی۔ 17 دسمبر 2018 کو اپنے قیام سے این بی پی اسلامک کیپیٹل پریزرویشن پلان (NICCP-V) کے یونٹ کی قیمت 97.0758 روپے سے بڑھ کر 30 جون 2020 کو 98.2859 روپے ہو چکی ہے اور اس طرح 1.2% کا اضافہ ہوا ہے۔ اسی مدت کے دوران بیچ مارک 0.3% کم ہوا۔ لہذا پلان نے اپنے آغاز (17 دسمبر 2018) سے اپنے بیچ مارک کی 1.5% بہتر کارکردگی کا مظاہرہ کیا ہے۔ پلان کی یہ کارکردگی پیٹرنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ پلان کا سائز 90 ملین روپے ہے۔

این بی پی اسلامک کیپیٹل پریزرویشن پلان (NICCP-V) کو اس مدت کے دوران 6.69 ملین روپے کی آمدنی ہوئی۔ 2.03 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 4.66 ملین روپے ہے۔

30 جون 2020 کو پلان کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

پیٹرنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد این بی پی اسلامک کیپیٹل پریزرویشن پلان (NICCP-V) میں اوپننگ ex-NAV کا 3.01% (بنیادی قدر کا 2.96%) 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 کیپیٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر ایکس آر ڈیٹنس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2021 کو ختم ہونے والے سال میں دوبارہ تقرر کے لئے پیش کیا ہے۔

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

1. پیٹرنٹ 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 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 ٹیبل / 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 بینچمنٹ 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 پٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12۔ ڈائریکٹرز، سی ای او، سی ایف او، کینی 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 19 میں ظاہر کی گئی ہے۔
- 13۔ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

کمیٹری	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 سہٹھی (چیئر مین)
	2۔ جناب سعد الرحمان خان
	3۔ سید حسن ارتضیٰ کاظمی
	4۔ جناب علی سیگل
	5۔ جناب عمران ظفر

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے بینچمنٹ 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 ٹرسٹی کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

مخائب بورڈ آف ڈائریکٹرز

NBP فنڈ بینچمنٹ 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 Active Allocation Fund-III (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 Asset Allocation Fund -III (NIAAF-III) is an Open-ended Shari'ah Compliant Fund of Funds.

Investment Objective of the Fund

The objective of the Fund is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Money Market Funds.

NAFA Islamic Active Allocation Fund-III has been constituted in the form of a Trust Scheme that shall invest in following Collective Investment Schemes through three (3) Allocation Plans including NAFA Islamic Capital Preservation Plan-III (NICPP-III), NAFA Islamic Capital Preservation Plan-IV (NICPP-IV) & NBP Islamic Capital Preservation Plan-V (NICPP-V).

Islamic Money Market: NBP Islamic Money Market Fund
 Islamic Equity: NBP Islamic Active Allocation Equity Fund

Fund performance review

Plans	Launch Date	Fund Size (Million)	Cumulative Performance Since Inception	
			Plan Return	Benchmark Return
NICPP-III	22-06-2018	151	4.61%	0.22%
NICPP-IV	14-09-2018	146	2.40%	(0.3%)
NICPP-V	17-12-2018	90	1.20%	(0.3%)

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.

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY2020 compared to Rs. 12 billion in FY2019. 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 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.

Asset Allocation of the Fund (% of NAV)

Asset Allocation of Plans			
Plans	NBP Islamic Active Allocation Equity Funds	NBP Islamic Money Market Fund	Cash & Other Net Assets/Liabilities
NICPP-III	5.4%	-	94.6%
NICPP-IV	0.5%	-	99.5%
NICPP-V	1.8%	-	98.2%

NAFA Islamic Capital Preservation Plan-III (NICPP III)

NBP Funds launched its NAFA Islamic Capital Preservation Plan-III (NICPP III) in June 2018 which is the 11th plan under NAFA Islamic Active Allocation Fund-III. The Active Allocation Plan will be dynamically managed between dedicated equity & Money Market schemes managed by NBP Funds based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NICPP-III has an initial maturity of two years.

The objective of the Plan is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Money Market Fund.



Plan's Performance

During the fiscal year, NAFA Islamic Capital Preservation Plan-III (NICPP III) increased by 4.5% as against the benchmark which increased by 2.7%, thus, the Plan outperformed the benchmark by 1.8% during the year. Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-III (NICPP-III) has increased from Rs. 94.6916 (Ex-Div) on June 22, 2018 to Rs. 99.0600 on June 30, 2020, thus showing an increase of 4.6%. The Benchmark return during the same period was increased by 0.2%. Thus, the Plan has outperformed its Benchmark by 4.2% since its inception on June 22, 2018. This performance is net of management fee and all other expenses. The size of the Plan is Rs. 151 million.

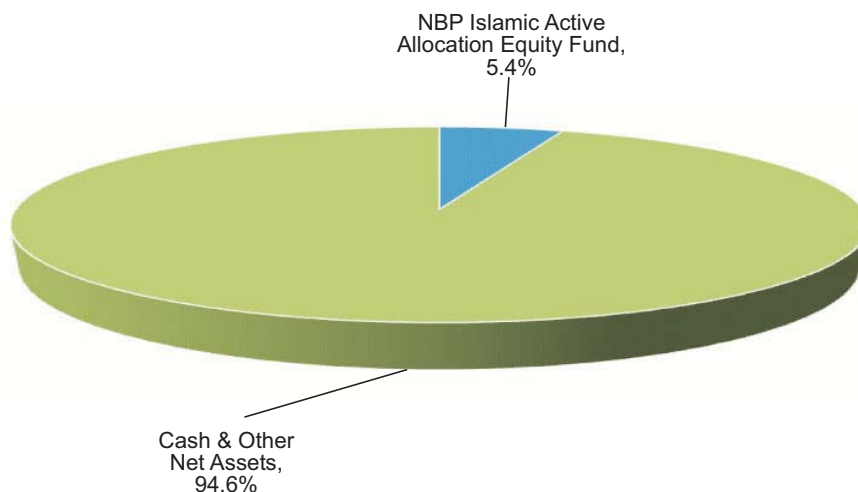
Sindh Workers' Welfare Funds (SWWF)

During the year, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from launch date of the fund, based on recommendation by MUFAP to all its members. For further details, refer note 11.1 to the financial statements.

During the period under question

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

The asset allocation of the Plan as on June 30, 2020 is as follows:



Distribution for the Financial Year 2020

The Board of Directors of the Management Company has approved cash dividend of 4.35% of the opening ex-NAV (4.31% of the par value) in NAFA Islamic Capital Preservation Plan - III (NICPP III) for the period ended June 30, 2020.



Unit Holding Pattern of NAFA Islamic Capital Preservation Plan III as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	02
1-1000	75
1001-5000	93
5001-10000	57
10001-50000	41
50001-100000	3
100001-500000	1
Total	272

NAFA Islamic Capital Preservation Plan-IV (NICPP IV)

NBP Funds launched its NAFA Islamic Capital Preservation Plan-IV (NICPP IV) in September 2018 which is the 12th plan under NAFA Islamic Active Allocation Fund-III. The Active Allocation Plan will be dynamically managed between dedicated equity & Money Market schemes managed by NBP Funds based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NICPP-IV has an initial maturity of two years.

The objective of the Plan is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Money Market Fund.

Plan's Performance

During the fiscal year, NAFA Islamic Capital Preservation Plan-IV (NICPP IV) increased by 3.7% as against the benchmark which increased by 2.6%, thus, the Plan outperformed the benchmark by 1.1% during the year. Since launch of the plan, the unit price of NAFA Islamic Capital Preservation Plan-IV (NICPP-IV) has increased from Rs. 96.5816 on September 14, 2018 to Rs. 98.9102 on June 30, 2020, thus showing an increase of 2.4%. The Benchmark during the same period was decreased by 0.3%. Thus, the Plan has outperformed its Benchmark by 2.7% since its inception on September 14, 2018. This performance is net of management fee and all other expenses. The size of the Plan is Rs. 146 million.

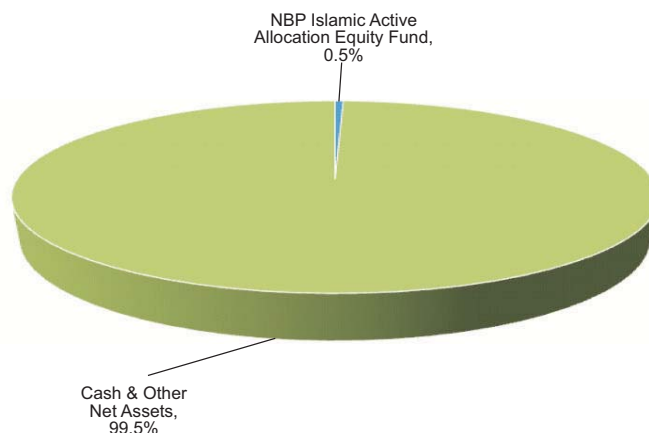
Sindh Workers' Welfare Funds (SWWF)

During the year, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from launch date of the fund, based on recommendation by MUFAP to all its members. For further details, refer note 11.1 to the financial statements.

During the period under question

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

The asset allocation of the Plan as on June 30, 2020 is as follows:





Distribution for the Financial Year 2020

The Board of Directors of the Management Company has approved cash dividend of 3.54% of the opening ex-NAV (3.50% of the par value) in NAFA Islamic Capital Preservation Plan - IV (NICPP IV) for the period ended June 30, 2020.

Unit Holding Pattern of NAFA Islamic Capital Preservation Plan IV as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	01
1-1000	43
1001-5000	52
5001-10000	22
10001-50000	24
50001-100000	2
100001-500000	1
Total	145

NBP Islamic Capital Preservation Plan-V (NICPP V)

NBP Funds launched its NBP Islamic Capital Preservation Plan-V (NICPP V) in December 2018 which is the 13th plan under NAFA Islamic Active Allocation Fund-III. The Active Allocation Plan will be dynamically managed between dedicated equity & Money Market schemes managed by NBP Funds based on the Fund Manager's outlook of the authorized asset-classes. The Plan is presently closed for new subscription. NICPP-V has an initial maturity of two years.

The objective of the Plan is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Money Market Fund.

Plan's Performance

During the fiscal year, NBP Islamic Capital Preservation Plan-V (NICPP V) increased by 3.1% as against the benchmark which increased by 2.7%, thus, the Plan outperformed the benchmark by 0.4% during the year. Since launch of the plan, the unit price of NBP Islamic Capital Preservation Plan-V (NICPP-V) has decreased from Rs. 97.0758 (Ex-Div) on December 17, 2018 to Rs. 98.2859 on June 30, 2020, thus showing an increase of 1.2%. The Benchmark during the same period was decreased by 0.3%. Thus, the Plan has outperformed its Benchmark by 1.5% since its inception on December 17, 2018. This performance is net of management fee and all other expenses. The size of the Plan is Rs. 90 million.

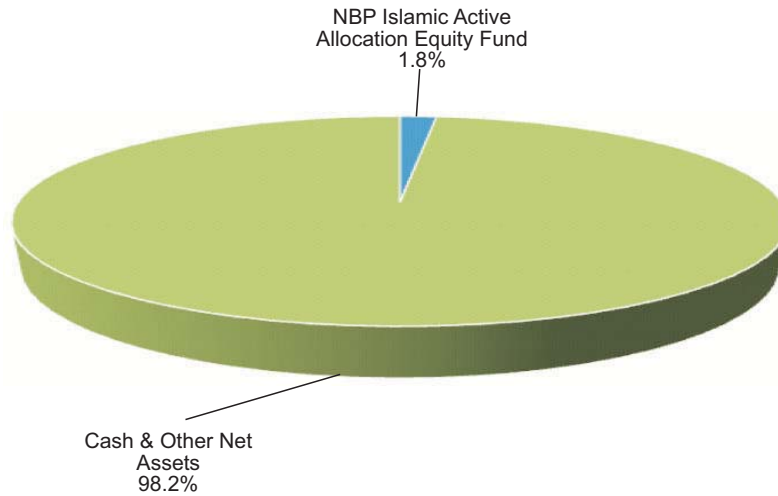
Sindh Workers' Welfare Funds (SWWF)

During the year, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from launch date of the fund, based on recommendation by MUFAP to all its members. For further details, refer note 11.1 to the financial statements.

During the period under question

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

The asset allocation of the Plan as on June 30, 2020 is as follows:



Distribution for the Financial Year 2020

The Board of Directors of the Management Company has approved cash dividend of 3.01% of the opening ex-NAV (2.96% of the par value) in NBP Islamic Capital Preservation Plan – V (NICPP V) for the period ended June 30, 2020.

Unit Holding Pattern of NBP Islamic Capital Preservation Plan V as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
1-1000	20
1001-5000	37
5001-10000	23
10001-50000	17
100001-500000	03
Total	100

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NAFA Islamic Active Allocation Fund - III (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, it is the Second year of the operations of NAFA Islamic Active Allocation Fund-III (NIAAF-III). Under this fund, NBP Funds launched its NAFA Islamic Capital Preservation Plan-III (NICPP-III) on June 22, 2018, NAFA Islamic Capital Preservation Plan-IV on September 14, 2018 and NBP Islamic Capital Preservation Plan-V on December 17, 2018. 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 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 NIAAF-III in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NIAAF-III 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 cause us to believe that all the operations of NIAAF-III 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 AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NAFA Islamic Active Allocation Fund - III

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NAFA Islamic Active Allocation Fund - III (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. 382.631 million and Rs. 10.546 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 bank reconciliation statements and tested reconciling items on a sample basis.



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**.

Chartered Accountants

Date: September 29, 2020

Place: Karachi


STATEMENT OF ASSETS AND LIABILITIES
 AS AT JUNE 30, 2020

Note	June 30, 2020				June 30, 2019				
	NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total	
----- (Rupees in 000) -----									
ASSETS									
Balances with banks	4	148,544	145,505	88,582	382,631	306,399	215,994	105,924	628,317
Investments	5	8,100	798	1,648	10,546	85,299	65,288	46,472	197,059
Profit receivable		1,024	956	576	2,556	3,366	2,363	1,196	6,925
Other receivables	6	220	-	450	670	220	-	450	670
Preliminary expenses and floatation costs	7	-	114	121	235	967	669	387	2,023
Total assets		157,888	147,373	91,377	396,638	396,251	284,314	154,429	834,994
LIABILITIES									
Payable to NBP Fund Management Limited - the Management Company	8	238	199	133	570	2,849	1,554	772	5,175
Payable to Central Depository Company of Pakistan Limited - the Trustee	9	12	10	6	28	38	27	15	80
Payable to the Securities and Exchange Commission of Pakistan	10	54	36	22	112	647	329	114	1,090
Payable against redemption of units		4,211	-	-	4,211	-	-	-	-
Accrued expenses and other liabilities	11	1,991	1,181	982	4,154	522	384	236	1,142
Total liabilities		6,506	1,426	1,143	9,075	4,056	2,294	1,137	7,487
NET ASSETS		151,382	145,947	90,234	387,563	392,195	282,020	153,292	827,507
UNIT HOLDERS' FUND (as per statement attached)		151,382	145,947	90,234	387,563	392,195	282,020	153,292	827,507
CONTINGENCIES AND COMMITMENTS									
NUMBER OF UNITS IN ISSUE	13	1,528,180	1,475,548	918,073		3,921,193	2,856,590	1,561,069	
		-----Rupees-----				-----Rupees-----			
NET ASSETS VALUE PER UNIT	15	99.0600	98.9102	98.2859		100.0193	98.7262	98.1965	

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

	Year ended June 30, 2020			Total	Year ended June 30, 2019	For the period from September 14, 2018 to June 30, 2019	For the period from December 17, 2018 to June 30, 2019	Total
	NICPP-III	NICPP-IV	NICPP-V					
Note ----- (Rupees in 000) -----								
INCOME								
Loss on sale of investments - net	(4,036)	(6,270)	(2,462)	(12,768)	(17,151)	(12,257)	(3,094)	(32,502)
Dividend income	394	24	58	476	-	-	-	-
Profit on balances with banks	24,442	15,559	9,093	49,094	50,756	26,817	9,304	86,877
	20,800	9,313	6,689	36,802	33,605	14,560	6,210	54,375
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(39)	10	-	(29)	(18,148)	(12,798)	(7,181)	(38,127)
	20,761	9,323	6,689	36,773	15,457	1,762	(971)	16,248
EXPENSES								
Remuneration of NBP Fund Management Limited - the Management Company	2,085	1,356	796	4,237	5,686	2,729	839	9,254
Sindh sales tax on remuneration of the Management Company	271	176	103	550	739	355	109	1,203
Allocated expenses	272	179	109	560	681	346	120	1,147
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	190	125	76	391	656	329	115	1,100
Sindh sales tax on remuneration of the Trustee	25	16	10	51	85	43	15	143
Annual fee of the Securities and Exchange Commission of Pakistan	54	36	22	112	647	329	114	1,090
Settlement and bank charges	75	18	50	143	180	152	63	395
Listing fee	9	9	9	27	9	9	9	27
Auditors' remuneration	344	360	390	1,094	370	302	271	943
Legal and professional charges	63	16	35	114	43	78	15	136
Shariah advisory fee	37	26	15	78	131	59	23	213
Amortisation of preliminary expenses and floatation costs	967	555	266	1,788	1,243	468	143	1,854
Printing charges	34	31	49	114	35	18	5	58
Total expenses	4,426	2,903	1,930	9,259	10,505	5,217	1,841	17,563
Net income / (loss) from operating activities	16,335	6,420	4,759	27,514	4,952	(3,455)	(2,812)	(1,315)
Provision for Sindh Workers' Welfare Fund	(327)	(128)	(95)	(550)	(99)	-	-	(99)
Net income / (loss) for the year / period before taxation	16,008	6,292	4,664	26,964	4,853	(3,455)	(2,812)	(1,414)
Taxation	-	-	-	-	-	-	-	-
Net income / (loss) for the year / period after taxation	16,008	6,292	4,664	26,964	4,853	(3,455)	(2,812)	(1,414)
Earnings/ (loss) per unit	17							
Allocation of net income for the year / period	17							
Net income for the period after taxation	16,008	6,292	4,664		4,853	-	-	
Income already paid on units redeemed	(9,533)	(1,273)	(2,010)		(466)	-	-	
	6,475	5,019	2,654		4,387	-	-	
Accounting income available for distribution	17							
- Relating to capital gains	-	-	-		-	-	-	
- Excluding capital gains	6,475	5,019	2,654		4,387	-	-	
	6,475	5,019	2,654		4,387	-	-	

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 30 JUNE 2020

	Year ended June 30, 2020			Total	Year ended June 30, 2019	For the period from September 14, 2018 to June 30, 2019	For the period from December 17, 2018 to June 30, 2019	Total
	NICPP-III	NICPP-IV	NICPP-V					
	----- (Rupees in 000) -----							
Net income / (loss) for the year / period after taxation	16,008	6,292	4,664	26,964	4,853	(3,455)	(2,812)	(1,414)
Other comprehensive income for the year / period	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year / period	16,008	6,292	4,664	26,964	4,853	(3,455)	(2,812)	(1,414)

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 30 JUNE 2020

	Year ended June 30, 2020									Total		
	NICPP-III			NICPP-IV			NICPP-V			Capital value	Accumulated losses	Total
	Capital value	Undistributed income	Total	Capital value	Accumulated losses	Total	Capital value	Accumulated losses	Total			
	(Rupees in '000)			(Rupees in '000)			(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year / period	387,783	4,412	392,195	285,475	(3,455)	282,020	156,104	(2,812)	153,292	829,362	(1,855)	827,507
Issuance of units:												
NICPP-III: 83,625 units / NICPP-IV: 41,148 units / NICPP-V: 21,455 units												
- Capital value (at ex net asset value per unit)	8,364	-	8,364	4,062	-	4,062	2,107	-	2,107	14,533	-	14,533
- Element of loss	(108)	-	(108)	7	-	7	3	-	3	(98)	-	(98)
Total proceeds on issuance of units	8,256	-	8,256	4,069	-	4,069	2,110	-	2,110	14,435	-	14,435
Redemption of units:												
NICPP-III: 2,476,638 units / NICPP-IV: 1,422,190 units / NICPP-V: 664,451 units												
- Capital value (at ex net asset value per unit)	(247,712)	-	(247,712)	(140,407)	-	(140,407)	(65,247)	-	(65,247)	(453,366)	-	(453,366)
- Element of loss	2,724	(9,533)	(6,809)	265	(1,273)	(1,008)	79	(2,010)	(1,931)	3,068	(12,816)	(9,748)
Total payments on redemption of units	(244,988)	(9,533)	(254,521)	(140,142)	(1,273)	(141,415)	(65,168)	(2,010)	(67,178)	(450,298)	(12,816)	(463,114)
Total comprehensive income / (loss) for the year / period	-	16,008	16,008	-	6,292	6,292	-	4,664	4,664	-	26,964	26,964
Interim distribution for the year ended June 30, 2020: NICPP III @ Re 0.095 per unit / NICPP IV @ Rs. 3.4990 per unit / NICPP V @ Rs. 2.9603 (date of declaration: June 29, 2020)	-	(6,556)	(6,556)	-	(5,019)	(5,019)	-	(2,654)	(2,654)	-	(14,229)	(14,229)
Final distribution for the year ended June 30, 2019 @ Re 1.0847 per unit (date of declaration: July 18, 2019)	-	(4,000)	(4,000)	-	-	-	-	-	-	-	(4,000)	(4,000)
Net assets at end of the year	151,051	331	151,382	149,402	(3,455)	145,947	93,046	(2,812)	90,234	393,499	(5,936)	387,563
Undistributed income / (loss) brought forward												
- Realised income		22,560			9,343			4,369				
- Unrealised loss		(18,148)			(12,798)			(7,181)				
Accounting income available for distribution		4,412			(3,455)			(2,812)				
- Relating to capital gains		-			-			-				
- Excluding capital gains		6,475			5,019			2,654				
Interim distribution for the year ended June 30, 2020: NICPP III @ Re 0.095 per unit / NICPP IV @ Rs 3.4990 per unit / NICPP V @ Rs 2.9603 per unit (date of declaration: June 29, 2020)		(6,556)			(5,019)			(2,654)				
Final distribution for the year / period ended June 30, 2019 @ Re 1.0847 per unit (date of declaration: July 18, 2019)		(4,000)			-			-				
Undistributed income / (accumulated losses) carried forward		331			(3,455)			(2,812)				
Undistributed income / (accumulated losses) carried forward												
- Realised income / (losses)		370			(3,465)			(2,812)				
- Unrealised (loss) / income		(39)			10			-				
		331			(3,455)			(2,812)				
Net asset value per unit at beginning of the year / period		100.0193			98.7262			98.1965				
Net asset value per unit at end of the year		99.0600			98.9102			98.2859				

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 30 JUNE 2020

	Year ended June 30, 2019			For the period from September 14, 2018 to June 30, 2019			For the period from December 17, 2018 to June 30, 2019			Total		
	NICPP-III			NICPP-IV			NICPP-V					
	Capital value	Undistributed income	Total	Capital value	Accumulated losses	Total	Capital value	Accumulated losses	Total	Capital value	Accumulated losses	Total
	(Rupees in '000)			(Rupees in '000)			(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year / period	953,819	791	954,610	-	-	-	-	-	-	953,819	791	954,610
Issuance of units:												
NICPP - III: 7,480 units / NICPP-IV: 6,166,465 units /												
NICPP-V: 2,951,176												
- Capital value (at ex net asset value per unit)	768	-	768	616,634	-	616,634	295,118	-	295,118	912,520	-	912,520
- Element of income	-	-	-	226	-	226	-	-	-	226	-	226
Total proceeds on issuance of units	768	-	768	616,860	-	616,860	295,118	-	295,118	912,746	-	912,746
Redemption of units:												
NICPP - III: 5,623,217 units / NICPP-IV: 3,309,875 units												
/ NICPP-V: 1,390,107 units												
- Capital value (at ex net asset value per unit)	(562,325)	-	(562,325)	(330,987)	-	(330,987)	(139,011)	-	(139,011)	(1,032,323)	-	(1,032,323)
- Element of loss	(4,353)	(466)	(4,819)	(398)	-	(398)	(3)	-	(3)	(4,754)	(466)	(5,220)
Total payments on redemption of units	(566,678)	(466)	(567,144)	(331,385)	-	(331,385)	(139,014)	-	(139,014)	(1,037,077)	(466)	(1,037,543)
Total comprehensive income / (loss) for the year / period	-	4,853	4,853	-	(3,455)	(3,455)	-	(2,812)	(2,812)	-	(1,414)	(1,414)
Final distribution for the year ended June 30, 2018 @ Re 0.095 per unit (date of declaration: July 01, 2018)	(126)	(766)	(892)	-	-	-	-	-	-	(126)	(766)	(892)
Net assets at end of the period	387,783	4,412	392,195	285,475	(3,455)	282,020	156,104	(2,812)	153,292	829,362	(1,855)	827,507
Undistributed income / (loss) brought forward												
- Realised income		791			-			-			-	
- Unrealised income		-			-			-			-	
		791			-			-			-	
Accounting income available for distribution												
- Relating to capital gains		-			-			-			-	
- Excluding capital gains		4,387			-			-			-	
		4,387			-			-			-	
Net income loss for the year / period after taxation		-			(3,455)			(2,812)				
Final distribution for the year ended June 30, 2018 @ Re 0.095 per unit (date of declaration: July 01, 2018)		(766)			-			-			-	
Undistributed income / (accumulated losses) carried forward		4,412			(3,455)			(2,812)				
Undistributed income / (accumulated losses) carried forward												
- Realised income		22,560			9,343			4,369				
- Unrealised loss		(18,148)			(12,798)			(7,181)				
		4,412			(3,455)			(2,812)				
	Rupees			Rupees		Rupees						
Net asset value per unit at beginning of the year / period	100.0962			100.0000			100.0000					
Net asset value per unit at end of the year / period	100.0193			98.7262			98.1965					

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Year ended June 30, 2020				Total	For the period from September 14, 2018 to June 30, 2019			Total
	NICPP-III	NICPP-IV	NICPP-V			NICPP-III	NICPP-IV	NICPP-V	
CASH FLOWS FROM OPERATING ACTIVITIES									
Net income / (loss) for the year / period before taxation	16,008	6,292	4,664	26,964	4,853	(3,455)	(2,812)	(1,414)	
Adjustments									
Unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	39	(10)	-	29	18,148	12,798	7,181	38,127	
Profit on balances with banks	(24,442)	(15,559)	(9,093)	(49,094)	(50,756)	(26,817)	(9,304)	(86,877)	
Amortisation of preliminary expenses and floatation cost	967	555	266	1,788	1,243	468	143	1,854	
	(23,436)	(15,014)	(8,827)	(47,277)	(31,365)	(13,551)	(1,980)	(46,896)	
(Decrease) / increase in assets									
Investments	77,160	64,500	44,824	186,484	(103,448)	(78,086)	(53,653)	(235,187)	
Preliminary expenses and floatation costs	-	-	-	-	1,668	(1,136)	(530)	2	
Other receivables	-	-	-	-	(116)	-	(450)	(566)	
	77,160	64,500	44,824	186,484	(101,896)	(79,222)	(54,633)	(235,751)	
(Decrease) / increase in liabilities									
Payable to NBP Fund Management Limited - the Management Company	(2,611)	(1,355)	(639)	(4,605)	(26,064)	1,554	772	(23,738)	
Payable to Central Depository Company of Pakistan Limited - the Trustee	(26)	(17)	(9)	(52)	18	27	15	60	
Payable to the Securities and Exchange Commission of Pakistan	(593)	(293)	(92)	(978)	629	329	114	1,072	
Accrued expenses and other liabilities	1,469	797	746	3,012	358	382	236	976	
	(1,761)	(868)	6	(2,623)	(25,059)	2,292	1,137	(21,630)	
Profit received on balances with banks	26,784	16,966	9,713	53,463	48,681	24,455	8,108	81,244	
Net cash generated from / (used in) operating activities	94,755	71,876	50,380	217,011	(104,786)	(69,481)	(50,180)	(224,447)	
CASH FLOWS FROM FINANCING ACTIVITIES									
Net receipts from issuance of units	8,256	4,069	2,110	14,435	642	616,860	295,118	912,620	
Net payments against redemption of units	(250,310)	(141,415)	(67,178)	(458,903)	(567,144)	(331,385)	(139,014)	(1,037,543)	
Distributions paid	(10,556)	(5,019)	(2,654)	(18,229)	(766)	-	-	(766)	
Net cash (used in) / generated from financing activities	(252,610)	(142,365)	(67,722)	(462,697)	(567,268)	285,475	156,104	(125,689)	
Net (decrease) / increase in cash and cash equivalents during the year / period	(157,855)	(70,489)	(17,342)	(245,686)	(672,054)	215,994	105,924	(350,136)	
Cash and cash equivalents at the beginning of the year / period	306,399	215,994	105,924	628,317	978,453	-	-	978,453	
Cash and cash equivalents at the end of the year / period	148,544	145,505	88,582	382,631	306,399	215,994	105,924	628,317	

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 30 JUNE 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Active Allocation Fund-III (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on March 30, 2018 between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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 a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended Shariah compliant fund of funds by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription under pre - IPO at a par value of Rs 100 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from June 22, 2018 (NICPP - III), September 15, 2018 (NICPP - IV) and December 18, 2018 (NICPP - V) and are transferable and redeemable by surrendering them to the Fund.

The objective of NAFA Islamic Active Allocation Fund-III is to earn a potentially high return through dynamic asset allocation between the Shari'ah compliant dedicated equity and money market based collective investment schemes, while providing capital preservation of the initial investment value including sales load at completion of twenty four months and beyond. The investment objectives and policies are explained in the Fund's offering document.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 as at June 24, 2020 (June 30, 2019: AM1) to the Management Company. The Fund has not yet been rated.

The title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

2 BASIS OF PRESENTATION

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 (IFRSs) 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 the requirements of the Trust Deed differ from the IFRSs, 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 the 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.

Standard, amendments and interpretations	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 01, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 01, 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 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 period 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 are, therefore, not disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the accounting and reporting standards 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.3 and 5), provision for taxation (notes 3.13 and 16) and provision for SWWF (note 11.1).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried 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 Pakistan Rupee, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 unless otherwise stated.

3.2 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.



3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- 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.

The investments of the Fund includes investments in units of mutual funds which are classified as fair value through profit or loss.

3.3.2 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

Financial assets at fair value through profit or loss'

Basis of valuation - investment in the units of mutual funds

The investments of the Fund in the collective investment scheme are valued on the basis of daily net assets value (NAV) announced by the Management Company.

The fair value of financial instruments i.e. investment in mutual funds is based on their net asset value at the reporting date without any deduction for estimated future selling costs.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

3.3.3 Impairment

The Fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises loss allowances 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 forecasts of future economic conditions.

3.3.4 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.

3.3.5 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.



3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

3.3.7 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of 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 of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.9 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 a 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.


3.10 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 assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

3.11 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.
- Dividend income is recognised when the right to receive the dividend is established.

3.12 Expenses

All expenses including management fee and the Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.13 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 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.

3.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

3.15 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.

		June 30, 2020				June 30, 2019				
		NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total	
4	BALANCES WITH BANKS	Note ----- (Rupees in '000) -----								
	Profit and loss savings accounts	4.1	148,140	145,249	88,326	381,715	306,115	214,291	105,886	626,292
	Current accounts		404	256	256	916	284	1,703	38	2,025
			148,544	145,505	88,582	382,631	306,399	215,994	105,924	628,317



- 4.1 These carry profits at rates ranging from 5% to 7.5% per annum (June 30, 2019: 6.4% to 12.5% per annum) for NICPP - III, 5% to 7.5% per annum (June 30, 2019: 2.6% to 13% per annum) for NICPP - IV and 5% to 7.5% per annum (June 30, 2019: 10% to 12.5% per annum) for NICPP - V.

5 INVESTMENTS	June 30, 2020				June 30, 2019			
	NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total
	Note ----- (Rupees in '000) -----							
Financial assets at 'fair value through profit or loss'								
- Units of open ended mutual funds								
5.1	8,100	798	1,648	10,546	85,299	65,288	46,472	197,059

5.1 Investment in units of open ended mutual funds - related parties

5.1.1 NAFA Islamic Capital Preservation Plan-III

Name of the Investee Company	Number of units				Carrying value	Market value	Market value as a percentage of		
	As at July 1, 2019	Purchased during the year	Redeemed during the year	As at June 30, 2020			net assets	total investment	
----- (Rs in 000) ----- % -----									
NBP Islamic Active Allocation Equity Fund	9,391,858	9,493,480	17,954,907	930,431	8,139	8,100	5.35%	100%	
As at June 30, 2020					930,431	8,139	8,100	5.35%	100%
As at June 30, 2019					9,391,858	103,447	85,299		

5.1.2 NAFA Islamic Capital Preservation Plan-IV

Name of the Investee Company	Number of units				Carrying value	Market value	Market value as a percentage of		
	As at July 1, 2019	Purchased during the year	Redeemed during the year	As at June 30, 2020			net assets	total investment	
----- (Rs in 000) ----- % -----									
NBP Islamic Active Allocation Equity Fund	7,188,521	3,259,784	10,356,631	91,674	788	798	0.55%	100%	
As at June 30, 2020					91,674	788	798	0.55%	100%
As at June 30, 2019					7,188,521	78,086	65,288		

5.1.3 NBP Islamic Capital Preservation Plan-V

Name of the Investee Company	Number of units				Carrying value	Market value	Market value as a percentage of		
	As at July 1, 2019	Purchased during the year	Redeemed during the year	As at June 30, 2020			net assets	total investment	
----- (Rs in 000) ----- % -----									
NBP Islamic Active Allocation Equity Fund	5,116,830	3,195,179	8,122,764	189,245	1,648	1,648	1.83%	100%	
As at June 30, 2020					189,245	1,648	1,648	1.83%	100%
As at June 30, 2019					5,116,830	53,653	46,472		


5.2 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

	Note	June 30, 2020				June 30, 2019			
		NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total
Market value of investments	5.1	8,100	798	1,648	10,546	85,299	65,288	46,472	197,059
Less: carrying value of investments	5.1	(8,139)	(788)	(1,648)	(10,575)	(103,447)	(78,086)	(53,653)	(235,186)
		<u>(39)</u>	<u>10</u>	<u>-</u>	<u>(29)</u>	<u>(18,148)</u>	<u>(12,798)</u>	<u>(7,181)</u>	<u>(38,127)</u>

6 OTHER RECEIVABLES

Advance tax	6.1	<u>220</u>	<u>-</u>	<u>450</u>	<u>670</u>	<u>220</u>	<u>-</u>	<u>450</u>	<u>670</u>
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6.1 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 deposits to the Fund was 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 May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholders. The tax withheld on profit on bank deposits amounts to Rs 0.670 million (June 30, 2019: Rs 0.670 million).

For this purpose, 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 Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on bank deposits has been shown as other receivable as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

	Note	June 30, 2020				June 30, 2019			
		NICPP -III	NICPP -IV	NICPP -V	Total	NICPP -III	NICPP -IV	NICPP -V	Total
At the beginning of the year / period		967	669	387	2,023	3,878	-	-	3,878
Incurred during the year / period	7.1	-	-	-	-	-	1,137	530	1,667
Transfer during the year / period		-	-	-	-	(1,668)	-	-	(1,668)
Less: amortisation during the year / period		<u>(967)</u>	<u>(555)</u>	<u>(266)</u>	<u>(1,788)</u>	<u>(1,243)</u>	<u>(468)</u>	<u>(143)</u>	<u>(1,854)</u>
At the end of the year / period		<u>-</u>	<u>114</u>	<u>121</u>	<u>235</u>	<u>967</u>	<u>669</u>	<u>387</u>	<u>2,023</u>

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of two years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.


8 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY

	Note	June 30, 2020				June 30, 2019			
		NICPP -III	NICPP -IV	NICPP -V	Total	NICPP -III	NICPP -IV	NICPP -V	Total
		----- (Rupees in '000) -----							
Management fee payable	8.1	142	122	73	337	263	182	92	537
Sindh sales tax payable on remuneration of the Management Company	8.2	18	16	9	43	34	24	12	70
Allocated expenses	8.3	50	37	22	109	271	185	109	565
Other payable		28	24	29	81	2,281	1,163	559	4,003
		238	199	133	570	2,849	1,554	772	5,175

8.1 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 at the rate of 1% per annum of the average net assets of the fund after deducting market value of investment in collective investments (June 30, 2019: 1% per annum of the average net assets of the fund after deducting market value of investment in collective investments) per annum of the average net assets of the Fund during the year ended June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year / period, an amount of Rs. 0.271 million (June 30, 2019: Rs 0.739 million) NICPP III, Rs. 0.176 million (June 30, 2019: Rs 0.355 million) NICPP IV and Rs. 0.103 million (June 30, 2019: Rs 0.109 million) NICPP V, was charged on account of sales tax at the rate of 13% (June 30, 2019: 13%) on management fee levied through Sindh Sales Tax on Services Act, 2011.

8.3 In accordance with Regulation 60 of the NBFC Regulations, the 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% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The Management Company has currently fixed a maximum capping of 0.1% of the average annual net assets of the scheme for allocation of such expenses to the Fund during the year.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN - THE TRUSTEE

	Note	June 30, 2020				June 30, 2019			
		NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total
		----- (Rupees in '000) -----							
Trustee fee payable	9.1	11	9	5	25	34	24	13	71
Sindh sales tax on trustee fee	9.2	1	1	1	3	4	3	2	9
		12	10	6	28	38	27	15	80

9.1 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:

Net Assets (Rs.)	2019		2020
	Fee		
Up to 1 billion	0.10% p.a. of Net assets.		0.07% p.a. of Net assets
Over 1 billion	Rs. 1.0 million plus 0.075% p.a. of Net assets, on amount exceeding Rs.1 billion.		



- 9.2 During the year / period, an amount of Rs 0.025 million (June 30, 2019: Rs 0.085 million) NICPP III, Rs. 0.016 million (June 30, 2019: Rs 0.043 million) NICPP IV and Rs. 0.010 million (June 30, 2019: Rs 0.015 million) NICPP V, was charged on account of sales tax @ 13% (June 30, 2019: 13%) on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Note	June 30, 2020				June 30, 2019				
	NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total	
(Rupees in '000)									
Annual fee payable	10.1	54	36	22	112	647	329	114	1,090

- 10.1 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 28 June 2019 has revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to the Fund was 0.095%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

Note	June 30, 2020				June 30, 2019				
	NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total	
(Rupees in '000)									
Auditors' remuneration payable		260	252	251	763	248	224	191	663
Printing charges payable		20	18	22	60	13	14	1	28
Legal and professional charges payable		52	50	50	152	11	56	15	82
Withholding tax payable		1,129	686	513	2,328	5	3	1	9
Provision for Sindh Workers' Welfare Fund	11.1	442	128	95	665	115	-	-	115
Shariah advisor fee payable		41	26	17	84	119	59	23	201
Bank charges		47	21	34	102	11	28	5	44
		1,991	1,181	982	4,154	522	384	236	1,142

11.1 Provisions for Sindh Worker's Welfare Fund

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by 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 commencement of the plan to June 30, 2020, the net assets value would have been higher by Re 0.289 per unit (June 30, 2019: Re 0.029 per unit) for NICPP III, Re 0.087 per unit for NICPP IV and Re 0.103 per unit for NICPP V.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.



13 NUMBER OF UNITS IN ISSUE

	June 30, 2020			June 30, 2019		
	NICPP -III	NICPP -IV	NICPP -V	NICPP -III	NICPP -IV	NICPP -V
	-----Number of units-----					
Total units in issue at the beginning of the year / period	3,921,193	2,856,590	1,561,069	9,536,930	-	-
Units issued during the year / period	83,625	41,148	21,455	7,480	6,166,465	2,951,176
Less: units redeemed during the year / period	2,476,638	1,422,190	664,451	5,623,217	3,309,875	1,390,107
Total units in issue at the end of the year / period	<u>1,528,180</u>	<u>1,475,548</u>	<u>918,073</u>	<u>3,921,193</u>	<u>2,856,590</u>	<u>1,561,069</u>

14 AUDITORS' REMUNERATION

	June 30, 2020				June 30, 2019			
	NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total
	----- (Rupees in '000) -----							
Annual audit fee	208	220	243	671	178	178	143	499
Other certification	36	40	40	116	36	36	37	109
Half yearly review of condensed interim financial statements	69	69	76	214	71	71	71	213
Out of pocket expenses	31	31	31	93	85	17	20	122
	<u>344</u>	<u>360</u>	<u>390</u>	<u>1,094</u>	<u>370</u>	<u>302</u>	<u>271</u>	<u>943</u>

15 NET ASSETS VALUE PER UNIT

The net assets 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 period end.

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 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute 90 percent of the net accounting income other than capital gains to the unitholders. Since the management has distributed the required minimum percentage of income earned by NICPP - III, NICPP - IV and NICPP - V for the year ended June 30, 2020 to the unit holders in cash during the year, no provision for taxation has been made in these financial statements for NICPP - III, NICPP - IV and NICPP - V.

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 as per Section 4B of the Income Tax Ordinance, 2001.

17 EARNINGS / (LOSS) PER UNIT

Earnings / (loss) 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.

18 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 1.75% (June 30, 2019: 1.56%) - NICPP - III, 1.70% - NICPP - IV (June 30, 2019 : 1.51%) and 1.87% - NICPP - V (June 30, 2019 : 1.54%) which includes 0.25% (June 30, 2019: 0.23%) - NICPP - III, 0.20% - NICPP - IV (June 30, 2019: 0.21%) and 0.21% - NICPP - V (June 30, 2019: 0.2%) representing government levies on the Fund such as, sales taxes, annual fee to the SECP, provision for SWWF, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a 'Fund of Funds' scheme.

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 19.1 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, 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.



- 19.2** 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.
- 19.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008.
- 19.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 19.5** Allocated expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 19.6** Details of the transactions with related parties / connected persons are as follows:

	June 30, 2020				June 30, 2019			
	NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total
----- (Rupees in '000) -----								
NBP Fund Management Limited - the Management Company								
Remuneration of the Management Company	2,085	1,356	796	4,237	5,686	2,729	839	9,254
Sindh sales tax on remuneration of the Management Company	271	176	103	550	739	355	109	1,203
Preliminary expenses and floatation costs paid on behalf of the fund	-	-	-	-	-	1,137	530	1,667
Allocated expenses	272	179	109	560	681	346	120	1,147
Central Depository Company of Pakistan Limited - the Trustee								
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	190	125	76	391	656	329	115	1,100
Sindh sales tax on remuneration of the Trustee	25	16	10	51	85	43	15	143
Key management personnel of the Management Company								
Dividend re-invested - Nil (2019: 2)units (NICPP III)	-	-	-	-	-	-	-	-
Redemption of Nil units(2019: 2,017) units (NICPP III)	-	-	-	-	204	-	-	204
FCS Limited Employees Provident Fund - unit holder with more than 10% holding**								
Issuance of Nil (2019: 398,045) units (NICPP - IV)	-	-	-	-	-	40,699	-	40,699
PITC Employees Trust (Pension) Fund - unit holder with more than 10% holding								
Units issued: 15,816 (2019: 447,014 units (NICPP - IV)	-	1,564	-	1,564	-	45,739	-	45,739
Mid City International - unit holder with more than 10% holding*								
Dividend re-invested - 2568 (2019: Nil) units (NICPP V)	-	-	252	252	-	-	-	-
Station Head Quarter Rawalpindi - unit holder with more than 10% holding*								
Dividend re-invested - 2923 (2019: Nil) units (NICPP V)	-	-	287	287	-	-	-	-
IM Sciences Trust - unit holder with more than 10% holding*								
Dividend re-invested - 2497 (2019: Nil) units (NICPP V)	-	-	245	245	-	-	-	-
Pakistan Stock Exchange Limited - common directorship*								
Listing fee	9	9	9	27	-	-	-	-
Investment in NBP Islamic Active Allocation Equity Fund								
Units purchased:	89,613	32,950	31,207	153,770	349,607	259,416	116,325	725,348
- 9,493,480 (2019: 31,180,552) units (NICPP - III),								
- 3,259,784 (2019: 23,278,586) units (NICPP - IV) and								
- 3,195,179 (2019: 10,949,253) units (NICPP - V)								
Units sold:	162,694	91,174	73,559	327,427	229,010	169,073	59,578	457,661
- 17,954,907 (2019: 21,788,695) units (NICPP - III),								
- 10,356,631 (2019: 16,090,065) units (NICPP - IV) and								
- 8,122,764 (2019: 5,832,423) units (NICPP - V)								


19.7 Amounts outstanding as at year / period end

	June 30, 2020				June 30, 2019			
	NICPP-III	NICPP-IV	NICPP-V	Total	NICPP-III	NICPP-IV	NICPP-V	Total
----- (Rupees in '000) -----								
NBP Fund Management Limited - the Management Company								
Management fee payable	142	122	73	337	263	182	92	537
Sindh sales tax payable on remuneration	18	16	9	43	34	24	12	70
Other payable	28	24	29	81	2,281	1,163	559	4,003
Allocated expenses payable	50	37	22	109	271	185	109	565
Central Depository Company of Pakistan Limited - the Trustee								
Remuneration payable	11	9	5	25	34	24	13	71
Sindh sales tax payable on remuneration of the Trustee	1	1	1	3	4	3	2	9
FCS Limited Employees Provident Fund - unit holder with more than 10% holding**								
Units held: Nil (2019: 398,045) units (NICPP - IV)	-	-	-	-	-	39,297	-	39,297
PITC Employees Trust (Pension) Fund - unit holder with more than 10% holding								
Units held: 462,830 (2019: 447,014) units (NICPP - IV)	-	45,779	-	45,779	-	44,132	-	44,132
Mid City International - unit holder with more than 10% holding*								
Units held: 102,883 (2019: Nil) units (NICPP - V)	-	-	10,112	10,112	-	-	-	-
Station Head Quarter Rawalpindi - unit holder with more than 10% holding*								
Units held: 100,037 (2019: Nil) units (NICPP - V)	-	-	9,832	9,832	-	-	-	-
IM Sciences Trust - unit holder with more than 10% holding*								
Units held: 100,006 (2019: Nil) units (NICPP - V)	-	-	9,829	9,829	-	-	-	-
NBP Islamic Active Allocation Equity Fund								
Investment in:	8,100	798	1,648	10,546	85,299	65,288	46,472	197,059
- 930,431 units (2019: 9,391,858) units (NICPP - III),								
- 91,674 units (2019: 7,188,521) units (NICPP - IV) and								
- 189,245 (2019: 5,116,830) units (NICPP - V)								

* Prior period comparative has not been shown as the company was not a related party / connected person as at June 30, 2019.

** Current period 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.



20 FINANCIAL INSTRUMENTS BY CATEGORY

20.1 NAFA Islamic Capital Preservation Plan - III

Financial assets

	June 30, 2020			June 30, 2019		
	At amortised cost	At fair value through profit or loss	Total	At amortised cost	At fair value through profit or loss	Total
Bank balances	148,544	-	148,544	306,399	-	306,399
Investments	-	8,100	8,100	-	85,299	85,299
Profit receivable	1,024	-	1,024	3,366	-	3,366
	149,568	8,100	157,668	309,765	85,299	395,064

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	238	-	238	2,849	-	2,849
Payable to Central Depository Company of Pakistan Limited - the Trustee	12	-	12	38	-	38
Payable against redemption of units	4,211	-	4,211	-	-	-
Accrued expenses and other liabilities	420	-	420	402	-	402
	4,881	-	4,881	3,289	-	3,289

20.2 NAFA Islamic Capital Preservation Plan - IV

Financial assets

	June 30, 2020			June 30, 2019		
	At amortised cost	At fair value through profit or loss	Total	At amortised cost	At fair value through profit or loss	Total
Bank balances	145,505	-	145,505	215,994	-	215,994
Investments	-	798	798	-	65,288	65,288
Profit receivable	956	-	956	2,363	-	2,363
	146,461	798	147,259	218,357	65,288	283,645

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	199	-	199	1,554	-	1,554
Payable to Central Depository Company of Pakistan Limited - the Trustee	10	-	10	27	-	27
Accrued expenses and other liabilities	367	-	367	381	-	381
	576	-	576	1,962	-	1,962

20.3 NBP Islamic Capital Preservation Plan - V

Financial assets

	June 30, 2020			June 30, 2019		
	At amortised cost	At fair value through profit or loss	Total	At amortised cost	At fair value through profit or loss	Total
Bank balances	88,582	-	88,582	105,924	-	105,924
Investments	-	1,648	1,648	-	46,472	46,472
Profit receivable	576	-	576	1,196	-	1,196
	89,158	1,648	90,806	107,120	46,472	153,592

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	133	-	133	772	-	772
Payable to Central Depository Company of Pakistan Limited - the Trustee	6	-	6	15	-	15
Accrued expenses and other liabilities	374	-	374	235	-	235
	513	-	513	1,022	-	1,022



21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund 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 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.

21.1 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 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.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk and price risk.

(i) Yield / profit rate risk

Yield / 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 profit rates. As of June 30, 2020, the Fund is exposed to such risk on its bank balances. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds bank balances 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 profit / loss for the year and net assets of the Fund would have been higher / lower by for NICPP - III: Rs. 1.485 million (June 30, 2019: Rs. 3.061 million), NICPP - IV: Rs. 1.452 million (June 30, 2019: Rs. 2.143 million) and NICPP - V: Rs. 0.830 million (June 30, 2019: Rs. 1.059 million)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

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

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:



NAFA Islamic Capital Preservation Plan - III

June 30, 2020					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in 000)

Financial assets

Bank balances	5% - 7.5%	148,140	-	-	404	148,544
Investments		-	-	-	8,100	8,100
Profit receivable		-	-	-	1,024	1,024
		148,140	-	-	9,528	157,668

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	238	238
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	12	12
Payable against redemption of units		-	-	-	4,211	4,211
Accrued expenses and other liabilities		-	-	-	420	420
		-	-	-	4,881	4,881

On-balance sheet gap

148,140 - 4,647

Total profit rate sensitivity gap

148,140 - -

Cumulative profit rate sensitivity gap

148,140 148,140 148,140

June 30, 2019					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in 000)

Financial assets

Bank balances	6.4% - 12.5%	306,115	-	-	284	306,399
Investments		-	-	-	85,299	85,299
Profit receivable		-	-	-	3,366	3,366
		306,115	-	-	88,949	395,064

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	2,849	2,849
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	38	38
Accrued expenses and other liabilities		-	-	-	402	402
		-	-	-	3,289	3,289

On-balance sheet gap

306,115 - 85,660

Total profit rate sensitivity gap

306,115 - -

Cumulative profit rate sensitivity gap

306,115 306,115 306,115



NAFA Islamic Capital Preservation Plan - IV

June 30, 2020					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in 000)

Financial assets

Bank balances	5% - 7.5%	145,249	-	-	256	145,505
Investments		-	-	-	798	798
Profit receivable		-	-	-	956	956
		145,249	-	-	2,010	147,259

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	199	199
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	10	10
Accrued expenses and other liabilities		-	-	-	367	367
		-	-	-	576	576

On-balance sheet gap

145,249 - - 1,434

Total profit rate sensitivity gap

145,249 - -

Cumulative profit rate sensitivity gap

145,249 145,249 145,249

June 30, 2019					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in 000)

Financial assets

Bank balances	2.6% - 13%	214,291	-	-	1,703	215,994
Investments		-	-	-	65,288	65,288
Other receivable		-	-	-	-	-
Profit receivable		-	-	-	2,363	2,363
		215,994	-	-	67,651	283,645

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	1,554	1,554
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	27	27
Accrued expenses and other liabilities		-	-	-	381	381
		-	-	-	1,962	1,962

On-balance sheet gap

215,994 - - 65,689

Total profit rate sensitivity gap

215,994 - -

Cumulative profit rate sensitivity gap

215,994 215,994 215,994



NBP Islamic Capital Preservation Plan - V

June 30, 2020					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in 000)

Financial assets

Bank balances

5% - 7.5%

Investments

Profit receivable

88,326	-	-	256	88,582
-	-	-	1,648	1,648
-	-	-	576	576
88,326	-	-	2,480	90,806

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

Payable to Central Depository Company of Pakistan Limited - the Trustee

Accrued expenses and other liabilities

-	-	-	133	133
-	-	-	6	6
-	-	-	374	374
-	-	-	513	513

On-balance sheet gap

88,326 - - 1,967

Total profit rate sensitivity gap

88,326 - -

Cumulative profit rate sensitivity gap

88,326 88,326 88,326

June 30, 2019					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in 000)

Financial assets

Bank balances

10% - 12.5%

Investments

Other receivable

Profit receivable

105,886	-	-	38	105,924
-	-	-	46,472	46,472
-	-	-	1,196	1,196
105,924	-	-	47,668	153,592

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

Payable to Central Depository Company of Pakistan Limited - the Trustee

Accrued expenses and other liabilities

-	-	-	772	772
-	-	-	15	15
-	-	-	235	235
-	-	-	1,022	1,022

On-balance sheet gap

105,924 - - 46,646

Total profit rate sensitivity gap

105,924 - -

Cumulative profit rate sensitivity gap

105,924 105,924 105,924

**(ii) 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) 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 profit 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.

Presently, the allocation plans are exposed to price risk due to their investment in the units of mutual funds. In case of 5% increase / (decrease) in the net asset value per unit of the funds, the net income of the NICPP - III, NICPP - IV and NICPP - V for the year would increase by Rs 0.405 million (June 30, 2019: Rs 4.265 million), Rs 0.040 million (June 30, 2019: Rs 3.264 million) and Rs 0.082 million (June 30, 2019: Rs 2.324 million) respectively.

21.2 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 redemptions requests, 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. 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.

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 dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:



NAFA Islamic Capital Preservation Plan - III

June 30, 2020						
Within one 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 five years	Financial instruments with no fixed maturity	Total

(Rupees in 000)

Financial assets

Bank balances	148,544	-	-	-	-	148,544
Investments	-	-	-	-	8,100	8,100
Profit receivable	1,024	-	-	-	-	1,024
	149,568	-	-	-	8,100	157,668

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	238	-	-	-	-	238
Payable to Central Depository Company of Pakistan Limited - the Trustee	12	-	-	-	-	12
Payable against redemptions of units	4,211	-	-	-	-	4,211
Accrued expenses and other liabilities	420	-	-	-	-	420
	4,881	-	-	-	-	4,881

Net assets

	144,687	-	-	-	8,100	152,787
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June 30, 2019						
Within one 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 five years	Financial instruments with no fixed maturity	Total

(Rupees in 000)

Financial assets

Bank balances	306,399	-	-	-	-	306,399
Investments	-	-	-	-	85,299	85,299
Profit receivable	3,366	-	-	-	-	3,366
	309,765	-	-	-	85,299	395,064

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	2,849	-	-	-	-	2,849
Payable to Central Depository Company of Pakistan Limited - the Trustee	38	-	-	-	-	38
Accrued expenses and other liabilities	402	-	-	-	-	402
	3,289	-	-	-	-	3,289

Net assets

	306,476	-	-	-	85,299	391,775
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NAFA Islamic Capital Preservation Plan - IV

June 30, 2020						
Within one 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 five years	Financial instruments with no fixed maturity	Total

(Rupees in 000)

Financial assets

Bank balances

145,505	-	-	-	-	-	145,505
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Investments

-	-	-	-	-	798	798
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Profit receivable

956	-	-	-	-	-	956
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146,461	-	-	-	-	798	147,259
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Financial liabilities

Payable to NBP Fund Management

Limited - the Management Company

199	-	-	-	-	-	199
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Payable to Central Depository Company of

Pakistan Limited - the Trustee

10	-	-	-	-	-	10
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Accrued expenses and other liabilities

367	-	-	-	-	-	367
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576	-	-	-	-	-	576
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Net assets

145,885	-	-	-	-	798	146,683
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June 30, 2019						
Within one 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	Within one month	Financial instruments with no fixed maturity	Total

(Rupees in 000)

Financial assets

Bank balances

215,994	-	-	-	-	-	215,994
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Investments

-	-	-	-	-	65,288	65,288
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Other receivable

-	-	-	-	-	-	-
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Profit receivable

2,363	-	-	-	-	-	2,363
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218,357	-	-	-	-	65,288	283,645
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Financial liabilities

Payable to NBP Fund Management

Limited - the Management Company

1,554	-	-	-	-	-	1,554
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Payable to Central Depository Company of

Pakistan Limited - the Trustee

27	-	-	-	-	-	27
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Accrued expenses and other liabilities

381	-	-	-	-	-	381
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1,962	-	-	-	-	-	1,962
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Net assets

216,395	-	-	-	-	65,288	281,683
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NBP Islamic Capital Preservation Plan - V

June 30, 2020						
Within one 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 five years	Financial instruments with no fixed maturity	Total

(Rupees in 000)

Financial assets

Bank balances	88,582	-	-	-	-	88,582
Investments		-	-	-	1,648	1,648
Profit receivable	576	-	-	-	-	576
	89,158	-	-	-	1,648	90,806

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	133	-	-	-	-	133
Payable to Central Depository Company of Pakistan Limited - the Trustee	6	-	-	-	-	6
Accrued expenses and other liabilities	374	-	-	-	-	374
	513	-	-	-	-	513

Net assets

	88,645	-	-	-	1,648	90,293
--	--------	---	---	---	-------	--------

June 30, 2019						
Within one 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	Within one month	Financial instruments with no fixed maturity	Total

(Rupees in 000)

Financial assets

Bank balances	105,924	-	-	-	-	105,924
Investments		-	-	-	46,472	46,472
Other receivable	-	-	-	-	-	-
Profit receivable	1,196	-	-	-	-	1,196
	107,120	-	-	-	46,472	153,592

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	772	-	-	-	-	772
Payable to Central Depository Company of Pakistan Limited - the Trustee	15	-	-	-	-	15
Accrued expenses and other liabilities	235	-	-	-	-	235
	1,022	-	-	-	-	1,022

Net assets

	106,098	-	-	-	46,472	152,570
--	---------	---	---	---	--------	---------


21.3 Credit risk

21.3.1 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:

June 30, 2020		June 30, 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 -----

NAFA Islamic Capital Preservation Plan - III

Bank balances	148,544	148,544	306,399	306,399
Investments	8,100	-	85,299	-
Profit receivable	1,024	1,024	3,366	3,366
	157,668	149,568	395,064	309,765

NAFA Islamic Capital Preservation Plan - IV

Bank balances	145,505	145,505	215,994	215,994
Investments	798	-	65,288	-
Profit receivable	956	956	2,363	2,363
	147,259	146,461	283,645	218,357

NBP Islamic Capital Preservation Plan - V

Bank balances	88,582	88,582	105,924	105,924
Investments	1,648	-	46,472	-
Profit receivable	576	576	1,196	1,196
	90,806	89,158	153,592	107,120

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

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on investments in mutual funds is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

21.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk			% of financial assets exposed to credit risk		
	NICPP - III	NICPP - IV	NICPP - V	NICPP - III	NICPP - IV	NICPP - V
	June 30, 2020			June 30, 2019		
Banks						
AAA	91.94%	98.45%	96.79%	0.14%	0.02%	0.01%
AA+	-	-	0.01%	-	0.02%	0.09%
AA	2.01%	0.18%	0.45%	77.34%	75.51%	68.83%
AA-	0.26%	0.18%	0.31%	-	-	-
	94.21%	98.81%	97.56%	77.48%	75.55%	68.93%


22 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 statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

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 30 June 2020, the Fund held the following financial instruments measured at fair values:

22.1 NAFA Islamic Capital Preservation Plan-III

	As at June 30, 2020				As at June 30, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				----- Rupees in '000 -----			
ASSETS								
Investments - financial assets 'at fair value through profit or loss'								
- Mutual fund units	-	8,100	-	8,100	-	85,299	-	85,299

22.2 NAFA Islamic Capital Preservation Plan-IV

	As at June 30, 2020				As at June 30, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				----- Rupees in '000 -----			
ASSETS								
Investments - financial assets 'at fair value through profit or loss'								
- Mutual fund units	-	798	-	798	-	65,288	-	65,288

22.3 NBP Islamic Capital Preservation Plan-V

	As at June 30, 2020				As at June 30, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				----- Rupees in '000 -----			
ASSETS								
Investments - financial assets 'at fair value through profit or loss'								
- Mutual fund units	-	1,648	-	1,648	-	46,472	-	46,472


23 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.

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

24 UNIT HOLDING PATTERN OF THE FUND

Category	----- June 30, 2020 -----			----- June 30, 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

NAFA Islamic Capital Preservation Plan - III

Individuals	268	124,659	82.35%	561	345,415	88.07%
Retirement Funds	-	-	-	2	14,248	3.63%
Others	4	26,723	17.65%	6	32,532	8.30%
	272	151,382	100.00%	569	392,195	100.00%

NAFA Islamic Capital Preservation Plan - IV

Individuals	141	90,912	62.29%	309	178,430	63.27%
Retirement Funds	2	48,813	33.45%	4	90,214	31.99%
Others	2	6,222	4.26%	5	13,376	4.74%
	145	145,947	100.00%	318	282,020	100.00%

NBP Islamic Capital Preservation Plan - V

Individuals	96	59,681	66.14%	177	118,783	77.49%
Retirement Funds	1	780	0.86%	1	763	0.50%
Others	3	29,773	33.00%	4	33,746	22.01%
	100	90,234	100.00%	182	153,292	100.00%


25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

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. Muhammad Ali Bhaba	Head of Fixed Income	CFA / MBA / FRM / MS	25
Mr. Hassan Raza	Head of Research	ACCA / BSC / CFA	9

26 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other funds managed by the Fund Manager
Mr. Asim Wahab Khan	Fund Manager	CFA / MBA	NISF, NIPPF -II, NIAAF -I, NIAAF -II, NIAAF -III, NIPF, NPF

27 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
Syed Hasan Irtiza Kazmi [note 27.2]	3	3	-	-
Mr. Nasir Husain [note 27.3]	1	-	1	72nd
Mr. Abdul Hadi Palekar [note 27.4]	1	-	1	72nd
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	-	-

27.1 Mr. Saad ur Rahman Khan opted as Director on the Board with effect from October 04, 2019.

27.2 Syed Hasan Irtiza Kazmi opted as Director on the Board with effect from October 04, 2019.

27.3 Mr. Nasir Husain retired from the Board with effect from October 04, 2019.

27.4 Mr. Abdul Hadi Palekar retired from the Board with effect from October 04, 2019.

27.5 Mr. Kamal Amir Chinoy retired from the Board with effect from October 04, 2019.

27.6 Mr. Khalid Mansoor opted as Director on the Board with effect from October 04, 2019.

27.7 Mr. Shehryar Faruque retired from the Board with effect from October 04, 2019.

27.8 Mr. Saad Amanullah Khan opted as Director on the Board with effect from October 04, 2019


PERFORMANCE TABLE

Particulars	NIC	NIC	NI	NIC	NIC	NI	NIC
	For the Period Ended June 30, 2020	For the Period Ended June 30, 2020	For the Period Ended June 30, 2020	For the Period Ended June 30, 2019	For the period from September 14, 2018 to June 30, 2019	For the period from December 17, 2018 to June 30, 2019	For the period from June 22, 2018 to June 30, 2018
	Net assets at the year / period ended (Rs '000)	151,382	145,947	90,234	392,195	282,020	153,292
Net income/(loss) for the year / period ended (Rs '000)	16,008	6,292	4,664	4,853	(3,455)	(2,812)	792
Net Asset Value per unit at the year / period ended (Rs)	99.0600	98.9102	98.2859	100.0193	98.7262	98.1965	100.0962
Offer Price per unit	N/A	N/A	N/A	99.9963	98.7056	98.1608	100.0962
Redemption Price per unit	99.0600	98.9102	98.2859	100.0193	98.7262	98.1965	100.0962
Ex - Highest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	N/A	N/A	103.4895
Ex - Lowest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	N/A	N/A	103.4162
Ex - Highest redemption price per unit (Rs.)	107.7645	108.4764	109.7592	102.1492	102.4752	103.2478	100.0962
Ex - Lowest redemption price per unit (Rs.)	93.3896	92.6020	92.5477	97.6754	97.6165	97.2199	100.0253
Opening Nav of Fiscal Year/Since inception NAV	94.8005	95.3514	95.3250	98.9065	100.0000	100.0000	100.0000
Total return of the fund	4.493%	3.732%	3.106%	0.019%	-1.27%	-1.80%	0.10%
Capital growth	0.142%	0.193%	0.094%	-1.087%	-1.27%	-1.80%	0.00%
Income distribution as a % of e x nav	4.35%	3.54%	3.01%	1.106%	-	-	0.10%
Income distribution as a % of par value	4.31%	3.50%	2.96%	1.085%	-	-	0.10%
Distribution							
Interim distribution per unit	4.3056	3.4990	2.9603				-
Final distribution per unit				1.0847	-	-	0.0950
Distribution Dates							
Interim	29-Jun-20	29-Jun-20	29-Jun-20				
Final				19-Jul-19			4-Jul-18
Average annual return of the fund (launch date January 09, 2015)							
Since inception to June 30, 2020)	2.25%	1.34%	0.81%				
Since inception to June 30, 2019)				0.113%	-1.274%	-1.80%	
Since inception to June 30, 2018)							0.10%

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

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 /nbpfunds

NBP ISLAMIC REGULAR INCOME 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

MCB Bank Limited
Meezan Bank Limited
Bank Al Habib Limited
National Bank of Pakistan
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Silk Bank Limited
United Bank Limited
Sindh Bank Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
Al Baraka Bank of Pakistan



Auditors

KPMG Taseer Hadi & Co.
Sheikh Sultan Trust Buildings,
Ground No. 2 Shaheed Chaudary Aslam Rd,
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 Islamic Regular Income Fund (NIRIF)** for the year ended June 30, 2020.

The objective of NBP Islamic Regular Income Fund is to provide regular payments to investors by investing in Shariah Compliant Debt, Money Market & Equity investment avenues.

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 meager 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 Corona virus 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 Corona virus 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.

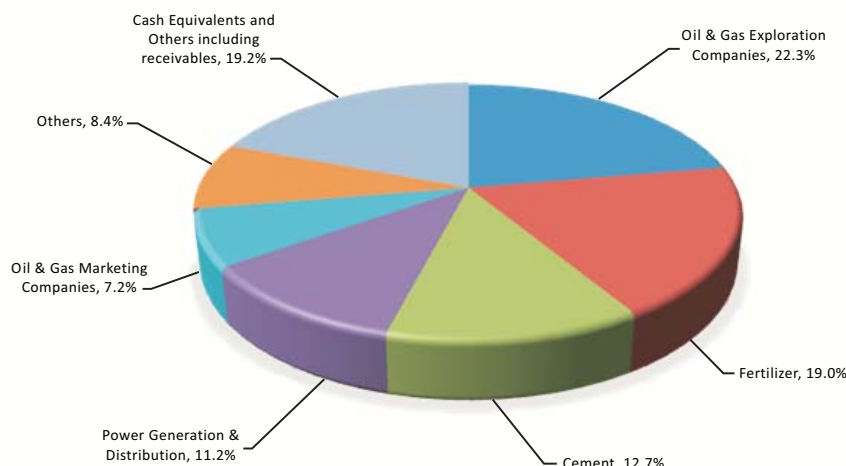
During the fiscal year, NBP Islamic Regular Income Fund increased by 7.6% versus the benchmark increased by 10.8%. Thus, the Fund underperformed the benchmark by 3.2% during the year. The drag on the Fund performance was on account of lagged performance of some of its key holdings belonging to defensive 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 (October 31, 2018), the Fund has decreased by 10.9%. The Benchmark during the same period was decreased by 10.5%. Thus to date underperformance is 0.4%. This underperformance is net of management fee and all other expenses. The Fund size is 110 million as of June 30, 2020.

NBP Islamic Regular Income Fund has earned a total income of Rs. 11.237 million during the year. After deducting total expenses of Rs. 2.997million, the net income is Rs. 8.240 million. During the year, the unit price of NBP Islamic Regular Income Fund has increased from Rs. 7.8432 (Ex-Div) on June 30, 2019 to Rs. 8.4379 on June 30, 2020. The resultant



per unit gain is Rs. 0.5947 (7.58%).

The asset allocation of NBP Islamic Regular Income 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 5.61% of the opening ex-NAV (4.64% 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 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 این بی پی اسلامک ریگولر انکم فنڈ (NIRIF) کی دوسری سالانہ رپورٹ برائے ختمہ سال 30 جون 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔
این بی پی اسلامک ریگولر انکم فنڈ کا مقصد شریعہ کمپلائنس ڈیپٹ، جمنی مارکیٹ اور ایکویٹی انویسٹمنٹ ایونیوز میں سرمایہ کاری کے ذریعے انویسٹرز کو ریگولر انکم فراہم کرنا 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 آمد جیسی 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۔ پرکشش 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 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

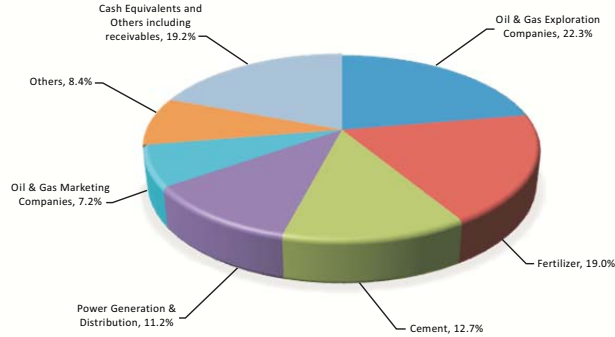
اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے جمنی بیٹ کے اندیشہ، اور T-Bills سے ہارٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک 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 ادائیگی ٹیکہ 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۔ ریپبلیکنگ انسٹرومنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا جنگی 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 جبکہ پہلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھائی اور تقریباً تمام نقصان والے لٹھیوں کا احاطہ کیا اور سالانہ بنیادوں پر 1.6 فیصد کی معمولی اضافے کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

زیر جائزہ مالی سال کے دوران شعبہ دار کارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسریز، سیمینٹ، کیمیکلز، انجینئرنگ، کھاد، دواسازی، کاغذ اور بورڈ، ٹیکنالوجی اور گلاس اینڈ سٹراکس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کرسٹل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوشن، اور نیٹ ورکس 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 منظم کی دوسری جانب غیر ملکی سرمایہ کار 285 بلین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک/DFIs اور میوچل فنڈز جی بالترتیب 55 بلین امریکی ڈالر اور 50 بلین امریکی ڈالر کے خالص آؤٹ فلوز کے ساتھ نمایاں فروخت کنندہ رہے۔

مالی سال کے دوران، NBP اسلامک ریگولر انکم فنڈ 10.8% بیچ مارک اضافے کے مقابلے 7.6% زیادہ ہوا۔ لہذا، زیر جائزہ مالی سال کے دوران فنڈ نے اپنے بیچ مارک سے 3.2% کی ایتر کارکردگی ظاہر کی۔ فنڈ کی یہ خراب کارکردگی حفاظتی شعبوں میں کلیدی ہولڈنگز کی خراب کارکردگی کے باعث رہی جسے زیر جائزہ خطرانی مدت کے دوران بلا امتیاز فروخت کر دیا گیا۔ ہم توقع کرتے ہیں کہ جب ان حصص کی غیر متنزبل قیمتوں کا اندازہ ہوگا تو یہ سرمایہ کاروں کے جذبات میں بہتری کے ساتھ کھوئے ہوئے مقام کو دوبارہ حاصل کر لیں گے۔ اپنے آغاز (31 اکتوبر 2018) سے، فنڈ نے 10.9% کی گامی ہار کی۔ اسی مدت کے دوران بیچ مارک 10.5% سے کم ہوا۔ چنانچہ اب تک ایتر کارکردگی 0.4% ہے۔ یہ کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 30 جون 2020 کو 110 بلین ہے۔

این پی این اسلامک ریگولر انکم فنڈ کو مالی سال کے دوران 11.237 ملین روپے کی مجموعی آمدنی ہوئی ہے۔ 2.997 ملین روپے کے مجموعی اخراجات متہا کرنے کے بعد خالص آمدنی 8.240 ملین روپے ہے۔ سال کے دوران این پی این اسلامک ریگولر انکم فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 7.8432 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 8.4379 روپے ہو گئی۔ اس کے نتیجے میں فی یونٹ منافع 0.5947 (7.58%) ہے۔

این پی این اسلامک ریگولر انکم فنڈ کی ایسٹ ایلوکیشن 30 جون 2020 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اویونگ ex-NAV کا 5.61% (بنیادی قدر کا 4.64%) نقد ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد ڈیویڈنڈ 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۔

آڈیٹ

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 بورڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی پیروی 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 فلو 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۔ 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 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 ٹیمپل / 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 مینجمنٹ 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 پونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز ہی 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 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

نام	کیٹگری
<ul style="list-style-type: none"> •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
<ul style="list-style-type: none"> •1 شیخ محمد عبدالواحد سیٹھی (چیئرمین) •2 جناب سعد الرحمان خان •3 جناب سید حسن الرضی کاظمی •4 جناب علی سیگل •5 جناب عمران ظفر 	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے بیٹھمنٹ 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 ٹرسٹی کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

مخانب 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 Regular Income 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 Regular Income Fund

NBP Islamic Regular Income Fund (NIRIF) is an Open-ended Shariah Compliant Asset Allocation Fund.

Investment Objective of the Fund

The objective of NBP Islamic Regular Income Fund is to provide regular payments to investors by investing in Shariah Compliant Debt, Money Market & Equity investment avenues.

Benchmark

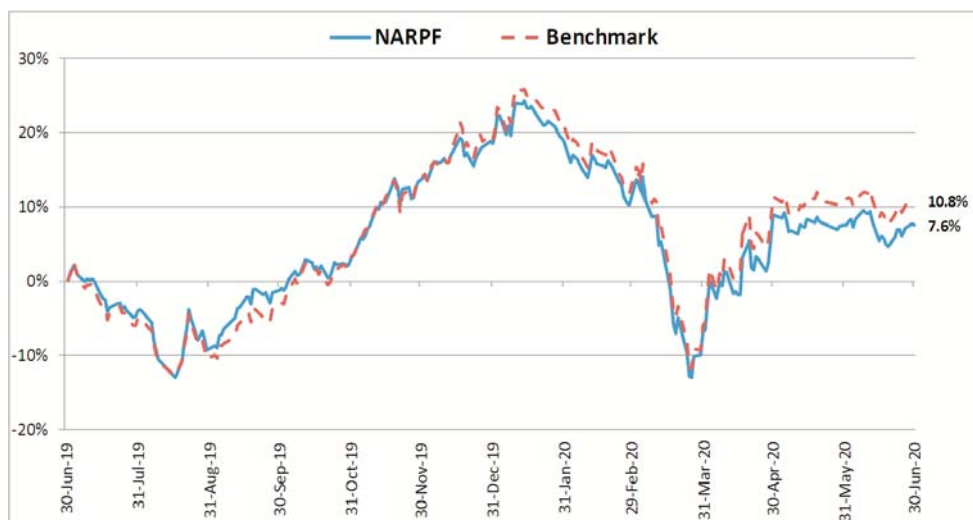
Daily weighted return of KMI-30 Index & 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP, based on Fund's actual allocation.

Fund performance review

This is the second annual report of the Fund. During the fiscal year, NBP Islamic Regular Income Fund increased by 7.6% versus the benchmark increased by 10.8%. Thus, the Fund underperformed the benchmark by 3.2% during the year. Since its launch (October 31, 2018), the Fund has decreased by 10.9%. The Benchmark during the same period was decreased by 10.5%. Thus to date underperformance is 0.4%. This underperformance is net of management fee and all other expenses. The Fund size is 110 million as of June 30, 2020.

NIRIF underperformed during the year as Fund was overweight in key stocks in Technology & Communication, Textile Composite, and Power Generation & Distribution Companies sectors that underperformed the market and underweight in key stocks in Fertilizer, Oil & Gas Exploration Companies, and Cement sectors that outperformed the market, which contributed to the underperformance.

NIRIF Performance vs. Benchmark during FY20



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.

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY2020 compared to Rs. 12 billion in FY2019. 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 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.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	80.7%	76.4%
Cash Equivalents	20.2%	23.1%
Other Net Liabilities	(0.9%)	0.5%
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
Jun-20	4.644%	8.8470	8.3826

Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
1-1000	1
1001-5000	2
5001-10000	1
10001-50000	3
50001-100000	2
100001-500000	-
500001-1000000	0
1000001-5000000	-
5000001-10000000	-
10000001-100000000	1
100000001-1000000000	-
Total	10

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. 0.168 Million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0129 / 0.17%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Islamic Regular Income 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 ADVISOR

August 31, 2020/ Muharram 11, 1442

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Second year of operations of NBP Islamic Regular Income Fund (NIRIF). This report is being issued in accordance with clause 3.7.1 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.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

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 in line with the Shari'ah 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 NIRIF in light of Shari'ah requirements. Following is a list of top investments of NIRIF 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).

Company Name	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	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)	Share Price (B)
						Net Liquid Assets per Share (A)	
Engro Corporation Limited	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
The Hub Power Co. Ltd.*	Power Generation & Distribution Companies	32.34%	0.00%	7.32%	53.77%	(43.08)	
Pakistan Oilfields Limited.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Oil & Gas Development Company Limited**	Oil & Gas Exploration Companies	0.00%	7.95%	7.76%	33.64%	90.21	142.32
Engro Fertilizer Limited	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	
Lucky Cement Limited	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
Pakistan Petroleum Limited	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137



- * Debt is considered excluding circular debt.
- ** OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.
- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIRIF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NIRIF 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 NIRIF for the year ended June 30, 2020 are not in compliance with the Shari'ah principles.

During the year, fund booked charity of amounting PKR 179,581/- wherein amount available for disbursement is PKR 202,051/-, which is inclusive of PKR 81,236/- provisional amount of previous year adjusted after availability of the respective financial statements.

May Allah bless us with best Tawfeeq to accomplish our 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 SHARIAH PRINCIPLES

We were engaged by the Board of Directors of NBP Fund Management Limited, Management Company of NBP Islamic Regular Income Fund ("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 NBP Islamic Regular Income Fund Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **NBP Islamic Regular Income Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, and 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	22,096	24,651
Investments	6	88,443	81,380
Dividend and profit receivable	7	158	875
Preliminary expenses and floatation costs	8	674	877
Advance and deposit	9	526	523
Total assets		111,897	108,306
Liabilities			
Payable to NBP Fund Management Limited - Management Company	10	618	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee	11	20	20
Payable to Securities and Exchange Commission of Pakistan	12	22	68
Accrued expenses and other liabilities	13	1,697	447
Total liabilities		2,357	1,783
Net assets		109,540	106,523
Unit holders' fund (as per statement attached)		109,540	106,523
Contingency and commitment	14		
			(Number of units)
Number of units in issue	17	12,981,879	12,868,673
			(Rupees)
Net assets value per unit		8.4379	8.2777

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

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June
Note	(Rupees in '000)	
Income		
Dividend income	5,949	3,496
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - net	2,718	(5,568)
Profit on bank deposits	2,998	1,682
Net unrealised diminution on re-measurement of investments at FVTPL	(428)	(17,906)
Total Income / (loss)	11,237	(18,296)
Expenses		
Remuneration to Central Depository Company of Pakistan Limited - Trustee	11.1 219	144
Sindh Sales Tax on remuneration of Trustee	11.2 28	19
Annual fee - Securities and Exchange Commission of Pakistan	12 22	68
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.2 109	72
Selling and marketing expenses	10.3 1,363	-
Auditors' remuneration	19 336	410
Securities transaction cost	182	186
Settlement and bank charges	26	50
Charity expense	180	75
Listing fee	22	20
Professional charges	50	50
Amortisation of preliminary expenses and floatation costs	8 203	134
Shariah advisor fee	16	12
Printing and other charges	73	36
	2,829	1,276
Net income / (loss) from operating activities	8,408	(19,572)
Provision for Sindh Workers' Welfare Fund	(168)	-
Net Income/ (loss) for the year / period before taxation	8,240	(19,572)
Taxation	15 -	-
Net Income/ (loss) for the year/ period	8,240	(19,572)
Allocation of net income for the year		
Net income for the year	8,240	-
Income already paid on units redeemed	(36)	-
	8,204	-
Accounting income available for distribution:		
- Relating to capital gains	2,688	-
- Excluding capital gains	5,516	-
	8,204	-

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

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
	(Rupees in '000)	
Net income / (loss) for the year / period	8,240	(19,572)
Other comprehensive income for the year/ period	-	-
Total comprehensive income / (loss) for the year / period	<u>8,240</u>	<u>(19,572)</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

Note	For the year ended 30 June 2020			For the period from 31 October 2018 to 30 June 2019		
	Value	Accumulated loss	Total	Value	Accumulated loss	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	126,095	(19,572)	106,523	-	-	-
Issue of 13,641,225 (June 2019 : 37,437,951) units						
- Capital value	112,919	-	112,919	374,380	-	374,380
- Element of loss	(2,632)	-	(2,632)	(37,966)	-	(37,966)
Total proceeds on issuance of units	110,287	-	110,287	336,414	-	336,414
Redemption of 13,528,019 (June 2019 : 24,569,278) units						
- Capital value	(111,981)	-	(111,981)	(245,693)	-	(245,693)
- Element of income	2,237	(36)	2,201	35,374	-	35,374
Total payments on redemption of units	(109,744)	(36)	(109,780)	(210,319)	-	(210,319)
Interim distribution for the year ended 30 June 2020						
- Cash distribution	-	(5,705)	(5,705)	-	-	-
- Refund of capital	(25)	-	(25)	-	-	-
	(25)	(5,705)	(5,730)			
Total comprehensive income / (loss) for the year / period	-	8,240	8,240	-	(19,572)	(19,572)
Net assets at end of the year / period	126,613	(17,073)	109,540	126,095	(19,572)	106,523
Accumulated loss brought forward						
- Realised		(1,666)			-	
- Unrealised		(17,906)			-	
		(19,572)			-	
Total comprehensive income for the year						
Accounting income available for distribution						
- Relating to capital gains		2,688			-	
- Excluding capital gains		5,516			-	
		8,204			-	
Total comprehensive loss for the period		-			(19,572)	
Interim distribution for the year ended 30 June 2020						
- Cash distribution		(5,705)			-	
Accumulated loss carried forward		(17,073)			(19,572)	
Accumulated loss carried forward						
- Realised		(16,645)			(1,666)	
- Unrealised		(428)			(17,906)	
		(17,073)			(19,572)	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			8.2777			-
Net assets value per unit at end of the year / period			8.4379			8.2777

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

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
<i>Note</i>	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income/ (loss) for the year / period before taxation	8,240	(19,572)
Adjustments		
Net unrealised diminution on re-measurement of investments at FVTPL	428	17,906
Amortization of preliminary expense and floatation cost	203	134
	<u>8,871</u>	<u>(1,532)</u>
(Increase) / decrease in assets		
Investments - net	(7,491)	(99,286)
Dividend and profit receivable	717	(875)
Preliminary expenses and floatation cost	-	(1,011)
Advances, deposit and prepayment	(3)	(523)
	<u>(6,777)</u>	<u>(101,695)</u>
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - Management Company	(630)	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee	-	20
Payable to Securities and Exchange Commission of Pakistan	(46)	68
Accrued expenses and other liabilities	1,250	447
	<u>574</u>	<u>1,783</u>
Net cash generated / (used) in operating activities	<u>2,668</u>	<u>(101,444)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issue of units	110,262	336,414
Payments against redemption of units	(109,780)	(210,319)
Distribution paid	(5,705)	-
Net cash (used in) / from financing activities	<u>(5,223)</u>	<u>126,095</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(2,555)</u>	<u>24,651</u>
Cash and cash equivalents at beginning of the year / period	24,651	-
Cash and cash equivalents at end of the year / period	<u>5</u> <u>22,096</u>	<u>24,651</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



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 Islamic Regular Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 07 August 2018 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and accordingly the Trust Deed was executed on 09 August 2018.
- 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 is an open-ended mutual fund classified as an "Shariah Compliant Asset Allocation Fund" 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 regular monthly payments to investors by investing in Shariah Compliant Debt, Money Market and Equity investment avenues.
- 1.5 The units of the Fund was initially subscribed by the management company and its employees at initial price of Rs. 10 per unit and the Fund received an amount of Rs. 101.027 million. Initial public offering (IPO) at initial price of Rs.10 was made on 31 October 2018. The total amount received upto the close of IPO was Rs. 101.027 million. Thereafter, the Fund commenced its business activities on same date.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company. The Fund has not yet been rated.
- 1.7 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 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 certain investments which are carried at 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 (4.2.3)
- (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 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 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 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 above 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 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 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 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 in the income statement.

4.2.3 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) 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.

4.2.4 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.

4.2.5 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 Company 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 Company'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.

4.2.8 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 amortised 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 a period of five years 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 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.

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. The Fund intends to distribute more than ninety percent of its accounting income for the current year if there is profit available for distribution at year end to avail 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 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.

4.8 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 period 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 period. The income already paid (Element of Income) on redemption of units during the period are taken separately in statement of movement in unit holders' 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 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.

4.11 Revenue recognition

- Realised gains / (losses) arising on sale of investments classified as 'financial assets at fair through profit or loss' are included in the income statement on the date at which the transaction takes place.
- Realised gains / (losses) arising on sale of investments classified as 'financial assets at fair through other comprehensive income' are included in other comprehensive income 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.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets at fair value through other comprehensive income are included in the statement of comprehensive income 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) in the income statement.

4.12 Distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year/period 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/period.

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 / period. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

5 BANK BALANCES

2020 2019
(Rupees in '000)

In current accounts		167	13
In savings accounts	5.1	<u>21,929</u>	<u>24,638</u>
		<u><u>22,096</u></u>	<u><u>24,651</u></u>

5.1 These carry a rate of return ranging from 3.0% to 7.5% per annum (2019: 3.0% to 13.5% per annum).

6 INVESTMENTS

Financial assets at fair value through profit or loss

Listed equity securities	6.1	<u><u>88,443</u></u>	<u><u>81,380</u></u>
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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 01 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	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)						(Rupees in '000)	(%)		
Oil and Gas Exploration Company										
Pakistan Oilfields Limited	28,600	12,800	-	-	10,200	31,200	10,940	9.99	12.37	0.01
Pakistan Petroleum Limited	56,600	36,100	9,520	-	33,300	68,920	5,981	5.46	6.76	-
Oil & Gas Development Company Limited	100,700	58,300	-	-	90,400	68,600	7,477	6.83	8.45	-
	185,900	107,200	9,520	-	133,900	168,720	24,398	22.28	27.58	
Oil and Gas Marketing Company										
Pakistan State Oil Company Limited	3,600	21,400	2,120	-	3,600	23,520	3,720	3.40	4.21	0.01
Attock Petroleum Limited	10,700	-	-	-	-	10,700	3,266	2.98	3.69	0.01
Sui Northern Gas Pipelines	-	15,500	-	-	-	15,500	846	0.77	0.96	-
	14,300	36,900	2,120	-	3,600	49,720	7,832	7.15	8.86	
Fertilizer										
Engro Corporation Limited	46,860	21,100	-	-	22,200	45,760	13,404	12.24	15.16	0.01
Engro Fertilizers Limited	169,000	107,500	-	-	153,500	123,000	7,414	6.77	8.38	0.01
	215,860	128,600	-	-	175,700	168,760	20,818	19.01	23.54	
Chemical										
Engro Polymer and Chemicals Limited	-	8,000	-	-	-	8,000	200	0.17	0.23	-
Cement										
Kohat Cement Company Limited	22,800	6,500	-	-	5,000	24,300	3,340	3.05	3.78	0.01
D.G. Khan Cement Company Limited	-	10,000	-	-	1,300	8,700	742	0.68	0.84	-
Fauji Cement Company Limited	-	183,000	-	-	6,500	176,500	2,979	2.72	3.37	0.01
Maple Leaf Cement Factory Limited	-	30,000	-	-	4,000	26,000	675	0.62	0.76	-
Lucky Cement Limited	4,900	11,300	-	-	2,800	13,400	6,185	5.65	6.99	-
	27,700	240,800	-	-	19,600	248,900	13,921	12.72	15.74	
Automobile Parts & Accessories										
Agriauto Industries Limited	-	4,000	-	-	-	4,000	728	0.66	0.82	0.01
Automobile Assembler										
Honda Atlas Cars (Pakistan) Limited	-	6,500	-	-	-	6,500	1,259	1.15	1.42	-
Indus Motor Company Limited	-	1,100	-	-	-	1,100	1,095	1.00	1.24	-
Millat Tractors Limited	-	3,200	-	-	1,700	1,500	1,059	0.97	1.20	-
	-	10,800	-	-	1,700	9,100	3,413	3.12	3.86	
Transport										
Pakistan National Shipping Corporation Limited	-	17,000	-	-	-	17,000	1,285	1.17	1.45	0.01
Textile Composite										
Nishat Mills Limited	28,000	6,500	-	-	6,000	28,500	2,223	2.03	2.51	0.01
Technology & Communication										
Pakistan Telecommunication Company Limited	492,500	-	-	-	492,500	-	-	-	-	-
Power Generation and Distribution										
The Hub Power Company Limited	147,972	39,000	-	-	25,000	161,972	11,743	10.72	13.28	0.01
Saif Power Limited	-	29,500	-	-	-	29,500	474	0.43	0.54	0.01
	147,972	68,500	-	-	25,000	191,472	12,217	11.15	13.82	
Sugar & Allied Industries										
Faran Sugar Mills Limited	-	7,000	-	-	-	7,000	277	0.25	0.31	0.03
Habib Sugar Mills Limited	-	11,500	-	-	-	11,500	339	0.31	0.38	0.01
Mirpurkhas Sugar Mills Limited	-	500	50	-	550	-	-	-	-	-
	-	19,000	50	-	550	18,500	616	0.56	0.69	
Commercial Banks										
Meezan Bank Limited	-	11,500	-	-	-	11,500	792	0.72	0.90	-
Total - 30 June 2020	1,112,232	658,800	11,690	-	858,550	924,172	88,443	80.74	100.00	
Carrying value before fair value adjustment as at 30 June 2020							<u>88,871</u>			



7	DIVIDEND AND PROFIT RECEIVABLE	2020	2019
		(Rupees in '000)	
	Dividend receivable on Equity Securities	-	579
	Profit receivable on Savings Deposits	<u>158</u>	<u>296</u>
		<u>158</u>	<u>875</u>

8	PRELIMINARY EXPENSES AND FLOTATION COSTS	2020	2019
	Opening for the year / incurred during the period	877	1,011
	Less: Amortisation for the year / period	<u>(203)</u>	<u>(134)</u>
	Balance at end of the year / period	<u>674</u>	<u>877</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years as per the requirements set out in the Trust Deed.

9	ADVANCE AND DEPOSIT	<i>Note</i>	2020	2019
			(Rupees in '000)	
	Advance tax	9.1	426	423
	Security deposit		<u>100</u>	<u>100</u>
			<u>526</u>	<u>523</u>

9.1 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 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. 0.426 million (2019: Rs. 0.423 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.

10	PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY	<i>Note</i>	2020	2019
			(Rupees in '000)	
	Sales and transfer load		24	1
	Sales Tax Payable to Sales and Transfer load		3	-
	Allocation of expenses related to registrar services, accounting, operation and valuation services	10.2	27	56
	Selling and marketing	10.3	384	-
	Preliminary expenses and floatation costs		-	1,011
	Other payable		<u>180</u>	<u>180</u>
			<u>618</u>	<u>1,248</u>



- 10.1** 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. The Management Company is entitled to charge remuneration at the rate of 2% till 11 July 2019 and with effective from 12 July 2019 the Management Company has revised its rates and entitled to charge remuneration at the rate of 1.5 % of the average annual net assets of the Fund. However, the Management Company has waived and not charged remuneration amounted to Rs. 1.656 million (2019: 1.437 million) during the year / period.
- 10.2** 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.
- 10.3** 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 period and charged accordingly as follows:

Period	Rate per annum
01 July 2019 to 11 July 2019	0.4% of net assets or actual expenses whichever is lower.
12 July 2019 to 16 December 2019	1.15% of net assets or actual expenses whichever is lower.
17 December 2019 to 10 May 2020	1.35% of net assets or actual expenses whichever is lower.
11 May 2020 to 30 June 2020	1.50% of net assets or actual expenses whichever is lower.

11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
			(Rupees in '000)	
	Trustee Remuneration	11.1	18	18
	Sindh Sales Tax on Trustee remuneration	11.2	2	2
			<u>20</u>	<u>20</u>

- 11.1** 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	Rs. 0.7 million or 0.20% per annum of net assets, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net assets 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 assets,
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net assets exceeding Rs. 1,000 million.

The remuneration is paid to the Trustee monthly in arrears.



11.2 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% was charged on trustee remuneration.

12 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 0.095 percent 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.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 (Rupees in '000)	2019
Provision for SWWF	13.1	168	-
Auditors' remuneration		272	273
Bank charges		-	3
Settlement charges		5	6
Charity payable	13.2	255	75
Shariah Advisor Fee		16	12
Withholding tax		866	2
Legal fees		100	50
Printing charges		15	26
		1,697	447

13.1 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. 0.0129 per unit (30 June 2019: Nil).

13.2 This represents the haram portion of the dividend income determined on the rates specified by Shariah advisor.

14 CONTINGENCY AND COMMITMENT

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

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 4.5 and 17.2), no provision for taxation has been made in these financial statements.

16 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 2.74% (2019: 1.77%) per annum. Total expense ratio (excluding government levies) is 2.54% (2019: 1.65%) per annum.

17 NUMBER OF UNITS IN ISSUE

	Note	2020	2019
Opening units		12,868,673	-
Add: Units issued against			
- Sale	17.1	13,638,282	37,437,951
- Refund of capital at zero value	17.2	2,943	
		13,641,225	37,437,951
Less: Units redeemed		(13,528,019)	(24,569,278)
Total units in issue at end of the year / period		12,981,879	12,868,673

17.1 This includes 578,035 units issued against Dividend Reinvestment Plan amounting to Rs. 4,845,667, net of taxation.

17.2 The Management Company on 24 June 2020 declared interim distribution amounted to Rs. 0.4644 per unit (for full period) for the year ended 30 June 2020. The aggregate cash distribution is Rs. 5,706 million was in addition to refund of capital / element of income by issuing 2,943 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.

18 RECONCILIATION OF 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	110,262	-	-	110,262
Payable against redemption of units	-	109,780	-	109,780
Dividend Payable	-	-	5,705	5,705
	110,262	109,780	5,705	225,747
Amount received on issuance of units	(105,416)	-	-	(105,416)
Amount paid on redemption of units	-	(109,780)	-	(109,780)
Dividend reinvested	(4,846)	-	(5,705)	(10,551)
	(110,262)	(109,780)	(5,705)	(225,747)
Balance as at 30 June 2020	-	-	-	-



19 AUDITORS' REMUNERATION

	2020	2019
	(Rupees in '000)	
Statutory audit fee	220	170
Half yearly review fee	68	68
Out of pocket expenses and others including government levy	48	172
	<u>336</u>	<u>410</u>

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2020		
	At amortized cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Assets			
Bank balances	22,096	-	22,096
Investments	-	88,443	88,443
Dividend and profit receivable	158	-	158
Deposits	100	-	100
	<u>22,354</u>	<u>88,443</u>	<u>110,797</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	-	618	618
Payable to Central Depository Company of Pakistan Limited - Trustee	-	20	20
Accrued expenses and other liabilities	-	663	663
	<u>-</u>	<u>1,301</u>	<u>1,301</u>

	As at 30 June 2019		
	At amortized cost	Mandatorily At fair value through profit or loss	Total
	(Rupees in '000)		
Assets			
Bank balances	24,651	-	24,651
Investments	-	81,380	81,380
Dividend and profit receivable	875	-	875
Deposits	100	-	100
	<u>25,626</u>	<u>81,380</u>	<u>107,006</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	-	1,248	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee	-	20	20
Accrued expenses and other liabilities	-	445	445
	-	1,713	1,713

21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

21.1 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, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

21.3 Remuneration of the Management Company and the 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 / period end except those disclosed elsewhere in these financial statements are as follows:

21.5 Transactions during the year / period

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
(Rupees in '000)		
NBP Fund Management Limited - Management Company		
Units issued: 12,209,553 units (2019: 36,628,658 units)	97,893	328,866
Units redeemed: 12,209,553 units (2019: 24,419,105 units)	97,893	208,844
Dividend Re-invest: 574,967 units (2019: Nil Units)	4,820	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	109	72
Selling and marketing expenses	1,363	-
Sales load and others	23	1
Sindh sales tax on sales load	3	-
Employees of the Management Company		
Units issued: 340,010 units (2019: 52,743 units)	2,990	525
Units redeemed: 323,649 units (2019: 52,743 units)	2,864	524
Dividend Re-invest: 87 units (2019: Nil units)	1	-
Bank Islami Pakistan Limited		
Markup on bank balances	879	314



	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Trustee Remuneration	219	144
Sales tax on remuneration to Trustee	28	19
CDC charges	9	-
Pakistan Stock Exchange**		
Listing fee paid	25	-
National Bank of Pakistan Limited - Islamic Banking		
Markup on bank balances	-	4
Taurus Securities Limited		
Brokerage charges	15	11
Cherat Cement Company Limited*		
Shares purchased: Nil shares (2019: 16,000 shares)	-	1,232
Shares sold: Nil shares (2019: 16,000 shares)	-	893
The Hub Power Company Limited**		
Shares purchased: 39,000 shares (2019: Nil shares)	2,772	-
Shares sold: 25,000 shares (2019: Nil shares)	2,378	-
21.6 Amounts outstanding as at year / period end:	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Units held: 12,784,520 units (2019: 12,209,553 units)	107,874	101,067
Allocation of expenses related to registrar services, accounting, operation and valuation services	27	56
Selling and marketing expenses	384	-
Preliminary expenses and floatation costs	-	1,011
Sales load and others	24	1
Other payable	180	180
National Bank of Pakistan Limited - Islamic Banking		
Bank Balance	14	13
Markup on bank balance	2	2
Central Depository Company of Pakistan Limited - Trustee		
Remuneration Payable	18	18
Sindh Sales Tax on Trustee remuneration	2	2
CDC charges	5	6
Security deposit	100	100
Bank Islami Pakistan Limited		
Bank balance	19,320	23,736
Markup on bank balance	119	247
Employees of the Management Company		
Units held: 16,448 units (2019: Nil units)	139	-
The Hub Power Company Limited**		
Shares held: 161,972 (2019: Nil units)	11,743	-



*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	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA and CFA	32
2	Mr. Sajjad Anwar	CFA / MBA Finance	20
3	Asim Wahab Khan*	CFA	14
4	Mr. Hassan Raza	ACCA, BSC and CFA	9
5	Mr. Muhammad Ali Bahbha	CFA, MBA, FRM and MS	25

*Asim Wahab Khan is the Fund Manager of the Fund. He is also managing NBP Balanced fund, NBP Financial sector fund, NBP Islamic Energy fund, NBP Islamic Sarmaya Izafa Fund, NBP Sarmaya Izafa Fund, NBP Stock Fund and NBP Islamic Active Allocation Equity Fund.

23 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	Taurus Securities Limited	9.53
2	Aqeel Karim Dehdi Securities (Pvt) Limited	6.18
3	Arif Habib Securities Limited	6.16
4	Insight Securities (Pvt.) Limited	6.05
5	Al Habib Capital Markets (Pvt) Limited	5.90
6	Optimus Capital Management Limited	5.88
7	Intermarket Securities	5.80
8	Spectrum Securities (Pvt) Limited	5.27
9	Foundation Securities	5.20
10	Sherman Securities (Pvt) Limited	5.13

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

S. No	Particulars	Percentage (%)
1	Topline Securities (Pvt) Limited	14.49
2	Aqeel Karim Dehdi Securities (Pvt) Limited	14.13
3	Arif Habib Securities Limited	7.59
4	Taurus Securities Ltd.	6.92
5	Bma Capital Management Limited	6.36
6	Foundation Securities	5.73
7	Alfalah Securities (Pvt) Limited	4.95
8	Optimus Capital Management Limited	4.44
9	Next Capital Limited	4.29
10	Concordia Securities (Pvt) Limited	3.90



24 PATTERN OF UNIT HOLDING

As at 30 June 2020			
Category	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	9	1,665	1.52
Associated companies and directors	1	107,875	98.48
	10	109,540	100.00

As at 30 June 2019			
Category	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	2	54	0.05
Associated companies and directors	1	101,067	94.88
Retirement funds	1	5,402	5.07
	4	106,523	100.00

25 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			
	Held during tenure of directorship	Attended	Leave granted	Meetings not attended
Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [Note 25.2]	3	2	1	74th meeting
Syed Hasan Irtiza Kazmi [Note 25.2]	3	3	-	-
Mr. Nasir Husain [Note 25.1]	1	-	1	72nd meeting
Mr. Abdul Hadi Palekar [Note 25.1]	1	-	1	72nd meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [Note 25.1]	1	1	-	-
Mr. Khalid Mansoor [Note 25.2]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [Note 25.1]	1	1	-	-
Mr. Saad Amanullah Khan [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. 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).

26.1.1 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.

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

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. 0.2193 million (2019: 0.2464 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	3.00 - 7.50	21,929	-	-	167	22,096
Investments		-	-	-	88,443	88,443
Dividend and profit receivable		-	-	-	158	158
Advance and deposits		-	-	-	100	100
		<u>21,929</u>	<u>-</u>	<u>-</u>	<u>88,868</u>	<u>110,797</u>
Financial Liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	618	618
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	20	20
Accrued expenses and other liabilities		-	-	-	663	663
		-	-	-	1,301	1,301
On-balance sheet gap		<u>21,929</u>	<u>-</u>	<u>-</u>	<u>87,567</u>	<u>109,496</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		<u>21,929</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>21,929</u>	<u>21,929</u>	<u>21,929</u>		

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	3.00 - 13.50	24,638	-	-	13	24,651
Investments		-	-	-	81,380	81,380
Dividend and profit receivable		-	-	-	875	875
Advance and deposits		-	-	-	100	100
		<u>24,638</u>	<u>-</u>	<u>-</u>	<u>82,368</u>	<u>107,006</u>
Financial Liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	1,248	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	20	20
Accrued expenses and other liabilities		-	-	-	445	445
		-	-	-	1,713	1,713
On-balance sheet gap		<u>24,638</u>	<u>-</u>	<u>-</u>	<u>80,655</u>	<u>105,293</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		<u>24,638</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>24,638</u>	<u>24,638</u>	<u>24,638</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 15% of issued capital of that investee company and the net assets of the Fund with overall limit of 40% 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 period would increase / (decrease) by Rs. 4.4222 million (2019: 4.069 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.

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 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	2019
	(Rupees in '000)	
AAA	1,218	45
AA+	315	31
AA-	-	-
AA	1,218	814
A+	19,325	5
A-	15	23,750
A	5	6
	22,096	24,651

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.

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 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 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 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	618	618	-	-
Payable to Central Depository				
Company of Pakistan Limited - Trustee	20	20	-	-
Accrued expenses and other liabilities	663	663	-	-
	1,301	1,301	-	-
Unit holders' fund	109,540	109,540	-	-



	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	1,248	1,248	-	-
Payable to Central Depository				
Company of Pakistan Limited - Trustee	20	20	-	-
Accrued expenses and other liabilities	445	445	-	-
	<u>1,713</u>	<u>1,713</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>106,523</u>	<u>106,523</u>	<u>-</u>	<u>-</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.

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 amount			Fair value			
		At fair value through profit or 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								
Investments								
- Listed equity securities		88,443	-	88,443	88,443	-	-	88,443
		<u>88,443</u>	<u>-</u>	<u>88,443</u>	<u>88,443</u>	<u>-</u>	<u>-</u>	<u>88,443</u>
Financial assets not measured at fair value								
27.1 Bank balances		-	22,096	22,096				
Dividend and profit receivable		-	158	158				
Security deposit		-	100	100				
		<u>-</u>	<u>22,354</u>	<u>22,354</u>				
Financial liabilities not measured at fair value								
27.1 Payable to NBP Fund Management Limited - Management Company		-	618	618				
Payable to Central Depository Company of Pakistan		-	20	20				
Accrued expenses and other liabilities		-	663	663				
		<u>-</u>	<u>1,301</u>	<u>1,301</u>				
		Carrying amount			Fair value			
		At fair value through profit or 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								
Investments								
- Listed equity securities		81,380	-	81,380	81,380	-	-	81,380
		<u>81,380</u>	<u>-</u>	<u>81,380</u>	<u>81,380</u>	<u>-</u>	<u>-</u>	<u>81,380</u>
Financial assets not measured at fair value								
Bank balances		-	24,651	24,651				
Dividend and profit receivable		-	875	875				
Security deposit		-	100	100				
		<u>-</u>	<u>25,626</u>	<u>25,626</u>				
Financial liabilities not measured at fair value								
Payable to NBP Fund Management Limited - Management Company		-	1,248	1,248				
Payable to Central Depository Company of Pakistan		-	20	20				
Accrued expenses and other liabilities		-	445	445				
		<u>-</u>	<u>1,713</u>	<u>1,713</u>				



- 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 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 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 redemptions, 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 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
Net assets (Rs. '000')	109,540	106,523
Net Income (Rs. '000')	8,240	(19,572)
Net Asset Value per units (Rs.)	8.4379	8.2777
Selling price per unit	8.7239	8.5583
Redemption price per unit	8.4379	8.2777
Ex - Highest offer price per unit (Rs.)	10.0832	10.3213
Ex - Lowest offer price per unit (Rs.)	7.0588	8.4067
Ex - Highest redemption price per unit (Rs.)	9.7526	10.0000
Ex - Lowest redemption price per unit (Rs.)	6.8274	8.1311
Fiscal Year Opening Ex Nav	7.8432	10.0000
Total return of the fund	7.58%	-17.20%
Capital growth	2.04%	-17.20%
Income distribution as % of Ex-NAV	5.54%	0.00%
Income distribution as % of Par Value	4.64%	0.00%
Distribution		
Interim Distribution per unit	0.4644	-
Final distribution per unit	-	-
Distribution dates		
Interim	24/Jun/2020	-
Final	-	-
Average annual return (launch date October 31, 2018)		
(Since inception to June 30, 2020)	-6.72%	
(Since inception to June 30, 2019)		-17.20%
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 Islamic Regular Income Fund**, 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:

NBP Islamic Regular Income Fund				
	Resolutions	For	Against	Abstain*
Number	3	3	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@nbpfunds.com

Website: www.nbpfunds.com

 /nbpfunds



NBP FUNDS

Managing Your Savings

AM1
Rated by PACRA

NBP Government Securities 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 Shahr-e-Faisal, Karachi.

Bankers to the Fund

Allied Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
Khushali Microfinance Bank Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
Telenor Microfinance Bank Limited
The First Microfinance Bank Limited
United Bank Limited
U Microfinance Bank Limited
Zarai Taraqiati Bank Limited



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, 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
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

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 Sixth Annual Report of NBP Government Securities Savings Fund (NGSSF) for the year ended June 30, 2020.

Fund's Performance

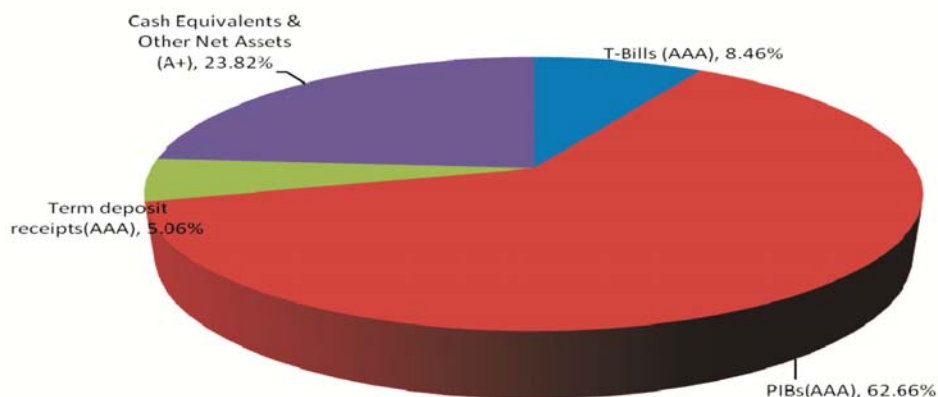
The size of NBP Government Securities Savings Fund has decreased from Rs. 1,092 million to Rs. 692 million during the period, i.e. a drop of 37%. During the said period, the unit price of the Fund has increased from Rs. 8.5372 (Ex-Div) on June 30, 2019 to Rs. 10.3490 on June 30, 2020 thus posting a return of 21.2% 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.

NBP Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities. The Fund invests at least 10% of its assets in less than 90 days T-Bills or saving accounts with banks, 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. 147.151 million during the year. After deducting total expenses of Rs. 13.72 million, the net income is Rs. 133.433 million.

The asset allocation of NGSSF as on June 30, 2020 is as follows:





Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 23.438% of the opening ex-NAV (20.001% 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 (AFF), 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 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 18 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 گورنمنٹ سیکورٹیز سیونگ فنڈ (NGSSF) کی چھٹی سالانہ رپورٹ برائے مختتمہ سال 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

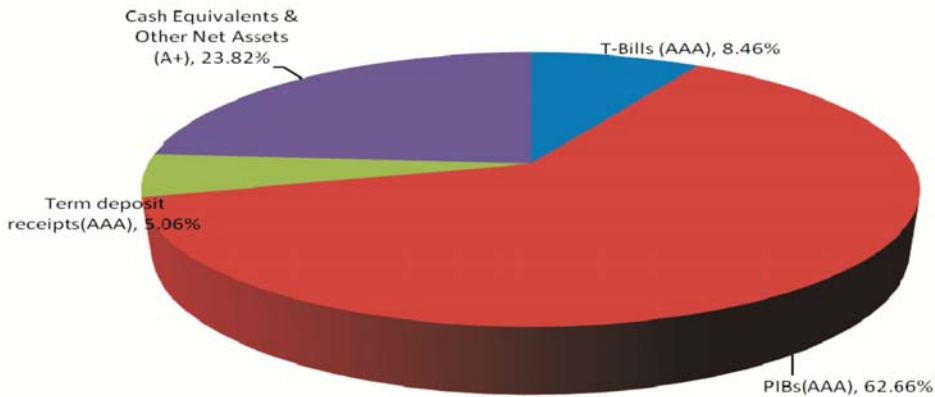
موجودہ مدت کے دوران NBP گورنمنٹ سیکورٹیز سیونگ فنڈ کا سائز 1,092 ملین روپے سے کم ہو کر 692 ملین روپے ہو گیا یعنی 37% کمی ہوئی۔ زیر جائزہ مدت کے دوران، فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 8.5372 روپے (Ex-Div) سے بڑھ کر 30 جون 2020 کو 10.3490 روپے ہو گئی، لہذا اسی مدت کے دوران فنڈ نے اپنے بیچ مارک 12.1% کے مقابلے میں 21.2% کا منافع درج کیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NBP گورنمنٹ سیکورٹیز سیونگ فنڈ (NGSSF) گورنمنٹ سیکورٹیز میں کم از کم 70% انویسٹ کرتا ہے۔ فنڈ بینکوں کے ہاں سیونگ اکاؤنٹ میں اپنے ایسیٹ کا کم از کم 10% یا T-Bills میں 90 دن تک انویسٹ کرتا 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 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 کمی 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 ستائیس (27) T-Bills نیلامیاں منعقد کیں اور کل 14,317 ملین روپے جمع کئے۔

فنڈ نے سال کے دوران 147.151 ملین روپے کی مجموعی آمدنی کمائی۔ 13.72 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 133.433 ملین روپے ہے۔

NGSSF کی ایسٹ ایلوکیشن برطانیہ 30 جون 2020 حسب ذیل ہے:





آمدنی کی تقسیم

بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اوپننگ ex-NAV کا 23.438% (بنیادی قدر کا 20.001%) 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 ایف فرگون 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۔

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

1. بینجمنٹ 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 پیروی کی گئی ہے۔ شریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو توہی 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 بینجمنٹ 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. یونٹ ہولڈنگ کا تفصیلی پیننر 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 18 میں ظاہر کی گئی ہے۔
13. بینجمنٹ 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 انٹریسٹ 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 ہایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
1. شیخ محمد عبدالواحد سیٹھی (چیرمین) 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 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 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 Government Securities Savings Fund

NBP Government Securities Savings Fund (NGSSF) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Government Securities Savings Fund is to provide competitive return from portfolio of low credit risk by investing primarily in Government Securities.

Benchmark

6-Month PKRV

Fund Performance Review

This is the Sixth Annual report since the launch of the Fund on July 10, 2014. The Fund size stands at Rs. 692 million as of June 30, 2020. Since its inception, the Fund posted a return of 9.9% p.a. versus the benchmark return of 8.2% p.a. This translates into outperformance of 1.7% p.a. During FY20, the Fund posted a 21.2% return versus the benchmark return of 12.1%. The return of the Fund is net of the management fee.

NBP Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities. The Fund invests at least 10% of its assets in less than 90 days T-Bills or saving accounts with banks, which enhances the liquidity profile of the Fund.

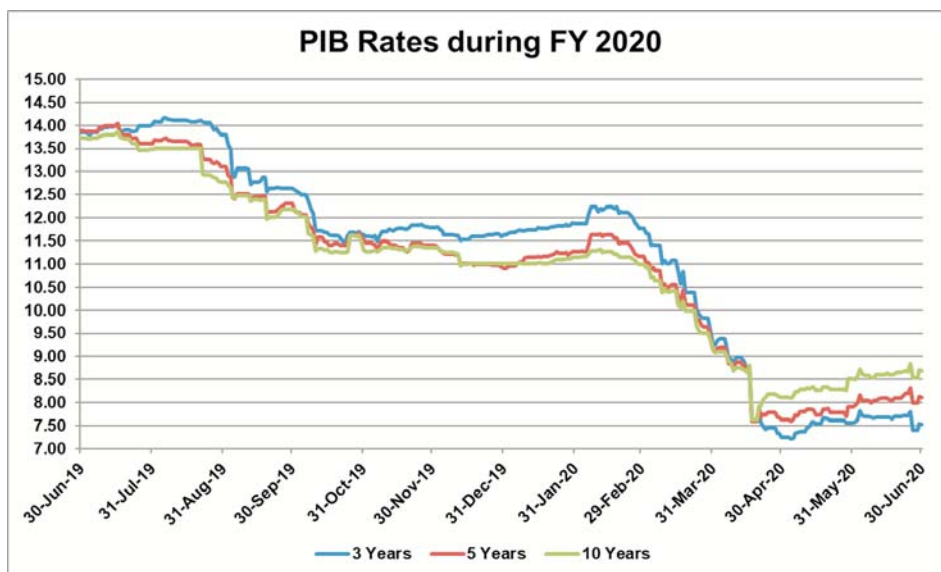
Building on the ongoing economic stabilization policies and to counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking 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	62.66%	20.74%
T-Bills	8.46%	46.67%
Cash (Cash Equivalents) & Other Assets	28.88%	32.59
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
Oct-19	7.207%	11.0403	10.3196
Nov-19	0.726%	10.3922	10.3196
Dec-19	1.274%	10.4470	10.3196
Jan-20	0.824%	10.4020	10.3196
Feb-20	0.963%	10.4159	10.3196
Mar-20	3.616%	10.6812	10.3196
Apr-20	4.883%	10.8079	10.3196
May-20	0.508%	10.3704	10.3196

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

Size of Unit Holding (Units)	# of Unit Holders
1-1000	130
1001-5000	56
5001-10000	38
10001-50000	85
50001-100000	50
100001-500000	78
500001-1000000	12
1000001-5000000	13
10000001-100000000	2
Total	437



During the period under question

There has been no significant change in the state of affairs of the Fund. NBP Government Securities Savings Fund 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. 4.443 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0664. For details, investors are advised to read note 11.1 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 Government Securities Savings Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NBP Government Securities Savings 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. 214.955 million and Rs. 527.289 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. <p>" obtained bank reconciliation statements and tested reconciling items on a sample basis.</p>



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 ------(Rupees in '000)-----
ASSETS			
Bank balances	4	214,955	861,816
Investments	5	527,289	736,275
Deposits, prepayments and other receivables	6	1,032	994
Profit receivable	7	14,519	12,356
Receivable against issuance of units		345	-
Total assets		758,140	1,611,441
LIABILITIES			
Payable to NBP Fund Management Limited - the Management Company	8	7,146	3,804
Payable to Central Depository Company of Pakistan Limited - the Trustee	9	95	155
Payable to the Securities and Exchange Commission of Pakistan	10	161	536
Payable against purchase of investments		52,638	509,729
Payable against redemption of units		744	-
Accrued expenses and other liabilities	11	5,183	4,920
Total liabilities		65,967	519,144
NET ASSETS		692,173	1,092,297
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		692,173	1,092,297
CONTINGENCIES AND COMMITMENTS	12		
		----- Number of units -----	
NUMBER OF UNITS IN ISSUE	13	66,883,230	105,846,683
		----- Rupees -----	
NET ASSET VALUE PER UNIT		10.3490	10.3196

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 ------(Rupees in '000)-----
Income			
Income on Market Treasury Bills		36,585	42,648
Income on Pakistan Investment Bonds		33,579	9,679
Income on term deposit receipts		3,785	-
Profit on bank deposits		27,879	27,560
Gain / (loss) on sale of investments - net		25,072	(7,214)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		20,251	(6,445)
Total income		147,151	66,228
Expenses			
Remuneration of NBP Fund Management Limited - the Management Company	8.1	2,508	3,798
Sindh sales tax on remuneration of the Management Company	8.2	326	494
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	9.1	524	914
Sindh sales tax on remuneration of the Trustee	9.2	68	119
Annual fee of the Securities and Exchange Commission of Pakistan	10.1	161	536
Allocated expenses	8.4	805	714
Auditors' remuneration	14	440	342
Securities transaction cost		86	25
Settlement and bank charges		142	148
Listing fee		25	22
Legal and professional charges		76	87
Mutual fund rating fee		332	334
Selling and marketing expenses	8.5	5,405	115
Printing charges		97	45
Total operating expenses		10,995	7,693
Net income from operating activities		136,156	58,535
Provision for Sindh Workers' Welfare Fund	11.1	(2,723)	(1,171)
Net profit for the year before taxation		133,433	57,364
Taxation	16	-	-
Net profit for the year after taxation		133,433	57,364
Earnings per unit	17		
Allocation of net income for the year:			
Net income for the year after taxation		133,433	57,364
Income already paid on units redeemed		(38,027)	(31,820)
		95,406	25,544
Accounting income available for distribution:			
- Relating to capital gains		22,830	-
- Excluding capital gains		72,576	25,544
		95,406	25,544

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

	2020	2019
	----- Rupees in '000 -----	
Net profit for the year after taxation	133,433	54,364
Other comprehensive income for the year	-	-
Total comprehensive income for the year	133,433	54,364

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		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
----- Rupees in '000 -----						
Net assets at beginning of the year	1,051,874	40,423	1,092,297	98,668	45,221	143,889
Issuance of 373,082,601 units (2019: 220,509,415 units)						
- Capital value (at ex - net asset value per unit)	3,850,063	-	3,850,063	2,272,261	-	2,272,261
- Element of income	68,706	-	68,706	109,689	-	109,689
Total proceeds on issuance of units	3,918,769	-	3,918,769	2,381,950	-	2,381,950
Redemption of 412,046,054 units (2019: 127,960,181 units)						
- Capital value (at ex - net asset value per unit)	(4,252,150)	-	(4,252,150)	(1,318,578)	-	(1,318,578)
- Element of loss	(9,466)	(38,027)	(47,493)	(49,926)	(31,820)	(81,746)
Total payments on redemption of units	(4,261,616)	(38,027)	(4,299,643)	(1,368,504)	(31,820)	(1,400,324)
Total comprehensive income for the year	-	133,433	133,433	-	57,364	57,364
Cash distribution during the year ended June 30, 2020						
- @ Re. 0.7207 per unit (Date of declaration: October 29, 2019)	(36,670)	(15,298)	(51,968)	-	-	-
- @ Re. 0.0726 per unit (Date of declaration: November 28, 2019)	(800)	(2,959)	(3,759)	-	-	-
- @ Re. 0.1274 per unit (Date of declaration: December 27, 2019)	(2,475)	(5,913)	(8,388)	-	-	-
- @ Re. 0.0824 per unit (Date of declaration: January 28, 2020)	(421)	(3,780)	(4,201)	-	-	-
- @ Re. 0.0963 per unit (Date of declaration: February 27, 2020)	(150)	(4,537)	(4,687)	-	-	-
- @ Re. 0.3616 per unit (Date of declaration: March 27, 2020)	(3,323)	(18,774)	(22,097)	-	-	-
- @ Re. 0.4883 per unit (Date of declaration: April 29, 2020)	(14,552)	(37,677)	(52,229)	-	-	-
- @ Re. 0.0508 per unit (Date of declaration: May 29, 2020)	(468)	(4,886)	(5,354)	-	-	-
	(58,859)	(93,824)	(152,683)	-	-	-
Interim cash distribution for the year ended June 30, 2019 @ Re 0.7905 per unit (Date of declaration: June 26, 2019)	-	-	-	(59,740)	(23,978)	(83,718)
	-	-	-	(59,740)	(23,978)	(83,718)
Final cash distribution for the year ended June 30, 2018 @ Re 0.5162 per unit (Date of declaration: July 05, 2018)	-	-	-	(500)	(6,364)	(6,864)
	-	-	-	(500)	(6,364)	(6,864)
Net assets at end of the year	650,168	42,005	692,173	1,051,874	40,423	1,092,297
Undistributed income brought forward						
- Realised income		46,868			45,280	
- Unrealised (loss)		(6,445)			(59)	
		40,423			45,221	
Accounting income available for distribution:						
- Relating to capital gains		22,830			-	
- Excluding capital gains		72,576			25,544	
		95,406			25,544	
Final cash distribution for the year ended June 30, 2018					(6,364)	
Distribution for the year ended June 30, 2020 (2019: for the year ended June 30, 2019)		(93,824)			(23,978)	
Undistributed income carried forward		42,005			40,423	
Undistributed income carried forward						
- Realised income		21,754			46,868	
- Unrealised income / (loss)		20,251			(6,445)	
		42,005			40,423	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			10.3196			10.8208
Net assets value per unit at end of the year			10.3490			10.3196

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	2019
		------(Rupees in '000)-----	
CASH FLOWS FOR THE YEAR FROM OPERATING ACTIVITIES			
Net profit for the year after taxation		133,433	57,364
Adjustments:			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		<u>(20,251)</u>	<u>6,445</u>
		113,182	63,809
Decrease / (increase) in assets			
Investments		<u>229,237</u>	<u>(635,097)</u>
Profit receivable		<u>(2,163)</u>	<u>(12,329)</u>
Deposits, prepayments and other receivables		<u>(38)</u>	<u>(166)</u>
		227,036	(647,592)
Increase / (decrease) in liabilities			
Payable to NBP Fund Management Limited - the Management Company		<u>3,342</u>	<u>3,444</u>
Payable to Central Depository Company of Pakistan Limited - the Trustee		<u>(60)</u>	<u>132</u>
Payable to the Securities and Exchange Commission of Pakistan		<u>(375)</u>	<u>422</u>
Payable against purchase of investments		<u>(457,091)</u>	<u>444,916</u>
Accrued expenses and other liabilities		<u>263</u>	<u>1,730</u>
		(453,921)	450,644
Net cash used in operating activities		<u>(113,703)</u>	<u>(133,139)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issuance of units - net of refund of element		<u>3,859,565</u>	<u>2,291,429</u>
Net payments against redemption of units		<u>(4,298,899)</u>	<u>(1,400,324)</u>
Distributions paid		<u>(93,824)</u>	<u>(61)</u>
Net cash (used in) / generated from financing activities		<u>(533,158)</u>	<u>891,044</u>
Net (decrease) / increase in cash and cash equivalents		<u>(646,861)</u>	<u>757,905</u>
Cash and cash equivalents at the beginning of the year		861,816	103,911
Cash and cash equivalents at the end of the year	4	<u>214,955</u>	<u>861,816</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



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

1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Government Securities Savings Fund (the Fund) was established under a Trust Deed entered into 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 June 5, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 30, 2014 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (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 by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan and is listed on the Pakistan Stock Exchange Limited.

The objective of the Fund is to provide unit holders with competitive return from a portfolio of low credit risk securities by investing primarily in government securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM1 as at June 24, 2020 (June 27, 2019: AM1) to the Management Company and performance ranking of AA-(f) as at April 17, 2020 (April 18, 2019: AA-(f)) to the Fund.

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
- Non-Banking Finance Companies (Establishment and Regulation) 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 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 the published accounting and reporting standards that are not yet effective

2.3.1 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.

2.3.2 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 Sindh Worker's Welfare Fund (note 11.1) provision for Federal Excise Duty (note 8.3) and provision for taxation (notes 3.12 and 16).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried 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 unless otherwise stated.

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 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.

3.2.2 Classification and subsequent measurement

Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- 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.

3.2.3 Impairment

The Fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises loss allowances 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 forecasts of future economic conditions.

3.2.4 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.

3.2.5 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.

3.2.6 Derecognition

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

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of 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 of 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 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.

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 assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.



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.

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 17.

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 ----- Rupees in '000 -----
Balances with banks in:			
Current accounts		1,200	1,059
Savings accounts	4.1	213,755	860,757
		<u>214,955</u>	<u>861,816</u>

- 4.1 These include balances of Rs 1.093 million (June 30, 2019: Rs 0.049 million) and Rs 0.393 million (June 30, 2019: Rs 0.45 million) maintained with BankIslami Pakistan Limited and National Bank of Pakistan (related parties) respectively, that carry profit at the rate ranging from 4.5% to 7.25% per annum (June 30, 2019: 13.5% per annum). Other savings accounts of the Fund carry profit at the rate ranging from 5.5% to 15.5% per annum (June 30, 2019: 3.75% to 14.5% per annum).

5 INVESTMENTS

	Note	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
Financial assets 'at fair value through profit or loss'			
Market Treasury Bills	5.1	58,540	509,729
Pakistan Investment Bonds	5.2	433,749	226,546
Term deposit receipt	5.3	35,000	-
		<u>527,289</u>	<u>736,275</u>



5.1 Market Treasury Bills

Issue date	Tenor in months	Face value				Market value as at June 30, 2020	Market value 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 of the Fund	total investments of the Fund

----- (Rupees in 000) ----- (%) -----

May 9, 2019	3	515,000	50,000	565,000	-	-	-	-
July 18, 2019	3	-	630,000	630,000	-	-	-	-
October 10, 2019	3	-	105,000	105,000	-	-	-	-
October 10, 2019	12	-	160,800	160,800	-	-	-	-
August 1, 2019	3	-	124,000	124,000	-	-	-	-
August 29, 2019	12	-	100,000	100,000	-	-	-	-
August 16, 2019	3	-	519,300	519,300	-	-	-	-
November 7, 2019	12	-	1,037,860	983,930	53,930	52,649	7.61%	9.98%
October 24, 2019	12	-	148,380	144,880	3,500	3,425	0.49%	0.65%
October 24, 2019	3	-	200,000	200,000	-	-	-	-
October 24, 2019	6	-	20,000	20,000	-	-	-	-
January 30, 2020	3	-	55,000	55,000	-	-	-	-
February 27, 2020	12	-	50,000	50,000	-	-	-	-
November 21, 2019	3	-	70,000	70,000	-	-	-	-
February 27, 2020	3	-	115,000	115,000	-	-	-	-
February 13, 2020	3	-	1,500	1,500	-	-	-	-
September 12, 2019	12	-	2,500	-	2,500	2,466	0.36%	0.47%
November 7, 2019	3	-	265,000	265,000	-	-	-	-
December 5, 2019	3	-	20,000	20,000	-	-	-	-
January 2, 2020	12	-	100,000	100,000	-	-	-	-
March 26, 2020	12	-	100,000	100,000	-	-	-	-
January 2, 2020	3	-	1,000	1,000	-	-	-	-
Total		515,000	3,875,340	4,330,410	59,930	58,540		

Carrying value as at June 2020 58,510

Market value as at June 30, 2019 509,729

Carrying value as at June 30, 2019 509,729

5.1.1 These carry rates of return ranging from 7.05% to 7.1% per annum (June 30, 2019: 12.58% per annum).



5.2 Pakistan Investment Bonds

Issue date	Tenor in years	Face value				Market value as at June 30, 2020	Market value 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 of the Fund	total investments of the Fund
----- (Rupees in 000) ----- (%) -----								
July 19, 2012	10	-	34,000	-	34,000	36,978	5.34%	7.01%
July 12, 2018	3	255,000	-	255,000	-	-	-	-
September 19, 2019	3	-	320,900	200,000	120,900	124,870	18.04%	23.68%
September 19, 2019	5	-	808,400	550,000	258,400	271,901	39.28%	51.57%
Total		255,000	1,163,300	1,005,000	413,300	433,749		
Carrying value as at June 30, 2020						413,528		
Market value as at June 30, 2019						226,546		
Carrying value as at June 30, 2019						232,991		

5.2.1 These carry rate of return ranging from 9% to 12% per annum (June 30, 2019: 7.25% per annum).

5.3 Term deposit receipt

This is maintained with Mobilink Microfinance Bank Limited and carries profit at the rate of 15.6% per annum (June 30, 2019: Nil), with maturity on October 31, 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	492,289	736,275
Less: carrying value of investments	5.1 & 5.2	(472,038)	(742,720)
		20,251	(6,445)

6 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit with Central Depository Company of Pakistan Limited*		102	102
Prepaid annual rating fee		201	166
Prepaid listing fee*		3	-
Advance tax	6.1	639	639
Other receivables		87	87
		1,032	994

*related party balance

6.1 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 debt 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 May 12, 2015 which



requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholders. The tax withheld on profit on debt amounts to Rs 0.639 million (2019: 0.639 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 Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of SHC. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as other receivables as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	2020 ----- Rupees in '000 -----	2019
7	PROFIT RECEIVABLE		
	Profit receivable on bank balances	1,586	3,725
	Profit receivable on Term deposit receipt	1,037	-
	Profit receivable on Pakistan Investment Bonds	11,896	8,631
		<u>14,519</u>	<u>12,356</u>
8	PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY		
	Management fee payable	8.1 175	555
	Sindh sales tax payable on remuneration of the Management Company	8.2 23	72
	Federal Excise Duty on remuneration of the Management Company	8.3 1,864	1,864
	Federal Excise Duty on sales load	8.3 371	371
	Sales and transfer load payable	2,307	201
	Sindh sales tax on sales load payable	320	46
	Allocated expenses payable	8.4 255	650
	Selling and marketing expenses payable	8.5 1,786	-
	Other payables	45	45
		<u>7,146</u>	<u>3,804</u>

8.1 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 remuneration under the following rates:

2020		2019	
Rate applicable from July 1, 2019 to July 11, 2019	Rate applicable from July 12, 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
5% on net income, subject to floor and capping of 0.3% and 1% per annum of the average annual net assets.	1.5% on net income, subject to floor and capping of 0.2% and 1% per annum of the average annual net assets.	10% on net income, subject to floor and capping of 0.5% and 1.5% per annum of the average annual net assets.	5% on net income, subject to floor and capping of 0.3% and 1% per annum of the average annual net assets.

The remuneration is payable to the Management Company in arrears.



8.2 During the year, an amount of Rs 0.326 million (2019: Rs 0.494 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 @ 13% (2019: 13%).

8.3 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 and sales load were 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, 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 and sales load with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period till June 30, 2016 amounting to Rs 2.24 million (June 30, 2019: Rs 2.24 million) is being retained in these financial statements of the Fund as the matter is pending before the HSC. Had the provision for FED not been made, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Re 0.0334 per unit (June 30, 2019: Re 0.0211 per unit).

8.4 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%.

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.

8.5 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% per annum 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 the annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, the Management Company has not charged any selling and marketing expenses from July 1, 2019 to July 11, 2019. Thereafter, the selling and marketing expenses have been charged at the rate of 0.7% per annum of the average annual net assets from July 12, 2019 to June 30, 2020 (June 30, 2019: 0.4% per annum of the average annual net assets). This has been duly approved by the Board of Directors of the Management Company.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE	Note	2020	2019
			----- Rupees in '000 -----	
	Trustee fee payable	9.1	84	137
	Sindh sales tax payable on Trustee fee	9.2	11	18
			<u>95</u>	<u>155</u>



2020		2019
Net assets (Rs)	Fee	
- up to Rs 1 billion	0.17% per annum of net assets	0.065% per annum of net assets
-from Rs 1 billion to Rs 5 billion	Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1 billion	
- exceeding Rs 5 billion	Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5 billion million	

9.2 During the year, an amount of Rs 0.068 million (2019: 0.119 million) was charged on account of sales tax on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011 @ 13% (2019: 13%).

	Note	2020	2019
		-----Rupees in '000-----	
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable	10.1	<u>161</u>	<u>536</u>

10.1 In accordance with the NBFC Regulations, 2008, 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, revised the rate of annual fee (applicable to all categories of CISs) to 0.02% per annum of the average annual net assets of the Fund. Previously, the rate of annual fee applicable to income funds was 0.075% per annum of the average annual net assets. Accordingly, the Fund has charged SECP fee at the rate of 0.02% per annum of the average annual net assets during the current year.

	Note	2020	2019
		-----Rupees in '000-----	
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision against Sindh Workers' Welfare Fund	11.1	4,443	1,720
Auditors' remuneration		263	269
Brokerage payable		104	25
Dividend payable		-	25
Bank charges payable		24	70
Printing charges payable		67	46
Withholding tax payable		53	535
Capital gains tax payable		132	2,199
Legal and professional charges payable		97	31
		<u>5,183</u>	<u>4,920</u>

11.1 As a consequence of the 18th amendment to the Constitution of Pakistan, the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh in May 2015 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 has 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 had 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 (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. 0.0664 per unit (June 30, 2019: Re 0.0162 per unit).

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

13 NUMBER OF UNITS IN ISSUE	2020	2019
	----- Number -----	
Total units in issue at the beginning of the year	105,846,683	13,297,449
Units issued during the year	373,082,601	220,509,415
Less: units redeemed during the year	412,046,054	127,960,181
Total units in issue at the end of the year	<u>66,883,230</u>	<u>105,846,683</u>

14 AUDITORS' REMUNERATION	2020	2019
	-----Rupees in '000-----	
Annual audit fee	216	150
Half yearly review	86	60
Other certification	81	75
Out of pocket expenses	57	57
	<u>440</u>	<u>342</u>

15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2020 is 1.71% (June 30, 2019: 1.24%) which includes 0.41% (June 30, 2019: 0.32%) representing government levies on the Fund such as sales taxes, Sindh Workers' Welfare Fund, annual fee payable 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.

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 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 cash, no provision for taxation has been made in these financial statements during the year.

17 EARNINGS PER UNIT

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



18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 18.1** 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.
- 18.2** Transactions with connected persons / related parties 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. The transactions with connected persons / related parties are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 18.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 18.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 18.5** Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 18.6** Details of the transactions with related parties / connected persons during the year are as follows:

	2020	2019
	-----Rupees in '000-----	
NBP Fund Management Limited - the Management Company		
Management fee	2,508	3,798
Sindh sales tax on remuneration to Management Company	326	494
Selling and marketing expenses	5,405	115
Allocated expenses	805	714
Sales and transfer load during the year/period	2,346	70
Sindh sale tax on sale load	305	9
Units issued: Nil units (2019: 18,399,781 units)	-	195,020
Units redeemed: 9,842,418 units (2019: 17,142,830 units)	105,248	187,748
Dividend reinvestment units issued: Nil units (2019: 340,761 units)	-	3,514
National Bank of Pakistan - parent company		
Purchase of Market Treasury Bills	274,410	-
Purchase of Pakistan Investment Bonds	93,536	-
Profit on bank deposits	96	5
Key management personnel of the Management Company		
Units issued: 5,332,284 units (2019: 967 units)	55,576	10
Units redeemed: 5,331,584 units (2019: 965 units)	55,825	10
Dividend reinvestment units issued: 22,487 units (2019: 3,547 units)	232	37
NBP Mahana Amdani Fund		
Sale of Market Treasury Bills	82,978	-



	2020	2019
	-----Rupees in '000-----	
NBP Financial Sector Income Fund		
Purchase of Market Treasury Bills	179,430	-
NBP Income Opportunity Fund		
Purchase of Market Treasury Bills	44,946	-
Management Association of Pakistan - common directorship		
Units issued: Nil units (2019: 276,469 units)	-	2,970
Units redeemed: Nil units (2019: 276,469 units)	-	3,067
United Energy Pakistan Employees Gratuity Fund - unit holder with 10% or more holding		
Units issued: Nil units (2019: 16,983,022 units)	-	175,000
Units redeemed: 17,472,453 (2019: Nil units)	184,240	-
Dividend reinvestment: Nil units (2019: 489,431 units)	-	5,045
National Management Foundation - unit holder with 10% or more holding		
Units issued: Nil units (2019: 14,256,548 units)	-	147,165
Units redeemed: 14,111,693 (2019: 590,622 units)	148,802	6,509
Dividend reinvestment: Nil units (2019: 445,768 units)	-	4,595
Portfolio managed by the management company		
Units issued: 80,578 units (2019: 5,905,469 units)	874	62,314
Units redeemed: 4,555,752 units (2019: 2,008,876 units)	47,794	22,289
Dividend reinvestment: 16 units (2019: 56,122 units)	-	579
Purchase of Pakistan Investment Bonds	65,287	-
Sale of Pakistan Investment Bonds	8,271	-
Purchase of Market Treasury Bills	208,287	-
Khalid Mehmood - Chief Financial Officer		
Units issued: 47,774 units (2019: Nil units)	500	-
Century Insurance Company Limited - unit holder with 10% or more holding*		
Units issued: 7,874,627 units (2019: Nil units)	81,262	-
Dividend reinvestment: 159,158 units (2019: Nil units)	1,643	-
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration to the Trustee	524	914
Sindh sales tax on remuneration to Trustee	68	119
Pakistan Stock Exchange Limited - common directorship*		
Listing fee paid	25	-
BankIslami Pakistan Limited - common directorship		
Profit on bank deposits	105	2



	2020	2019
	-----Rupees in '000-----	
18.7 Amounts outstanding as at year end are as follows:		
NBP Fund Management Limited - the Management Company		
Management fee payable	175	555
Sindh sales tax payable on remuneration of the Management Company	23	72
Federal Excise Duty on remuneration of the Management Company	1,864	1,864
Federal Excise Duty on sales load	371	371
Sales and transfer load payable	2,307	201
Sindh sales tax on sales load payable	320	46
Allocated expenses payable	255	650
Selling and marketing expenses payable	1,786	-
Other payables	45	45
Units held: Nil units (2019: 9,842,418 units)	-	101,570
Key management personnel of the Management Company		
Units held: 154,960 units (2019: 34,717 units)	1,604	358
Central Depository Company of Pakistan Limited - the Trustee		
Trustee fee payable	84	137
Sindh sales tax payable on Trustee fee	11	18
Security deposit	102	102
Portfolio managed by the management company		
Units held: 232 units (2019: 4,006,065 units)	2	41,341
Khalid Mehmood - Chief Financial Officer		
Units held: 47,774 units (2019: Nil units)	494	-
National Management Foundation - unit holder with 10% or more holding**		
Units held: Nil units (2019: 14,111,693 units)	-	145,627
United Energy Pakistan Employees Gratuity Fund - unit holder with 10% or more holding**		
Units held: Nil units (2019: 17,472,453 units)	-	180,309
Century Insurance Company Limited - unit holder with 10% or more holding*		
Units held: 8,033,785 units (2019: Nil units)	83,142	-
National Bank of Pakistan - parent company		
Bank balance in savings account	393	449
Profit receivable	5	-
Summit Bank**		
Bank balance in current account	-	1,059
Bank Islami Pakistan Limited		
Bank balance in savings account	1,093	49
Profit receivable	29	-
* 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		
18.8 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.		



19 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Bank balances	214,955	-	214,955
Investments	-	527,289	527,289
Profit receivable	14,519	-	14,519
Receivable against issuance of units	345	-	345
Deposit, prepayment and other receivables	102	-	102
	<u>229,921</u>	<u>527,289</u>	<u>757,210</u>

----- 2020 -----		
At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----		
214,955	-	214,955
-	527,289	527,289
14,519	-	14,519
345	-	345
102	-	102
<u>229,921</u>	<u>527,289</u>	<u>757,210</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	7,146	-	7,146
Payable to Central Depository Company of Pakistan Limited - the Trustee	95	-	95
Payable against purchase of investments	52,638	-	52,638
Payable against redemption of units	744	-	744
Accrued expenses and other liabilities	555	-	555
	<u>61,178</u>	<u>-</u>	<u>61,178</u>

----- 2020 -----		
At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----		
7,146	-	7,146
95	-	95
52,638	-	52,638
744	-	744
555	-	555
<u>61,178</u>	<u>-</u>	<u>61,178</u>

Financial assets

Bank balances	861,816	-	861,816
Investments	-	736,275	736,275
Profit receivable	12,356	-	12,356
Deposit, prepayment and other receivables	102	-	102
	<u>874,274</u>	<u>736,275</u>	<u>1,610,549</u>

----- 2019 -----		
At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----		
861,816	-	861,816
-	736,275	736,275
12,356	-	12,356
102	-	102
<u>874,274</u>	<u>736,275</u>	<u>1,610,549</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	1,569	-	1,569
Payable to Central Depository Company of Pakistan Limited - the Trustee	155	-	155
Payable against purchase of investments	509,729	-	509,729
Accrued expenses and other liabilities	466	-	466
	<u>511,919</u>	<u>-</u>	<u>511,919</u>

----- 2019 -----		
At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----		
1,569	-	1,569
155	-	155
509,729	-	509,729
466	-	466
<u>511,919</u>	<u>-</u>	<u>511,919</u>



20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund 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 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.

20.1 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 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.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Yield / profit rate risk

Yield / 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 profit rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks, investment in Pakistan Investment Bonds and Market Treasury Bills. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds bank balances which expose the Fund to cash flow interest 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 for the year and net assets of the Fund would have been higher / lower by Rs 2.14 million (2019: Rs 8.61 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds Government securities and a term deposit receipt which expose the Fund to cash flow interest 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 for the year and net assets of the Fund would have been higher / lower by Rs. 5.27 million (2019: Rs. 7.36 million).

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 yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

Rupees in '000

Financial assets

Bank balances	4.5% - 15.5%	213,755	-	-	1,200	214,955
Investments	7.05% - 15.6%	35,000	58,540	433,749	-	527,289
Profit receivable		-	-	-	14,519	14,519
Receivable against issuance of units		-	-	-	345	345
Deposits, prepayments and other receivables		-	-	-	102	102
		248,755	58,540	433,749	16,166	757,210

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	7,146	7,146
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	95	95
Payable against purchase of investments		-	-	-	52,638	52,638
Payable against redemption of units		-	-	-	744	744
Accrued expenses and other liabilities		-	-	-	555	555
		-	-	-	61,178	61,178

On-balance sheet gap

	248,755	58,540	433,749	(45,012)	696,032
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Total profit rate sensitivity gap

	248,755	58,540	433,749
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Cumulative profit rate sensitivity gap

	248,755	307,295	741,044
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2019					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

Rupees in '000

Financial assets

Bank balances	3.75% - 14.5%	860,757	-	-	1,059	861,816
Investments	7.25% - 12.58%	509,729	-	226,546	-	736,275
Profit receivable		-	-	-	12,356	12,356
Deposits, prepayments and other receivables		-	-	-	102	102
		1,370,486	-	226,546	13,517	1,610,549

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	1,569	1,569
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	155	155
Payable against purchase of investments		-	-	-	509,729	509,729
Accrued expenses and other liabilities		-	-	-	466	466
		-	-	-	511,919	511,919

On-balance sheet gap

	1,370,486	-	226,546	(498,402)	1,098,630
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Total profit rate sensitivity gap

	1,370,486	-	226,546
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Cumulative profit rate sensitivity gap

	1,370,486	1,370,486	1,597,032
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(ii) 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) 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 profit 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 respectively.

20.2 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 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. 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, 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.

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 dates. However, the assets and liabilities that are receivable / payable on demand including bank balances 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	214,955	-	-	-	-	214,955
Investments	-	35,000	58,540	396,771	36,978	527,289
Profit receivable	14,519	-	-	-	-	14,519
Receivable against issuance of units	345	-	-	-	-	345
Deposit, prepayment and other receivables	102	-	-	-	-	102

214,955	-	-	-	-	-	214,955
-	35,000	58,540	396,771	36,978	-	527,289
14,519	-	-	-	-	-	14,519
345	-	-	-	-	-	345
102	-	-	-	-	-	102
229,921	35,000	58,540	396,771	36,978	-	757,210

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	7,146	-	-	-	-	7,146
Payable to Central Depository Company of Pakistan Limited - the Trustee	95	-	-	-	-	95
Payable against purchase of investments	52,638	-	-	-	-	52,638
Payable against redemption of units	744	-	-	-	-	744
Accrued expenses and other liabilities	292	263	-	-	-	555

7,146	-	-	-	-	-	7,146
95	-	-	-	-	-	95
52,638	-	-	-	-	-	52,638
744	-	-	-	-	-	744
292	263	-	-	-	-	555
60,915	263	-	-	-	-	61,178

Net assets

169,006	34,737	58,540	396,771	36,978	-	696,032
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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	861,816	-	-	-	-	861,816
Investments	-	509,729	-	226,546	-	736,275
Profit receivable	12,356	-	-	-	-	12,356
Deposits and other receivables	102	-	-	-	-	102

861,816	-	-	-	-	-	861,816
-	509,729	-	226,546	-	-	736,275
12,356	-	-	-	-	-	12,356
102	-	-	-	-	-	102
874,274	509,729	-	226,546	-	-	1,610,549

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	1,569	-	-	-	-	1,569
Payable to Central Depository Company of Pakistan Limited - the Trustee	155	-	-	-	-	155
Payable against purchase of investments	509,729	-	-	-	-	509,729
Accrued expenses and other liabilities	197	269	-	-	-	466

1,569	-	-	-	-	-	1,569
155	-	-	-	-	-	155
509,729	-	-	-	-	-	509,729
197	269	-	-	-	-	466
511,650	269	-	-	-	-	511,919

Net assets

362,624	509,460	-	226,546	-	-	1,098,630
----------------	----------------	----------	----------------	----------	----------	------------------



20.3 Credit risk

20.3.1 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	214,955	214,955	861,816	861,816
Investments	527,289	35,000	736,275	-
Profit receivable	14,519	2,623	12,356	3,725
Receivable against issuance of units	345	345	-	-
Deposits, prepayments and other receivables	102	102	102	102
	<u>757,210</u>	<u>253,025</u>	<u>1,610,549</u>	<u>865,643</u>

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 and its accrued profit, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

20.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks, profit accrued thereon, and investments. The credit rating profile of balances with banks and investments are as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	2.27	-
AA+	0.53	-
AA	-	-
AA-	5.30	0.37
A+	7.94	0.07
A	12.56	-
A-	-	0.09
BBB-	0.16	-
	<u>28.76</u>	<u>0.53</u>

21 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.



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:

----- As at June 30, 2020 -----				
	Level 1	Level 2	Level 3	Total
ASSETS	----- Rupees in '000 -----			
Financial assets 'at fair value through profit or loss'				
Market Treasury Bills	-	58,540	-	58,540
Pakistan Investment Bonds	-	433,749	-	433,749
Term deposit receipt*	-	35,000	-	35,000
	-	527,289	-	527,289

----- As at June 30, 2019 -----				
	Level 1	Level 2	Level 3	Total
ASSETS	----- Rupees in '000 -----			
Financial assets 'at fair value through profit or loss'				
Market Treasury Bills	-	509,729	-	509,729
Pakistan Investment Bonds	-	226,546	-	226,546
	-	736,275	-	736,275

* 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.

22 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.



In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

23 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	408	411,802	59.49	202	147,866	13.54
Insurance companies	1	83,142	12.01	-	-	-
Retirement funds	17	92,069	13.30	23	476,059	43.58
Others	11	105,160	15.19	23	366,802	33.58
Associated companies	-	-	-	1	101,570	9.30
	437	692,173	100	249	1,092,297	100

24 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
Invest One Markets Limited	48.19%	Invest One Markets Limited	60%
Bright Capital (Private) Limited	44.32%	Bright Capital (Private) Limited	40%
Vector Capital (Private) Limited	0.53%		
Continental Management (Private Limited)	0.38%		
Continental Exchange (Private Limited)	0.38%		
Icon Capital Management (Private) Limited	5.84%		
Optimus Markets (Private) Limited	0.38%		

24.1 The Fund has traded with only the above mentioned seven brokers / dealers during the year ended June 30, 2020 (2019: two brokers / dealers).

25 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



26 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, NGSLF, NGSF I, NIOF, NIDDF, NIMAF, NIMMF, NBP - ISF, NMAF, NMMF, NRFSF, NBP - SF

27 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	-	-

27.1 Mr. Saad ur Rahman Khan was appointed as director on the Board with effect from October 04, 2019.

27.2 Syed Hasan Irtiza Kazmi was appointed as director on the Board with effect from October 04, 2019.

27.3 Mr. Nasir Husain retired from the Board with effect from October 04, 2019.

27.4 Mr. Abdul Hadi Palekar retired from the Board with effect from October 04, 2019.

27.5 Mr. Kamal Amir Chinoy retired from the Board with effect from October 04, 2019.

27.6 Mr. Khalid Mansoor was appointed as director on the Board with effect from October 04, 2019.

27.7 Mr. Shehryar Faruque retired from the Board with effect from October 04, 2019.

27.8 Mr. Saad Amanullah Khan was appointed as director on the Board with effect from October 04, 2019.

28 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.



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.

30 GENERAL

Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

30.1 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) 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;
- c) 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;
- d) 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.

30.2 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.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	For the Period ended June 30, 2020	For the Period ended June 30, 2019	For the Period ended June 30, 2018	For the Period ended June 30, 2017	For the Period ended June 30, 2016	For the period from July 10, 2014 to June 30, 2015
Net assets (Rs. '000')	692,173	1,092,297	143,889	107,761	303,909	545,763
Net Income / (loss) (Rs. '000')	133,433	57,364	7,384	5,983	13,852	79,310
Net Asset Value per units (Rs.)	10.3490	10.3196	10.8208	10.3042	10.2882	11.3972
Offer price per unit	10.4659	10.4362	10.9431	10.4206	10.4243	11.5492
Redemption price per unit	10.3490	10.3196	10.8208	10.3042	10.2882	11.3972
Ex - Highest offer price per unit (Rs.)	10.4976	10.4362		10.4230	10.4243	10.4859
Ex - Lowest offer price per unit (Rs.)	8.5399	9.6886		9.8660	9.7948	9.1493
Ex - Highest redemption price per unit (Rs.)	10.3803	10.3196		10.3065	10.2882	10.3479
Ex - Lowest redemption price per unit (Rs.)	8.5399	9.5770		9.7451	9.6645	9.0289
Fiscal Year Opening Ex Nav	8.5372	9.5704		9.7438	9.6627	9.0276
Total return of the fund	21.16%	7.83%		5.75%	6.47%	13.97%
Capital growth	1.78%	0.16%		-0.15%	-0.01%	1.67%
Income distribution as a % of e x nav	19.38%	7.67%	5.01%	5.90%	6.48%	12.30%
Income distribution as a % of par value	20.00%	7.91%	5.16%	5.75%	6.67%	11.10%
Interim distribution per unit	2.0001			0.5748	0.6667	-
Final distribution per unit		0.7905	0.5162	-	-	1.1104
Distribution dates						
Interim	29-Oct-19			21-Jun-17	30-Jun-16	-
Interim	28-Nov-19					
Interim	27-Dec-19					
Interim	28-Jan-20					
Interim	27-Feb-20					
Interim	27-Mar-20					
Interim	29-Apr-20					
Interim	29-May-20					
Final		26-Jun-19	4-Jul-18	-	-	14-Jul-15
Average annual return (launch date 10-07-14)						
(Since inception to June 30, 2020)	9.93%					
(Since inception to June 30, 2019)		7.80%				
(Since inception to June 30, 2017)				8.74%		
(Since inception to June 30, 2016)					10.29%	
(Since inception to June 30, 2015)						14.40%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	662 Days	146 Days	13 Days	5 Days	160 Days	82 Days

"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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NBP FUNDS

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AM1
Rated by PACRA

NBP FINANCIAL SECTOR INCOME 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

MCB Bank Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
Habib Bank Limited
United Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Askari Bank Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
Sindh Bank Limited
National Bank of Pakistan



Samba Bank Limited
Zarai Taraqiati Bank Limited
MCB Islamic Bank Limited
Faysal Bank Limited
The Bank of Punjab
Albaraka Bank of Pakistan
Bank Islami Pakistan Limited
U Microfinance Bank Limited
Telenor Microfinance Bank Limited
Khushali Microfinance Bank Limited
The First Microfinance Bank Limited
Mobilink Micro Finance Bank Limited

Auditors

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

Legal Advisor

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

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Scheme No. 5, Clifton Karachi.
UAN: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpfunds.com

Lahore Office:

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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
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

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 Ninth Annual Report of **NBP Financial Sector Income** Fund for the year ended June 30, 2020.

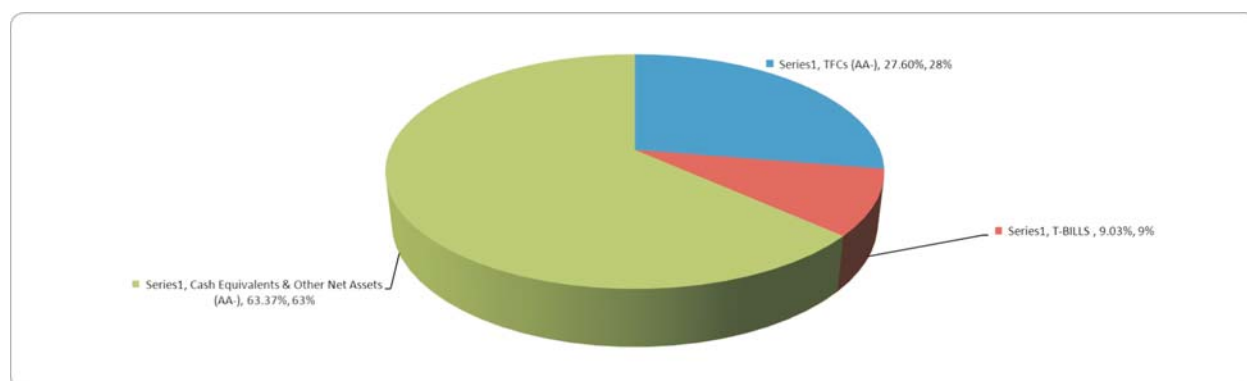
Fund's Performance

The size of NBP Financial Sector Income Fund increased significantly by 121% from Rs. 4,179 million to Rs. 9,238 million. However, during the period, the unit price of the Fund has increased from Rs. 9.2764 (Ex-Div) on June 30, 2019 to Rs. 10.5282 on June 30, 2020 thus posting a return of 13.5% 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 unique as it invests a minimum of 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity/instrument rating of debt securities are AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

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.1,235 million during the year. After deducting total expenses of Rs. 179 million, the net income is Rs. 1,056 million. The asset allocation of NBP Financial Sector Income 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 13.32% of the opening ex-NAV (14.01% 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, 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 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 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 NBP فنانشل سیکٹورل انکم فنڈ کی نویں سالانہ رپورٹ برائے ختمہ سال 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

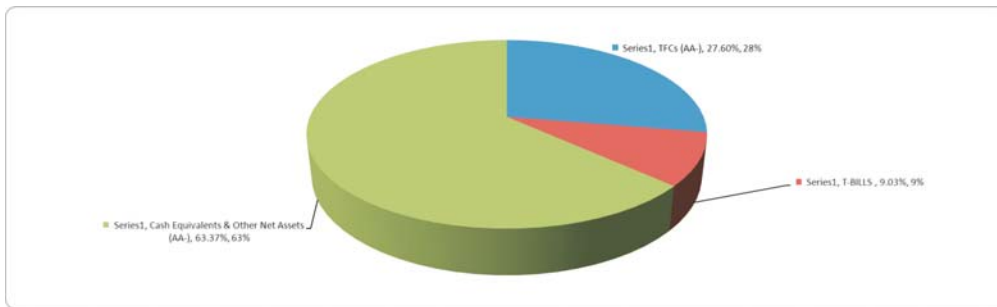
NBP فنانشل سیکٹورل انکم فنڈ کا سا سز اس مدت کے دوران خاطر خواہ %121 اضافہ کے بعد 4,179 ملین روپے سے بڑھ کر 9,238 ملین روپے ہو گیا۔ تاہم، زیر جائزہ مدت کے دوران، فنڈ کی پونٹ قیمت 30 جون 2019 کو 9.2764 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 10.5282 روپے ہو چکی ہے، لہذا فنڈ نے گزشتہ اسی مدت کے دوران %12.2 بیچ مارک منافع کے مقابلے میں %13.5 کا منافع دیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد حاصل ہے۔

فنڈ ایک منفرد ہے کیونکہ یہ اپنے اثاثوں کا کم از کم 70 فیصد مالیاتی شعبے (بنیادی بینکوں) ڈیٹ سیکورٹیز میں، انشرومنٹ یا ڈیپازٹس کے طور پر میں سرمایہ کاری کرتا ہے۔ ڈیٹ سیکورٹیز کی کم از کم اسٹیٹی / انشرومنٹ ریٹنگ AA- ہے۔ یہ کریڈٹ رسک کو کم کرتا ہے اور ساتھ ہی فنڈ کی لیکویڈٹی میں بھی اضافہ کرتا ہے۔ فنڈ کی مدت ایک سال سے زیادہ نہیں ہو سکتی ہے۔ اس سے سود کی شرح یا قیمتوں کا خطرہ کم ہو جاتا ہے۔ فنڈ اپنے 25 فیصد اثاثوں کو بینکوں کے ہاں 90 دن سے کم ٹی بلوں میں یا سیونگ اکاؤنٹ میں سرمایہ کاری کرتا ہے، جس سے فنڈ کی لیکویڈٹی پر وفاکل میں مزید اضافہ ہوتا ہے۔

مالی سال 2020 کے دوران، TFCs / سلوک میں تجارتی سرگرمی مالی سال 2019 میں 16 ملین روپے کے مقابلے میں مالی سال 2020 کے دوران 87 فیصد اضافے کے ساتھ تقریباً 29 ملین 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) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لینی 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 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 625bps سے کم کر دیا۔ معیشت کو ورنو اور وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مائیکرو 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 ملین روپے جمع کئے۔

فنڈ نے سال کے دوران 1,235 ملین روپے کی کل آمدنی کمائی ہے۔ 179 ملین روپے کے اخراجات کے منہا کرنے کے بعد، خالص آمدنی 1,056 ملین روپے ہے۔

30 جون 2020 کے مطابق NBP فنانشل سیکٹورل انکم فنڈ کی ایسٹ ایلویشن حسب ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام پر اویڈنگ ex-NAV کا %13.32 (بنیادی قدر کا %14.01) عبوری ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد ڈیویڈنڈ 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 سے زیادہ 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 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 پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1 بیجمنٹ 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 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 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 ٹیمپل / 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 بیجمنٹ 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 پیٹرن مالیاتی گوشواروں کے نوٹ 24 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 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 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
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 (چیئر مین) 2 جناب سعد الرحمان خان 3 سید حسن ارتضیٰ کاظمی 4 جناب علی سیگل 5 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز



اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اینجمنٹ 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 NBP Financial Sector Income 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 Financial Sector Income Fund

NBP Financial Sector Income Fund (NFSIF) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Financial Sector Income Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.

Benchmark

6-Month KIBOR.

Fund Performance Review

This is the Ninth Annual report since the launch of the Fund on October 28, 2011. The Fund size significantly increased by 121% during FY20 and stands at Rs. 9,238 million as of June 30, 2020. During FY20 the Fund posted a return of 13.5% versus the benchmark return of 12.2%. The Fund's return since inception is 9.2% p.a. During the same period, the benchmark return has been 8.6% p.a. This translates into outperformance of 0.6% p.a. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its investment objectives.

The Fund is unique as it invests a minimum of 70% of its assets in the financial sector (mainly banks) debt securities, instruments, or deposits. The minimum entity/instrument rating of debt securities is AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. The duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

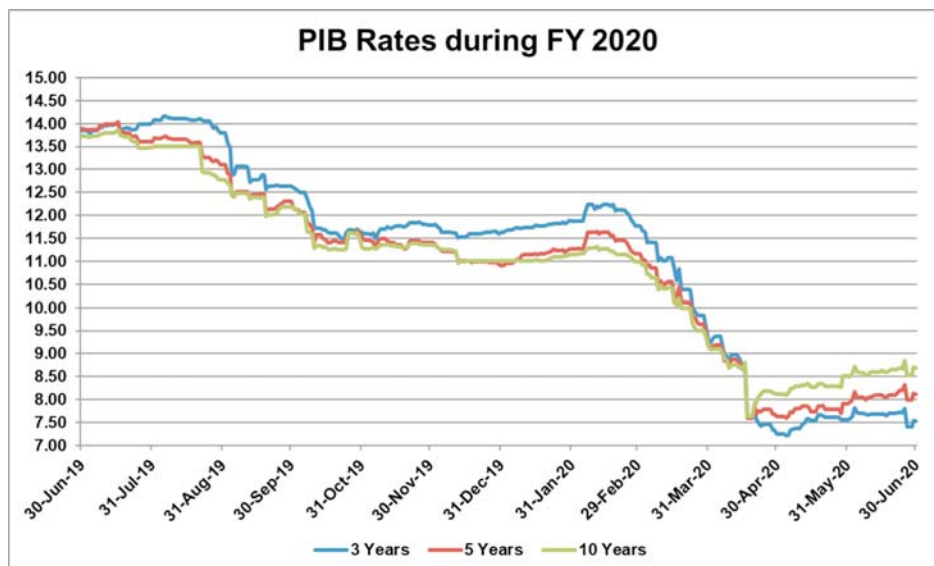
During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building 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
TFCs	27.60%	12.97%
Commercial Paper	0.00%	8.32%
T-bills	9.03%	0.00%
Cash (Cash Equivalents) & Other Assets	63.37%	78.71%
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
. Interim	14.01%	1.4007	10.5124

Unit Holding Pattern of NBP Financial Sector Income Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	218
1-1000	892
1001-5000	292
5001-10000	223
10001-50000	815
50001-100000	445
100001-500000	707
500001-1000000	131
1000001-5000000	87
5000001-10000000	7
10000001-100000000	5
100000001-1000000000	2
Total	3824

During the period under question:

There has been no significant change in the state of affairs of the Fund. NBP Financial Sector Income 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. 32.616 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0372. For details, investors are advised to read note 13.1 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 Financial Sector Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **NBP Financial Sector Income 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: 30 September, 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	6,844,509	3,303,901
Investments	6	3,384,071	889,708
Profit receivables	7	101,295	60,850
Receivables from funds under management by Management Company against conversion of units		91,398	-
Advance, deposit and prepayment	8	590	570
Total assets		10,421,863	4,255,029
Liabilities			
Payable to NBP Fund Management Limited - Management Company	9	36,541	17,699
Payable to Central Depository Company of Pakistan Limited - Trustee	10	698	460
Payable to Securities and Exchange Commission of Pakistan	11	1,672	2,722
Payable against redemption of units	12	147,006	80
Payable against purchase of investments		833,945	-
Accrued expenses and other liabilities	13	163,656	55,135
Total liabilities		1,183,518	76,096
Net assets		9,238,345	4,178,933
Unit holders' fund (as per statement attached)		9,238,345	4,178,933
Contingency and commitment	14		
(Number of units)			
Number of units in issue	15	877,488,440	397,524,703
(Rupees)			
Net assets value per unit		10.5282	10.5124

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			
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - net		48,265	(421)
Income from term deposit receipts		-	48,129
Income from term finance certificates and commercial papers		288,517	75,886
Income from government securities		58,389	-
Profit on bank deposits		840,220	276,180
Net unrealised diminution on re-measurement of investments at FVTPL		(546)	(2,363)
Total income		1,234,845	397,411
Expenses			
Remuneration to NBP Fund Management Limited - Management Company	9.1	69,772	27,477
Sindh Sales Tax on remuneration to Management Company	9.2	9,070	3,572
Remuneration of Central Depository Company to Pakistan Limited - Trustee	10.1	6,269	3,935
Sindh Sales Tax on remuneration to Trustee	10.2	815	512
Selling and marketing expenses	9.3	58,105	12,596
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	8,359	3,629
Annual fee - Securities and Exchange Commission of Pakistan		1,672	2,722
Settlement and bank charges		1,494	792
Auditors' remuneration	16	880	686
Mutual fund rating fee		420	385
Securities transaction cost		137	55
Legal and professional charges		62	50
Annual listing fee		28	28
Other charges		48	32
Total expenses		157,131	56,471
Net income from operating activities		1,077,714	340,940
Provision for Sindh Workers' Welfare Fund	13.1	(21,554)	(6,819)
Net income for the year before taxation		1,056,160	334,121
Taxation	17	-	-
Net income for the year		1,056,160	334,121
Allocation of net income for the year			
Net income for the year		1,056,160	334,121
Income already paid on units redeemed		(561,687)	(107,620)
		494,473	226,501
Accounting income available for distribution:			
- Relating to capital gains		22,824	-
- Excluding capital gains		471,649	226,501
		494,473	226,501

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

	2020 (Rupees in '000)	2019
Net income for the year	1,056,160	334,121
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>1,056,160</u></u>	<u><u>334,121</u></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

Notes	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	4,069,622	109,311	4,178,933	2,175,702	179,207	2,354,909
Issue of 2,203,745,876 units (2019: 766,227,957 units)						
- Capital value	23,167,163	-	23,167,163	8,040,720	-	8,040,720
- Element of income	1,315,964	-	1,315,964	180,019	-	180,019
Total proceeds on issuance of units	24,483,127	-	24,483,127	8,220,739	-	8,220,739
Redemption of 1,723,782,139 units (2019: 580,383,428 units)						
- Capital value	(18,121,087)	-	(18,121,087)	(6,090,569)	-	(6,090,569)
- Element of loss	(761,386)	(561,687)	(1,323,073)	(76,900)	(107,620)	(184,520)
Total payments on redemption of units	(18,882,473)	(561,687)	(19,444,160)	(6,167,469)	(107,620)	(6,275,089)
Final Distribution for the year ended 30 June 2018	15.2					
- Cash distribution	-	-	-	-	(77,157)	(77,157)
- Refund of capital	-	-	-	(56,392)	-	(56,392)
	-	-	-	(56,392)	(77,157)	(133,549)
Interim Distribution for the year ended 30 June 2020	15.3					
- Cash distribution	-	(481,324)	(481,324)	-	(219,240)	(219,240)
- Refund of capital	(554,391)	-	(554,391)	(102,958)	-	(102,958)
	(554,391)	(481,324)	(1,035,715)	(102,958)	(219,240)	(322,198)
Total comprehensive income for the year	-	1,056,160	1,056,160	-	334,121	334,121
Net assets at end of the year	9,115,885	122,460	9,238,345	4,069,622	109,311	4,178,933
Undistributed income brought forward						
- Realised		111,674			175,373	
- Unrealised		(2,363)			3,834	
		109,311			179,207	
Accounting income available for distribution:						
- Relating to capital gains		22,824			-	
- Excluding capital gains		471,649			226,501	
		494,473			226,501	
Final Distribution for the year ended 30 June 2018	15.2					
- Cash distribution		-			(77,157)	
Interim Distribution for the year ended 30 June 2020	15.3					
- Cash distribution		(481,324)			(219,240)	
Undistributed income carried forward		122,460			109,311	
Undistributed income carried forward						
- Realised		123,006			111,674	
- Unrealised		(546)			(2,363)	
		122,460			109,311	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			10.5124			11.1248
Net assets value per unit at end of the year			10.5282			10.5124

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 FROM OPERATING ACTIVITIES			
Net income for the year		1,056,160	334,121
Adjustments:			
Net unrealised diminution on re-measurement of investments at FVTPL		546	2,363
		<u>1,056,706</u>	<u>336,484</u>
(Increase) / decrease in assets			
Investments		(2,494,909)	103,535
Profit receivables		(40,445)	(50,237)
Advance, deposit and prepayment		(20)	(202)
		<u>(2,535,374)</u>	<u>53,096</u>
Increase / (decrease) in assets			
Payable to NBP Fund Management Limited - Management Company		18,842	13,932
Payable to Central Depository Company of Pakistan Limited - Trustee		238	179
Payable to Securities and Exchange Commission of Pakistan		(1,050)	1,228
Payable against purchase of investment		833,945	(223,657)
Accrued expenses and other liabilities		108,521	31,217
		<u>960,496</u>	<u>(177,101)</u>
Net cash (used in) / generated from operating activities		<u>(518,172)</u>	<u>212,479</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received against issuance of units	18	23,837,338	7,777,494
Payment against redemption of units		(19,297,234)	(6,275,334)
Distribution paid		(481,324)	(12,502)
Net cash from financing activities		<u>4,058,780</u>	<u>1,489,658</u>
Net increase in cash and cash equivalents		<u>3,540,608</u>	<u>1,702,137</u>
Cash and cash equivalents at beginning of the year		3,303,901	1,601,764
Cash and cash equivalents at end of the year	5	<u><u>6,844,509</u></u>	<u><u>3,303,901</u></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



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 Financial Sector Income Fund [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 28 July 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 11 July 2011 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 Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund classified as an "income 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 income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'A+(f)' to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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 fair value.



2.3 Functional and presentation currency

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

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) Provision (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 crystallise. 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 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 accounting 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:

- 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 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 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:

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.

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 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 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.

4.2.8 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 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 amount of 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 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.

4.9 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 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take 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.
- Income on purchase of Term Finance Certificate is recognised on an accrual basis to income statement.
- Profit on bank deposits, term deposit receipts and commercial papers is recognised using the accrual method.

4.11 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		6,698	2,771
	In savings accounts	5.1 & 5.2	6,837,811	3,301,130
			<u>6,844,509</u>	<u>3,303,901</u>

5.1 These accounts carry profit at the rates ranging from 6.5% to 15.5% (30 June 2019: 3.75% to 14.00%) per annum.

5.2 These includes cheques amounting to Rs. 181.107 million (2019: Rs. 29.932 million) received on account of issuance of units and cheques amounting to Rs. Nil (2018: Rs. 21.958 million) issued on account of redemption 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'			
	Term finance certificates - listed	6.1	1,860,465	100,804
	Term finance certificates - unlisted	6.2	689,522	441,272
	Commercial Paper	6.3	-	347,632
	Treasury Bills	6.4	834,084	-
			<u>3,384,071</u>	<u>889,708</u>

6.1 Term finance certificates - listed

Name of the investee company	As at 01 July 2019	Purchases during the year	Sales / matured during the year	As at 30 June 2020	Market value/ Carrying value as at 30 June 2020	Market value/ carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	----- (Number of certificates) -----				(Rupees in '000)	----- (%) -----	
Bank Al Falah V	501	32,550	33,051	-	-	-	-
JS Bank Limited	-	1,150	-	1,150	100,708	1.09	2.98
Habib Bank Limited	1,000	1,000	-	2,000	193,377	2.09	5.71
Hub power company Limited	-	2,416	-	2,416	241,600	2.62	7.14
KE sukuk	-	98,460	-	98,460	492,300	5.33	14.55
Hub power company Limited - Sukuk	-	8,150	-	8,150	832,480	9.01	24.60
	<u>1,501</u>	<u>143,726</u>	<u>33,051</u>	<u>112,176</u>	<u>1,860,465</u>	<u>20.14</u>	<u>54.98</u>

6.2 Term finance certificates - unlisted

JS Bank Limited	23,400	-	-	23,400	114,657	1.24	3.39
Jahangir Siddiqui and Company Ltd.	4,000	8,000	-	12,000	14,772	0.16	0.44
Jahangir Siddiqui and Company Ltd.	23,340	4,660	-	28,000	85,535	0.93	2.53
Jahangir Siddiqui and Company Ltd.	32,800	-	-	32,800	162,688	1.76	4.81
Askari Commercial Bank	-	7,400	-	7,400	34,709	0.38	1.03
Askari Commercial Bank	-	233	-	233	233,000	2.52	6.89
Bank of Punjab	500	-	-	500	44,161	0.48	1.30
	<u>84,040</u>	<u>20,293</u>	<u>-</u>	<u>104,333</u>	<u>689,522</u>	<u>7.46</u>	<u>20.38</u>



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

Name of securities	Number of certificates	Repayment frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Secured							
Listed term finance certificates							
JS Bank Limited	1,150	Semi Annually	99,900	6-months KIBOR + 1.40%	29 December 2017	29 December 2024	A+
Habib Bank Limited	2,000	Semi Annually	99,840	6-months KIBOR + 0.5%	19 February 2016	19 February 2026	AAA
Hub Power Company Limited	2,416	Semi Annually	100,000	6-months KIBOR + 1.95%	19 March 2020	19 March 2024	AA+
KE-Sukuks	98,460	Quarterly	5,000	3-months KIBOR + 1.70%	27 December 2019	27 December 2026	AA
Hub power company Limited - Sukuk	8,150	Quarterly	100,000	3-months KIBOR + 1.9%	22 August 2019	22 August 2023	AA+
Unlisted term finance certificates							
JS Bank Limited	23,400	Semi Annually	4,993	6-months KIBOR + 1.40%	14 December 2016	14 December 2023	A+
Jahangir Siddiqui and Company Limited	12,000	Semi Annually	1,250	6-months KIBOR + 1.65%	24 June 2016	24 June 2021	AA+
Jahangir Siddiqui and Company Limited	28,000	Semi Annually	3,125	6-months KIBOR + 1.40%	18 July 2017	18 July 2022	AA+
Jahangir Siddiqui and Company Limited	32,800	Semi Annually	5,000	6-months KIBOR + 1.40%	06 March 2018	06 March 2023	AA+
Bank of Punjab Limited	500	Semi Annually	99,920	6-months KIBOR + 1.25%	23 April 2018	23 April 2028	AA-
Askari Commercial Bank	7,400	Semi Annually	4,989	6-months KIBOR + 1.20%	30 September 2014	30 September 2024	AA-
Askari Commercial Bank	233	Quarterly	1,000,000	3-months KIBOR + 1.28%	17 March 2020	17 March 2030	AA-

6.3 Investment in Commercial Paper

Name of Issuer	Maturity date	Face value				Carrying value as at 30 June 2020	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
		As at 01 July 2019	Purchases during the year	Sales / matured during the year	As at 30 June 2020			
----- (Rupees in '000) -----								
The HUB Power Company Ltd.	22 July 2019	339,852	-	339,852	-	-	-	-

6.4 Investments in government securities

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 01 July 2019	Purchases during the year	Sales / matured during the year	As at 30 June 2020			
----- (Rupees in '000) -----								
Market Treasury Bills								
10 October 2019	3 Months	-	617,250	617,250	-	-	-	-
24 October 2019	3 Months	-	51,880	51,880	-	-	-	-
07 November 2019	3 Months	-	500,000	500,000	-	-	-	-
05 December 2019	3 Months	-	950,000	950,000	-	-	-	-
27 February 2020	3 Months	-	750,000	500,000	250,000	239,013	2.59	7.06
12 March 2020	3 Months	-	750,000	500,000	250,000	238,396	2.58	7.04
26 March 2020	3 Months	-	750,000	375,000	375,000	356,675	3.86	10.54
		-	4,369,130	3,494,130	875,000	834,084	9.03	24.65

7 PROFIT RECEIVABLES

	Note	2020	2019
(Rupees in '000)			
Profit receivables on savings accounts		54,618	41,274
Accrued Markup on Term deposit receipts		-	1,424
Accrued Markup on Term finance certificates		46,677	18,152
		101,295	60,850



8	ADVANCE, DEPOSIT AND PREPAYMENT	Note	2020	2019
			(Rupees in '000)	
	Advance tax	8.1	268	268
	Security deposit		100	100
	Prepaid Mutual Fund Rating fee		222	202
			590	570

- 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. 0.268 million (2019: Rs. 0.268 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	2019
			(Rupees in '000)	
	Management remuneration	9.1	5,827	3,465
	Sindh Sales Tax on Management remuneration	9.2	758	450
	Sales load and transfer load		8,310	2,954
	Sindh Sales Tax on sales and transfer load		1,080	384
	Selling and marketing expenses	9.3	17,848	8,222
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	2,549	2,055
	Other expenses		169	169
			36,541	17,699

- 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 7% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets of the Fund till 11 July 2019 and with effect from 12 July 2019, the Management Company has revised its remuneration to the rate of 6% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets.



- 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 from 0.4 % per annum of average net assets of the Fund to 0.7 % per annum of average net assets of the Fund or actual expenses whichever is lower and accordingly selling and marketing expense has been charge d from 12 July 2019 at the rate of 0.7 % per annum of average net assets of the Fund or actual 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

	Note	2020 (Rupees in '000)	2019
Trustee remuneration	10.1	618	407
Sindh Sales Tax on Trustee remuneration	10.2	80	53
		<u>698</u>	<u>460</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	Rs. 0.6 million or 0.17% p.a of net assets whichever is higher
Rs 1,000 million to 5,000 million	Rs.1.7 million plus 0.085% p.a. of net assets exceeding Rs. 1,000 million
Over Rs 5,000 million	Rs.5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5,000 million

With effective from 1 July 2019 the Trustee has revised its remuneration and charged remuneration at the rate of 0.075% 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 1 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 Income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan. An amount equal to 0.075% 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 fee rate to 0.02% per annum of the average net assets of the Fund. The fee is paid annually in arrears.



12 PAYABLE AGAINST REDEMPTION OF UNITS

This includes an amount of Rs. 71.183 million, Rs. 71.436 million and Rs. 0.412 million payable on account of conversion of units from NBP Money Market Fund, NBP Mahana Amdani Fund and NBP Stock Fund respective to the Fund.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 (Rupees in '000)	2019
Provision for Sindh Workers' Welfare Fund	13.1	32,616	11,062
Federal Excise Duty on remuneration to Management Company	13.2	14,947	14,947
Federal Excise Duty on sales and transfer load		467	467
Auditors' remuneration		664	516
Printing charges		36	65
Bank and CDC charges		171	50
Withholding tax		74,467	16,867
Capital gain tax		39,218	10,136
Legal and professional charges		60	20
Brokerage		10	5
Others		1,000	1,000
		163,656	55,135

13.1 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. 17.975 million and a provision for SWWF of Rs. 1.542 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. 0.0372 per unit (30 June 2019: Rs 0.0278).



- 13.2** 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 inter alia 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. 16.443 million out of which Rs. 1.496 million have been paid to the Management Company (30 June 2019: Rs. 1.496 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0170 (30 June 2019: Rs.0.0338) per unit.

14 CONTINGENCY AND COMMITMENT

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

15 NUMBER OF UNITS IN ISSUE

	2020	2019
	(Number of units)	
Total units in issue at beginning of the year	397,524,703	211,680,174
Add: units issued against		
- Sale	15.1	756,412,249
- Refund of capital at zero value	15.2 & 15.3	9,815,708
	2,203,745,876	766,227,957
Less: Units redeemed	(1,723,782,139)	(580,383,428)
Total units in issue at end of the year	877,488,440	397,524,703

- 15.1** This includes 37,240,348 units (2019: 23,667,654 units) issued against Dividend Reinvestment Plan amounting to Rs. 391,700,030 (2019: Rs. 248,402,825), net of taxation.
- 15.2** The Management Company on 04 July 2018 declared final distribution of Rs. 0.6309 per unit (for full year) for the year ended 30 June 2018. The aggregate cash distribution amounted to Rs. 77.157 million was in addition to refund of capital / element of income by issuing 5,373,785 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.
- 15.3** The Management Company on 26 June 2020 (2019: 21 December 2018 and 24 June 2019) declared interim distribution amounted to Rs. 1.4007 per unit (2019: Rs. 0.7329 per unit and Rs. 0.5422 per unit) [for full period] for the year ended 30 June 2020. The aggregate cash distribution is Rs. 481.324 million (2019: Rs. 81.568 million and 137.672) million was in addition to refund of capital / element of income by issuing 52,688,854 (2019: 2,851,188 and Rs. 6,964,520) additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.



16 AUDITORS' REMUNERATION

	2020	2019
	(Rupees in '000)	
Annual audit fee	590	375
Half yearly review	174	167
Out of pocket expenses and others including government levy	116	144
	<u>880</u>	<u>686</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 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 4.11, 15.2 and 15.3), no provision for taxation has been made in these financial statements.

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	-	80	-	80
Receivable against issuance of units	23,928,736	-	-	(23,928,736)
Payable against redemption of units	-	19,444,160	-	19,444,160
Dividend Payable	-	-	481,324	481,324
	23,928,736	19,444,160	481,324	(4,003,252)
Amount received on issuance of units	(23,445,638)	-	-	23,445,638
Amount paid on redemption of units	-	(19,297,234)	-	(19,297,234)
Dividend reinvested	(391,700)	-	(464,076)	(72,376)
Dividend paid	-	-	(17,248)	(17,248)
	(23,837,338)	(19,297,234)	(481,324)	4,058,780
Balance as at 30 June 2020	<u>91,398</u>	<u>147,006</u>	<u>-</u>	<u>55,608</u>

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 2.13% per annum. Total expense ratio (excluding government levies) is 1.74% per annum.



20 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020		
	Amortised Cost	At Fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	6,844,509	-	6,844,509
Investments	-	3,384,071	3,384,071
Profit receivable	101,295	-	101,295
Receivables from funds under management by Management Company against conversion of units	91,398	-	91,398
	100	-	100
	<u>7,037,302</u>	<u>3,384,071</u>	<u>10,421,373</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	-	36,541	36,541
Payable to Central Depository Company of Pakistan Limited - Trustee	-	698	698
Payable against redemption of units	-	147,006	147,006
Payable against purchase of investment	-	833,945	833,945
Accrued expenses and other liabilities	-	1,941	1,941
	-	<u>1,020,131</u>	<u>1,020,131</u>
	30 June 2019		
	Amortised Cost	Mandatorily at fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	3,303,901	-	3,303,901
Investments	-	889,708	889,708
Profit receivable	60,850	-	60,850
Security deposit	100	-	100
	<u>3,364,851</u>	<u>889,708</u>	<u>4,254,559</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	-	17,699	17,699
Payable to Central Depository Company of Pakistan Limited -Trustee	-	460	460
Payable against redemption of units	-	80	80
Accrued expenses and other liabilities	-	1,656	1,656
	-	<u>19,895</u>	<u>19,895</u>



21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

21.1 Connected persons include NBP Fund Management Limited being the Management Company, 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, 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 ten percent or more units of the Fund.

21.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with 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		
Remuneration of the Management Company	69,772	27,477
Sindh Sales Tax on management remuneration	9,070	3,572
Sales load and transfer load	13,265	5,180
Selling and marketing expenses	58,105	12,596
Allocation of expenses related to registrar services, accounting, operation and valuation services	8,359	3,629
Divided re-invested: Nil units (2019: 7,932 units)	-	83
Units issued: 17,367,912 units (2019: 31,042,023 units)	188,467	336,456
Units redeemed: 24,177,674 units (2019: 24,240,193 units)	263,527	266,586
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	6,269	3,935
Sindh Sales Tax on Trustee remuneration	815	512
National Bank of Pakistan - Sponsor		
Profit earned	757	119
Hub Power Company Limited		
Purchase of Term Finance Certificate	410,000	-
Purchase of Sukuk	241,600	-
Interest income on term finance certificate earned	9,588	-
Interest income on sukuk earned	104,254	-
Bank Islami Pakistan Limited		
Profit earned	192	342



	2020	2019
	(Rupees in '000)	
Employees of NAFA - EMPLOYEE		
Dividend Re-invest Units Issued (315,592)	3,319	-
Units Issued / Transferred In (28,068,485)	308,036	-
Units Redeemed / Transferred Out (23,215,047)	262,221	-
Fauji Fertilizer Company Ltd - Related Party		
Units Issued: 447,533,748 units	4,907,936	-
Units Redeemed: 447,533,748 units	5,023,377	-
Aftab Hussain - Related Party		
Dividend Re-invest Units Issued: 22,374 units	235	-
Units Issued: 352 units	4	-
Potential Engineers Staff Provident Fund Trust - Related Party		
Units Redeemed: 1,557,627 units	16,688	-
Barret Hudgson Pakistan Private limited		
Units issued: Nil units (2019: 9,119,262 units)	-	100,000
Dividend re-invested Nil units (2019: 4,941,519 units)	-	45,183
Employees of the Management Company		
Dividend re-invested: Nil units (2019: 45,184 units)	-	474
Units issued: Nil units (2019: 5,986,466 units)	-	63,723
Units redeemed: Nil units (2019: 4,427,789 units)	-	47,968
Muhammad Murtaza Ali - Company Secretary/COO		
Dividend re-invested: Nil units (2019: 1,678 units)	-	18
Units issued: 838 units (2019: 190,587 units)	9	2,000
Units redeemed: 193,103 units (2019: Nil units)	2,079	-
Pak American Fertilizers Limited - Provident Fund Trust		
Dividend re-invested: Nil units (2019: 536 units)	-	6
Units issued: 591,375 units (2018: 57,095 units)	6,241	599
Units redeemed: 649,005 units (2019: Nil units)	6,997	-
National Clearing Company of Pakistan		
Dividend re-invested: 544,211 units (2019: Nil units)	5,724	
Units issued: Nil units (2019: 9,383,184 units)	-	100,452
Units redeemed: Nil units (2019: 4,575,445 units)	-	50,603



	2020	2019
	(Rupees in '000)	
Shabnam Jabbar		
Units issued: Nil units (2019: 1,858,811 units)	-	20,000
Units redeemed: Nil units (2019: 1,858,811 units)	-	20,023
Askari Commercial Bank		
Profit earned	-	116
NBP Government Securities Saving Fund		
Sale of Treasury Bill	179,430	-
NBP Savings Fund		
Purchase of Term Finance Certificate	75,485	-
NBP Islamic Money Market Fund		
Sale of Commercial Paper	305,515	-
NBP Islamic Mahana Amdani Fund		
Sale of Commercial Paper	96,989	-
NBP Islamic Savings Fund		
Sale of Commercial Paper	82,441	-
Pakistan Stock Exchange Limited		
Listing fee	25	-
21.6 Amounts outstanding at year end	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Nil units held (2019: 6,809,762 units)	-	71,587
Management remuneration payable	5,827	3,465
Sindh Sales Tax payable	758	450
Sales load and transfer load payable	8,310	2,954
Sindh Sales Tax on sales and transfer load	1,080	384
Selling and marketing expenses	17,848	8,222
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,549	2,055
Other payable	169	169
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	698	460
Security deposit	100	100
National Bank of Pakistan - Sponsor		
Balance in current account	325	325
Balance in savings account	19,437	10,760
Profit receivable on bank deposit	77	85
Hub Power Company Limited - Sukuk		
Interest Income receivable	8,967	-



	2020	2019
	(Rupees in '000)	
Hub Power Company Limited		
Interest income receivable	9,859	-
Bank Islami Pakistan Limited		
Bank Balance	4,070	105
Profit receivable	77	350
Barret Hudgson Pakistan Private Limited		
Nil units held (2019: 47,471,284 units)	-	499,037
Aftab Hussain - Related Party		
220,054 units held (2019: nil units)	2,317	-
Employees of NAFA - NAFA		
8,893,525 units held (2019: nil units)	93,633	-
Employees of the Management Company		
Nil units held (2019: 1,775,434 units)	-	18,664
Pak American Fertilizers Ltd. Provident Fund Trust		
Nil units held (2019: 57,630 units)	-	606
Askari Commercial Bank Limited		
Balance in savings account	-	179
Profit receivable on bank deposit	-	109
Summit Bank Limited		
Balance in current account	-	2,446
Muhammad Murtaza Ali - Company Secretary/COO		
nil units held (2019: 192,265 units)	-	2,021
National Clearing Company of Pakistan Limited		
5,351,951 units held (2019 : 4,807,740)	56,346	50,541
Fauji Akbar Portia Marine Terminals Ltd		
121,342,447 units held (2019: Nil units)	1,277,518	-
Interloop Holdings (Pvt.) Limited		
100,667,182 units held (2019: Nil units)	1,059,844	-
Receivables from funds against conversion of units		
NBP Savings Fund	54,592	-
NBP Islamic Money Market Fund	17,188	-
NBP Islamic Mahana Amdani Fund	6,901	-
NBP Mahana Amdani Fund	5,353	-
NBP Stock Fund	4,576	-
NBP Islamic Stock Fund	1,333	-
NBP Islamic Sarmaya Izafa Fund	1,000	-
NBP Income Opportunity Fund	455	-



22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No	Name	Designation	Qualifications	Experience in year
1.	Dr. Amjad Waheed	Chief Executive Officer	Doctorate in Business Administration, MBA and CFA	32
2.	Sajjad Anwar	Chief Investment Officer	CFA and MBA	20
3.	Asim Wahab Khan	Deputy Chief Investment Officer	CFA	14
4.	Muhammad Ali Bhabha (22.1)	Head of Fixed Income	CFA, MBA, FRM and MS	25
5.	Hassan Raza	Head of Research	ACCA, BSC and CFA	9

22.1 Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NBP Income Opportunity Fund , NAFA Government Securities Savings Fund, NBP Money Market Fund, NBP Mahana Amdani Fund, NBP Government Securities Liquid Fund, NBP Stock Fund, NBP Islamic Income Fund, NAFA Riba Free Savings Fund, NBP Islamic Money Market Fund, NBP Savings Fund, NBP Active Allocation Riba Free Savings Fund.

23 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.	Next Capital Limited	32.76
2.	Bright Capital (Private) Limited	17.84
3.	BMA Capital Management Limited	49.4

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

S. No	Particulars	Percentage (%)
1	Next Capital Limited	100

23.1 Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NBP Income Opportunity Fund , NAFA Government Securities Savings Fund, NBP Money Market Fund, NBP Mahana Amdani Fund, NBP Government Securities Liquid Fund, NBP Stock Fund, NBP Islamic Income Fund, NAFA Riba Free Savings Fund, NBP Islamic Money Market Fund, NBP Savings Fund, NBP Active Allocation Riba Free Savings Fund.

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

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

S. No	Particulars	Percentage (%)
1	Next Capital Limited	100

24 PATTERN OF UNIT HOLDING

Category	As at 30 June 2020		
	Number of unit holders'	Investment amount (Rupees in '000)	Percentage of investment --- (%) ---
Individuals	3,682	4,508,601	48.80
Associated Companies and Directors	-	-	-
Insurance Companies	2	7,132	0.08
Bank and DFIs	1	0.07	-
Retirement Funds	31	619,119	6.70
Public Limited Companies	4	1,211,867	13.12
Others	104	2,891,626	31.30
	3,824	9,238,345	100.00



As at 30 June 2019

Category	Number of unit holders'	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
	Individuals	2,894	2,666,950
Associated Companies and Directors	2	73,597	1.76
Insurance Companies	1	1,488	0.04
Bank and DFIs	1	-	-
Retirement Funds	19	316,038	7.56
Public Limited Companies	2	909	0.02
Others	72	1,119,951	26.80
	2,991	4,178,933	100.00

25 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	Attended	Leave granted	
Mr. Shaikh Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [Note 25.2]	3	2	1	74th meeting
Mr. Syed Hasan Irtiza Kazmi [Note 25.2]	3	3	-	-
Mr. Nasir Husain [Note 25.1]	1	-	1	72nd meeting
Mr. Abdul Hadi Palekar [Note 25.1]	1	-	1	72nd meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [Note 25.1]	1	1	-	-
Mr. Khalid Mansoor [Note 25.2]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [Note 25.1]	1	1	-	-
Mr. Saad Amanullah Khan [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 invest 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.

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 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.

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

Presently, 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 the last repricing date of these term finance certificates 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 93.625 million (2019: Rs 38.378 million).

(b) Sensitivity analysis for fixed rate instruments

As at 30 June 2020, the Fund does not hold any fixed rate instruments that may expose the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan are expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / 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:



30 June 2020						
Effective yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to Yield/ Interest risk	Total	
	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	6.5% - 15.5%	6,837,811	-	-	6,698	6,844,509
Investments	8.62% - 15.81%	834,084	-	2,549,987	-	3,384,071
Profit receivable		-	-	-	101,295	101,295
Receivables from fund under management by Management Company against conversion of units		-	-	-	91,398	91,398
Deposit		-	-	-	100	100
		<u>7,671,895</u>	<u>-</u>	<u>2,549,987</u>	<u>199,491</u>	<u>10,421,373</u>
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	36,541	36,541
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	698	698
Payable against redemption of units		-	-	-	147,006	147,006
Payable against purchase of investment		-	-	-	833,945	833,945
Accrued expenses and other liabilities		-	-	-	1,941	1,941
		-	-	-	1,020,131	1,020,131
On-balance sheet gap		<u>7,671,895</u>	<u>-</u>	<u>2,549,987</u>	<u>(820,640)</u>	<u>9,401,242</u>
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap						
		-	-	-	-	-
Total interest rate sensitivity gap		<u>7,671,895</u>	<u>-</u>	<u>2,549,987</u>	<u>(820,640)</u>	<u>9,401,242</u>
Cumulative interest rate sensitivity gap		<u>7,671,895</u>	<u>7,671,895</u>	<u>10,221,882</u>		

30 June 2019						
Effective yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to Yield/ Interest risk	Total	
	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	7.85% - 14.00%	3,301,130	-	-	2,771	3,303,901
Investments	7.60% - 14.71%	347,632	-	542,076	-	889,708
Profit receivable		-	-	-	60,850	60,850
Deposit		-	-	-	100	100
		<u>3,648,762</u>	<u>-</u>	<u>542,076</u>	<u>63,721</u>	<u>4,254,559</u>
Financial liabilities						
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	17,699	17,699
Payable against redemption of units		-	-	-	460	460
Accrued expenses and other liabilities		-	-	-	80	80
		-	-	-	1,656	1,656
		-	-	-	19,895	19,895
On-balance sheet gap		<u>3,648,762</u>	<u>-</u>	<u>542,076</u>	<u>43,826</u>	<u>4,234,664</u>
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap						
		-	-	-	-	-
Total interest rate sensitivity gap		<u>3,648,762</u>	<u>-</u>	<u>542,076</u>	<u>43,826</u>	<u>4,234,664</u>
Cumulative interest rate sensitivity gap		<u>3,648,762</u>	<u>3,648,762</u>	<u>4,190,838</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 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 does not hold any security which exposes the Fund to price risk.

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.



Ratings	2020 (Rupees in '000)	2019
AAA	258,316	30,788
AA+	228,990	14,670
AA	1,402	1,161
AA-	799,331	752,407
A+	2,738,114	1,997,595
A	2,811,983	507,280
Suspended	6,373	-
	6,844,509	3,303,901

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 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.

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 fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. 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	36,541	36,541		
Payable to Central Depository Company of Pakistan Limited - Trustee	698	698	-	-
Payable against redemption of units	147,006	147,006	-	-
Payable against purchase of investment	833,945	833,945		
Accrued expenses and other liabilities	1,941	1,941	-	-
	<u>1,020,131</u>	<u>1,020,131</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>9,238,345</u>	<u>9,238,345</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	17,699	17,699		
Payable to Central Depository Company of Pakistan Limited - Trustee	460	460	-	-
Payable against redemption of units	80	80	-	-
Accrued expenses and other liabilities	1,656	1,656	-	-
	<u>19,895</u>	<u>19,895</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>4,178,933</u>	<u>4,178,933</u>	<u>-</u>	<u>-</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 are based on the quoted market prices at the close of trading on the year end date. The Fund does not hold any securities that are based on quoted market prices.

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 the fair value hierarchy.

		30 June 2020						
		Carrying value			Fair value			
		Fair value through profit or 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								
		1,860,465	-	1,860,465	-	1,860,465	-	1,860,465
		689,522	-	689,522	-	689,522	-	689,522
	27.1	834,084	-	834,084	-	834,084	-	834,084
		3,384,071	-	3,384,071	-	3,384,071	-	3,384,071
Financial assets not measured at fair value								
	27.1	-	6,844,509	6,844,509				
		-	101,295	101,295				
		-	91,398	91,398				
		-	100	100				
		-	7,037,302	7,037,302				
Financial liabilities not measured at fair value								
	27.1	-	36,541	36,541				
		-	698	698				
		-	147,006	147,006				
		-	833,945	833,945				
		-	1,941	1,941				
		-	1,020,131	1,020,131				



30 June 2019

	Carrying value			Fair value			Total
	Fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	
----- (Rupees in '000) -----							
<i>On-balance sheet financial instruments</i>							
<i>Financial assets measured at fair value</i>							
Investment in term finance certificates - listed	100,804	-	100,804	-	100,804	-	100,804
Investment in term finance certificates - unlisted	441,272	-	441,272	-	441,272	-	441,272
Commercial Paper	347,632	-	347,632	-	347,632	-	347,632
	889,708	-	889,708	-	889,708	-	889,708
<i>Financial assets not measured at fair value</i>							
Bank balances	-	3,303,901	3,303,901				
Profit receivables	-	60,850	60,850				
Security deposit	-	100	100				
	-	3,364,851	3,364,851				
<i>Financial liabilities not measured at fair value</i>							
Payable to NBP Fund Management Limited - Management Company	-	17,699	17,699				
Payable to Central Depository Company of Pakistan Limited - Trustee	-	460	460				
Payable against redemption of units	-	80	80				
Payable against purchase of investment	-	-	-				
Accrued expenses and other liabilities	-	1,656	1,656				
	-	19,895	19,895				

- 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 Scheme 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 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, 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 securities 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 believe 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 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')	9,238,345	4,178,933	2,354,909	1,152,369	1,254,699	776,933
Net Income (Rs. '000')	1,056,160	334,121	116,066	56,911	35,666	131,731
Net Asset Value per units (Rs.)	10.5282	10.5124	11.1248	10.4933	10.4723	10.4679
Offer price per unit	10.6472	10.6312	11.2505	10.6119	10.6108	10.6075
Redemption price per unit	10.5282	10.5124	11.1248	10.4933	10.4723	10.4679
Ex - Highest offer price per unit (Rs.)	10.6472	10.6312	11.2505	10.6119	10.6108	10.6075
Ex - Lowest offer price per unit (Rs.)	9.2795	9.1714	10.6136	9.8018	9.9805	9.5686
Ex - Highest redemption price per unit (Rs.)	10.5282	10.5124	11.1248	10.4933	10.4723	10.4679
Ex - Lowest redemption price per unit (Rs.)	9.2795	9.0657	10.4950	9.6854	9.8464	9.4426
Fiscal Year Opening Ex Nav	9.2764	9.6155	10.4933	9.6844	9.8421	9.4392
Total return of the fund (Annualized)	13.46%	9.33%	6.02%	8.35%	6.40%	10.90%
Capital growth	0.13%	0.38%	0.01%	-0.45%	0.04%	2.67%
Income distribution as a % of ex nav	13.32%	8.94%	6.01%	8.80%	6.36%	8.23%
Income distribution as a % of par value	14.01%	9.39%	6.31%	8.52%	6.66%	7.77%
Distribution dates						
Interim						
26-Jun-20	1.4007					
21-Dec-18		0.3729				
24-Jun-19		0.5657				
4-Jul-18			0.6309			
19-Jun-17				0.8520		
29-Jun-16					0.6656	
30-Jun-15						0.7768
Average annual return (launch date October 28, 2011)						
(Since inception to June 30, 2020)	9.22%					
(Since inception to June 30, 2019)		8.68%				
(Since inception to June 30, 2018)			8.58%			
(Since inception to June 30, 2017)				9.04%		
(Since inception to June 30, 2016)					9.19%	
(Since inception to June 30, 2015)						10.00%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	44 Days	13 Days	46 Days	56 Days	183 Days	93 Days

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