

NBP ISLAMIC SAVINGS FUND



ANNUAL REPORT
JUNE 2019

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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NBP ISLAMIC SAVINGS FUND

(FORMERLY; NAFA ISLAMIC INCOME FUND)



FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nasir Husain	Director
Mr. Abdul Hadi Palekar	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Humayun Bashir	Member
Mr. Nasir Husain	Member
Mr. Imran Zaffar	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Nasir Husain	Member
Mr. Humayun Bashir	Member
Mr. Ali Saigol	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Shehryar Faruque	Member
Mr. Abdul Hadi Palekar	Member
Mr. Ali Saigol	Member

Trustee

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

Bankers to the Fund

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

NBP ISLAMIC SAVINGS FUND

(FORMERLY; NAFA ISLAMIC INCOME FUND)



Auditors

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

Legal Advisor

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

Head Office:

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

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Nasir Husain
Director



Mr. Ali Saigol
Director



Mr. Shehryar Faruque
Director



Mr. Imran Zaffar
Director



Mr. Abdul Hadi Palekar
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. Muhammad Ali, CFA, FRM
Head Of Fixed Income



Mr. Taha Khan Javed, CFA
Head Of Equity



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Salman Ahmed, CFA
Head Of Risk Management



Mr. Zaheer Iqbal, ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head Of Compliance



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Twelfth Annual Report of **NBP Islamic Savings Fund (NBP-ISF) (Formerly: NAFA Islamic Income Fund) (NIIF)** for the year ended June 30, 2019.

Fund's Performance

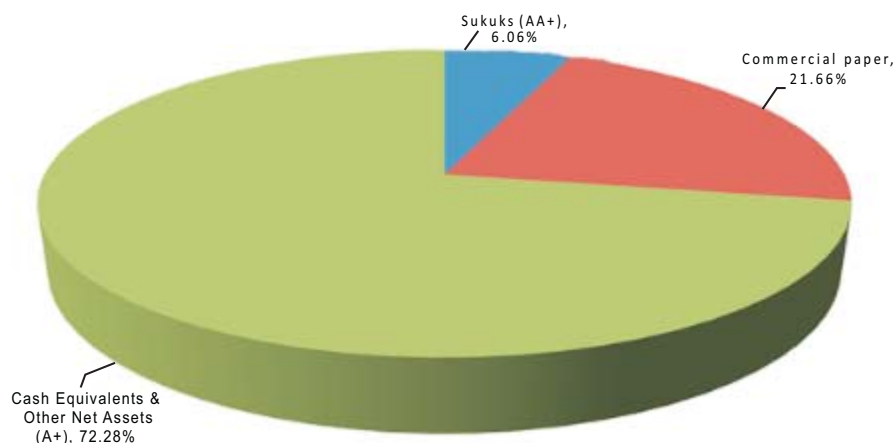
The size of NBP Islamic Savings Fund has decreased from Rs. 3,775 million to Rs. 3,642 million during the period, i.e. a decrease of 4%. During the said period, the unit price of the Fund has increased from Rs. 8.7720 (Ex-Div) on June 30, 2018 to Rs. 9.5226 on June 30, 2019 thus posting a return of 8.6% as compared to its Benchmark return of 3.7% for the same period. The return of the Fund is net of management fee and all other expenses.

The trading activity in the Corporate Sukuks remained thin with skew towards high quality debt issues with cumulative traded value of around Rs. 12 billion in FY2019 compared to Rs. 10 billion in FY2018. The issuance of government guaranteed energy sector sukuk to the tune of Rs. 200 billion helped the undersupplied market for long-term shari'ah compliant debt instruments.

During FY2019, the State Bank of Pakistan (SBP) held six bi-monthly monetary policy reviews. Aiming to curb the surging demand pressures to address the external account woes and addressing the underlying inflationary pressures, the SBP increased the policy rate from 6.50% to 12.25%. Inflation as measured by CPI increased from 5.2% in June 2018 to 8.9% in June 2019 due to upward adjustment in energy and fuel prices, higher imported inflation due to currency devaluation, and unabated government borrowing from the SBP. Inflation is expected to remain on the upward trajectory due to excessive government borrowings, significant increase in perishable food prices, volatility in international oil prices, currency devaluation, trickle down impact of expected upward adjustment in utility tariffs, pass-through of taxes, and second round impact of currency devaluation.

The Fund has earned a total income of Rs. 295.88 million during the year. After deducting total expenses of Rs. 50.10 million, the net income is Rs. 245.78 million.

The asset allocation of NBP Islamic Savings Fund as on June 30, 2019 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 8.341% of the opening ex-NAV (7.927% of the par value) for the period ended June 30, 2019.

Taxation

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

Auditors

The present auditors, Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2020.

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 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 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, 2019, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Nasir Husain 3. Mr. Abdul Hadi Palekar 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: August 30, 2019
Place: Karachi.

ڈائریکٹرز رپورٹ

این بی پی فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز این بی پی اسلامک سیونگس فنڈ (NBP-ISF) (سابقہ: NAFA اسلامک انکم فنڈ) (NIIF) کی بارہویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2019ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

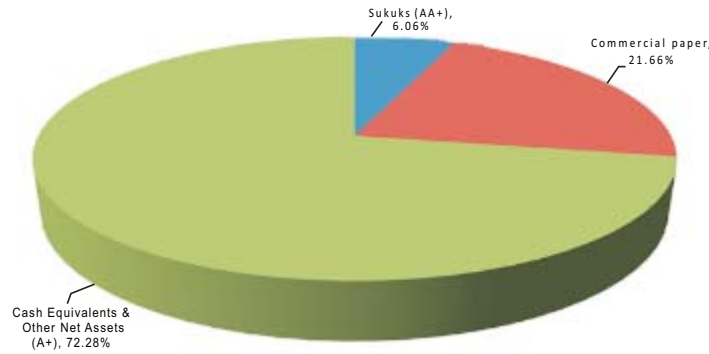
این بی پی اسلامک سیونگس فنڈ کا سائز اس مدت کے دوران 3.775 بلین روپے سے کم ہو کر 3.642 بلین روپے ہو گیا، یعنی %4 کمی۔ مذکورہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2018 کو 8.7720 روپے (Ex-Div) سے بڑھ کر 30 جون 2019 کو 9.5226 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت کے دوران %3.7 بیٹھ مارک منافع کے مقابلے میں %8.6 منافع دیا۔ فنڈ کا یہ منافع مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

کارپوریٹ سکوک میں تجارتی سرگرمی مالی سال 2018 میں 10 بلین روپے کے مقابلے میں مالی سال 2019 میں تقریباً 12 بلین روپے کے مجموعی تجارتی حجم کے ساتھ اعلیٰ کوالٹی ڈیٹ ایٹوز کے لحاظ سے قدرے کم رہی۔ انرجی سکیکٹر کو حکومت کے گارنٹی شدہ 200 بلین پاکستانی روپے کے Sukuks کے اجراء نے طویل مدتی شریعہ کمپلیٹ ڈیٹ انسٹرومنٹس کے زیر اثر مارکیٹ کی مدد کی۔

مالی سال 2019 کے دوران، بینک دولت پاکستان (SBP) نے دو ماہ کے وقفے سے چھ ماہی پالیسی جائزوں کا انعقاد کیا۔ بیرونی اکاؤنٹ کی مشکلات اور درپیش افراط زر کے دباؤ کو دور کرنے کے رجحان نے SBP نے پالیسی کی شرح %6.50 سے %12.25 تک بڑھادی۔ بجلی اور ایندھن کی قیمتوں میں اضافہ، کرنسی کی قدر کی کمی کے باعث درآمدی افراط زر اور SBP سے بلا تخفیف سرکاری قرضہ لینے کے رجحان کے باعث CPI سے پینالٹس کردہ افراط زر جون 2018 میں %5.2 سے بڑھ کر جون 2019 میں %8.9 ہو گیا۔ حکومت کی طرف سے ضرورت سے زائد قرضہ لینے، اشیائے خورد و نوش کی قیمتوں میں نمایاں اضافے، بین الاقوامی تیل کی قیمتوں میں اتار چڑھاؤ، کرنسی کی قدر میں کمی، یوٹی لیبیز کے نزخوں میں متوقع اضافی ایڈجسٹمنٹ، ٹیکسوں کا بڑھنا اور کرنسی کی قدر میں کمی کے دوسرے دور جیسے اثرات کی وجہ سے افراط زر میں اضافہ متوقع ہے۔

فنڈ کو اس مدت کے دوران 295.88 بلین روپے کی آمدنی ہوئی۔ 50.10 بلین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 245.78 بلین روپے ہے۔

این بی پی اسلامک سیونگس فنڈ کی ایسٹ ایلیویشن بمطابق 30 جون 2019 درج ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2019 کے اختتام کے بعد اپنی NAV ex-NAV کا %8.341 (بنیادی قدر کا %7.927) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

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

آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2020 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

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

1. مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، یکیش فلوا اور پونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے۔ شماراتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی بیرونی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام منظم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیویڈنڈز، 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 24 میں کی گئی ہے۔
11. پونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز ہی ای او ای ایف او، کمپنی بیکٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پیئس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔
13. مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔

30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کیٹیگری
01 جناب کمال عامر چنائے 02 جناب شہر یار فاروق 03 جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
01 شیخ محمد عبدالواحد سیٹھی (چیرمین) 02 جناب ناصر حسین 03 جناب عبدالہادی پالیکر 04 جناب علی سیگل 05 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 مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 30 اگست 2019ء

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Savings Fund (formerly NAFA Islamic 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, 2019 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.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

FUND MANAGER REPORT

NBP Islamic Savings Fund (formerly NAFA Islamic Income Fund)

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

Investment Objective of the Fund

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

Benchmark

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

Fund Performance Review

This is the Twelfth Annual report since the launch of the Fund on October 26, 2007. The Fund size decreased by 4% during FY19 and stands at Rs. 3,642 million as on June 30, 2019. The Fund's return since inception is 6.7% p.a versus the benchmark return of 5.7% p.a. During FY19, the Fund posted an annualized return of 8.6% as compared to the benchmark return of 3.7%. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its stated objectives.

The weighted average Yield-to-Maturity (YTM) of the Sukuk portfolio is around 12.3% p.a. This yield does not include potential recovery in fully provided Sukuks (Face Value of Rs 115 million), which is a potential upside for the Fund. Weighted average time to maturity of Sukuk portfolio and the overall Fund is 3 years and 80 days respectively.

The trading activity in the Corporate Sukuks remained thin with skew towards high quality debt issues with cumulative traded value of around Rs. 12 billion in FY2019 compared to Rs. 10 billion in FY2018. The issuance of government guaranteed energy sector sukuk to the tune of Rs. 200 billion helped the undersupplied market for long-term shariah compliant debt instruments. During FY2019, the State Bank of Pakistan (SBP) held six bi-monthly monetary policy reviews. Aiming to curb the surging demand pressures to address the external account woes and addressing the underlying inflationary pressures, the SBP increased the policy rate from 6.50% to 12.25%. Inflation as measured by CPI increased from 5.2% in June 2018 to 8.9% in June 2019 due to upward adjustment in energy and fuel prices, higher imported inflation due to currency devaluation, and unabated government borrowing from the SBP. Inflation is expected to remain on the upward trajectory due to excessive government borrowings, significant increase in perishable food prices, volatility in international oil prices, currency devaluation, trickle down impact of expected upward adjustment in utility tariffs, pass-through of taxes, and second round impact of currency devaluation.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-19	30-Jun-18
Sukuks / Commercial Paper	27.72%	17.42%
Cash (Cash Equivalents) & Other Assets	72.28%	82.58%
Total	100%	100%

Distribution for the Financial Year 2019

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June 2019	7.927%	10.2964	9.5037

NBP ISLAMIC SAVINGS FUND

(FORMERLY; NAFA ISLAMIC INCOME FUND)



Details of Non-Compliant Investments

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

Total 114,905,437 114,905,437

Unit Holding Pattern of NBP Islamic Savings Fund as on June 30, 2019

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	343
1-1000	1308
1001-5000	402
5001-10000	155
10001-50000	573
50001-100000	278
100001-500000	440
500001-1000000	49
1000001-5000000	40
5000001-10000000	8
10000001-100000000	2
	3598

During the period under question

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

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 11.92 Million. If the same were not made the NAV per unit/FY19 return of scheme would be higher by Re. 0.031/0.35%. For details investors are advised to read note 14 of the Financial Statement of the Scheme for the year ended June 30, 2019.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Islamic Savings Fund (Formerly; NAFA Islamic Income Fund) (the Fund) has fully complied with the Shari'ah guidelines prescribed by the Shari'ah Advisor as required under the Trust Deed and the Offering Document of the Fund for its operations, investments and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Supervisory Board of the Fund.

For and behalf of the board

Date: August 30, 2019
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

REPORT OF THE SHARI'AH ADVISOR

August 26, 2019/ Dhu Al-Hijjah 24, 1440

Alhamdulillah, the period from July 1, 2018 to June 30, 2019 was the Twelfth year of the operations of NBP Islamic Savings Fund (NBP-ISF). This report is being issued in accordance with clause 3.7 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NBP-ISF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NBP-ISF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NIIF for the year ended June 30, 2019 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 Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

INDEPENDENT ASSURANCE REPORT To the unit holders of NBP Islamic Savings Fund (Formerly NAFA Islamic Income Fund)

Report on the Statement of Compliance with the Shariah Principles

We have performed an independent assurance engagement of NBP Islamic Savings Fund (formerly NAFA Islamic Income Fund) (the Fund), to express a conclusion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019.

Management Company's responsibility

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

Responsibility of an independent assurance provider

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

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

The procedures performed include:

checked compliance of specific guidelines relating to maintaining of bank accounts and for making investments (on test basis) by the Fund; and

checked that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles for the year ended June 30, 2019.

Deloitte Yousuf Adil
Chartered Accountants

Place: Karachi
Dated: September 29, 2019

INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Islamic Savings Fund (formerly NAFA Islamic Income Fund)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NBP Islamic Savings Fund (formerly NAFA Islamic Income Fund) (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, 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, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key audit matter

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

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Valuation and existence of investments</p> <p>Investments held at fair value through profit or loss are disclosed in note 5 to the financial statements represent significant portion of the net assets of the Fund</p> <p>The Fund's primary activity is, inter alia, to invest in Sukuk, commercial papers and term deposits which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence of investments are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance; independently verified existence of investments from Central Depository Company (CDC), Investor Portfolio Services (IPS), and bank statements; performed test of details on sale, purchase and maturity of investments on a sample basis; tested valuation of investments; and any differences identified during our testing that were over our acceptable threshold were further investigated.

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Deloitte Yousuf Adil
Chartered Accountants

Date: September 29, 2019
Place: Karachi

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019

	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
ASSETS			
Bank balances	4	2,118,188	3,109,290
Investments	5	1,549,483	657,638
Mark-up accrued	6	26,157	32,592
Deposits, prepayments and other receivables	7	1,529	1,292
Total assets		3,695,357	3,800,812
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	8	11,463	7,289
Payable to Central Depository Company of Pakistan Limited - Trustee	9	323	411
Payable to the Securities and Exchange Commission of Pakistan	10	2,283	3,214
Accrued expenses and other liabilities	11	38,918	14,583
Total liabilities		52,987	25,497
NET ASSETS		3,642,370	3,775,315
UNIT HOLDERS' FUND (as per attached statement)		3,642,370	3,775,315
Contingencies and commitments	12	-----Number of units-----	
Number of units in issue	19	382,499,381	377,833,783
Net asset value per unit	20	9.5226	9.9920

The annexed notes from 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

NBP ISLAMIC SAVINGS FUND

(FORMERLY; NAFA ISLAMIC INCOME FUND)



INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
INCOME			
Return / mark-up on:			
- bank balances		172,925	219,848
- term deposit		5,191	-
- sukuks		44,834	2,602
- government securities		9,739	32,385
- certificate of investment		-	8,865
- commercial paper		70,226	5,380
Net loss on sale of investments		(4,717)	-
Net unrealised loss on re-measurement of investments at fair value through profit or loss	5.4	(2,318)	(7,268)
Total income		295,880	261,812
EXPENSES			
Remuneration of NBP Fund Management Limited	8.1	21,230	25,371
Sindh Sales Tax on remuneration of the Management Company	8.2	2,760	3,298
Reimbursement of operational expenses to the Management Company	8.3	3,045	4,286
Selling and marketing expenses - Management Company	8.4	9,372	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	9.1	3,438	4,493
Sindh Sales Tax on remuneration of the Trustee	9.2	447	584
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	2,283	3,214
Settlement and bank charges		651	452
Securities transaction cost		59	-
Auditors' remuneration	13.	693	492
Fund rating fee		365	317
Legal and professional charges		149	90
Annual listing fee		28	28
Printing charges		26	100
Shariah advisor fee		534	488
Total expenses		45,080	43,213
Net income from operating activities		250,800	218,599
Provision for Sindh Workers' Welfare Fund	14	(5,016)	(4,372)
Net income for the year before taxation		245,784	214,227
Taxation	15	-	-
Net income for the year after taxation		245,784	214,227
Earnings per unit	16		
Allocation of net income for the year			
Net income for the year after taxation		245,784	214,227
Income already paid on units redeemed		(94,173)	(106,105)
		151,611	108,122
Accounting income available for distribution:			
- Relating to capital gain		-	-
- Excluding capital gain		151,611	108,122
		151,611	108,122

The annexed notes from 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, 2019

	2019	2018
	----- Rupees in '000 -----	
Net income for the year after taxation	245,784	214,227
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>245,784</u></u>	<u><u>214,227</u></u>

The annexed notes from 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

NBP ISLAMIC SAVINGS FUND

(FORMERLY; NAFA ISLAMIC INCOME FUND)



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

Note	2019	2018
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	245,784	214,227
Adjustments:		
Return / mark-up on;		
- bank balances	(172,925)	(219,848)
- term deposit	(5,191)	-
- sukuks	(44,834)	(2,602)
- government securities	(9,739)	(32,385)
- certificate of investment	-	(8,865)
- commercial paper	(70,226)	(5,380)
Net loss on sale of investments	4,717	-
Net unrealised loss on re-measurement of investments at fair value through profit or loss	2,318	7,268
Provision for Sindh Workers' Welfare Fund	5,016	4,372
	(290,864)	(257,440)
	(45,080)	(43,213)
(Increase) / decrease in assets		
Investments - net	(358,880)	(234,000)
Deposits, prepayments and other receivables	(237)	111
	(359,117)	(233,889)
Increase / (decrease) in liabilities		
Payable to the Management Company	4,174	116
Payable to the Trustee	(88)	90
Payable to the Securities and Exchange Commission of Pakistan	(931)	1,110
Accrued expenses and other liabilities	19,319	(13,423)
	22,474	(12,107)
Mark-up received on bank balances	178,693	216,550
Mark-up received on sukuks	20,702	22,249
Mark-up received on government securities	39,729	-
Mark-up certificate of investment	-	14,245
Mark-up received on commercial paper of investment	70,226	-
	(72,373)	(36,165)
Net cash used in from operating activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	4,386,966	7,134,081
Amounts paid on redemption of units	(4,513,130)	(8,195,747)
Dividend paid	(252,565)	(3,783)
	(378,729)	(1,065,449)
Net decrease in cash and cash equivalents during the year	(451,102)	(1,101,614)
Cash and cash equivalents at the beginning of the year	3,109,290	4,210,904
Cash and cash equivalents at the end of the year	2,658,188	3,109,290

4.2

The annexed notes from 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, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

During the year on April 4, 2019, the name of the Fund was changed from NAFA Islamic Income fund to NBP Islamic Saving Fund. The change of name was made effective vide Fund's Ninth Supplemental Offering Document which was approved by SECP vide its letter no. SCD/AMCW/NAFA/362/2019 dated April 4, 2019.

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

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

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

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

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

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

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) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the fund's operations or are not expected to have significant impact other than IFRS - 9 and certain additional disclosures on the fund's financial statements

Effective from accounting period beginning on or after:

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.(Refer to note 3.2)	July 01, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective from accounting periods beginning on or after:

Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying Fund's accounting policies. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In the process of applying Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of financial assets (Note 3.2.1 & 3.12)
- (b) impairment of financial assets (Note 3.2.6 & 3.14)
- (c) provisions (Note 3.6)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied are consistent in preparation of the financial statements with those of the previous year except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.2.

3.1 Cash and cash equivalents

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

3.2 Adoption of IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018, and consequently has been adopted by the Fund. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

"IFRS 9 introduces new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting."

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

3.2.1 Classification and measurement

IFRS 9 contains three principal classification categories for financial assets:

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

Financial asset at amortised cost

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

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

Financial Asset at FVOCI

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

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

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

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

Financial asset at FVTPL

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

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

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

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

Business Model Assessment

"The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model"

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

Classification and measurement of financial liabilities

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Impairment of financial assets

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

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

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

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

Impact of change in accounting policies due to adoption of IFRS 9

Financial assets and financial liabilities	Original classification as per old framework	New classification as per IFRS 9	Original carrying value as per old framework Rupees in '000	New carrying value as per IFRS 9 Rupees in '000
--	--	----------------------------------	--	--

Financial assets

Bank balances	LR	AC	2,118,188	2,118,188
Sukuk certificates	HFT	FVTPL	220,609	220,609
Commercial paper	LR	FVTPL	788,874	788,874
Term deposit	LR	FVTPL	540,000	540,000
Mark-up accrued	LR	AC	26,157	26,157
Deposits	LR	AC	100	100

Financial liabilities

Payable to NBP Fund Management Limited	OFL	AC	11,463	11,463
Payable to Central Depository Company of Pakistan Limited - Trustee	OFL	AC	323	323
Accrued expenses and other liabilities	OFL	AC	38,918	38,918
Net assets attributable to redeemable units	OFL	AC	3,775,315	3,775,315

"LR" is loans and receivables

"AC" is amortised cost

"HFT" is held for trading

"FVTPL" is fair value through profit or loss

"OFL" is other financial liabilities

3.3 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

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

Basis of valuation of government securities:

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

3.4 Impairment of non financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the Income Statement.

3.5 Recognition

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

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

3.6 DE recognition

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

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

3.7 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.8 Regular way contracts

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

3.9 Financial liabilities

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

3.10 Issuance and redemption of units

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

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

3.11 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the Fund.

3.12 Provisions

Provisions are recognized 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.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the income statement in the period in which they arise.
- Mark-up / return on government securities, sukuks, commercial paper, certificate of investment and bank balances are recognised on a time apportionment basis using the effective interest method.

3.14 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

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

3.15 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

3.16 Distributions to the unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.17 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.

3.18 Transition to IFRS 9 Financial Instruments

Accounting policies applied to financial instruments prior to July 01, 2018.

Financial assets

Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

a) Investments at fair value through profit or loss - held-for-trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

3.19 Initial recognition and measurement

Financial assets are initially recognized 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 recognized at fair value and transaction costs are recognized in the 'income statement'.

Subsequent measurement

a) Financial assets designated by the management as 'at fair value through profit or loss - held for trading' and 'available for sale'

1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities vide its Circular no. 1 of 2009 dated January 6, 2009 and Circular no. 33 of 2012 dated October 24, 2012. In the determination of valuation rates, the MUFAP takes into account the holding pattern of these securities and categorizes 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.

2) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also recognized in the 'income statement' when financial assets carried at amortized cost are derecognised or impaired, and through the amortization process.

3.20 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the 'income statement'.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under Circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under Circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid Circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

NBP ISLAMIC SAVINGS FUND

(FORMERLY; NAFA ISLAMIC INCOME FUND)



	Note	2019 Rupees in '000	2018
4. BANK BALANCES			
Current accounts		18,373	14,847
Savings accounts	4.1	2,099,815	3,094,443
		2,118,188	3,109,290
4.1	These savings accounts have an expected mark-up at rates ranging from 5.00% to 13.85% per annum (2018: 4.00% to 7.50% per annum).maintain with Bank islami limited and summit bank (related party) respectively		
4.2 Cash and cash equivalents			
Current accounts		18,373	14,847
Savings accounts		2,099,815	3,094,443
Term deposits receipt		540,000	-
		2,658,188	3,109,290
5 INVESTMENTS			
At fair value through profit or loss			
Sukuk's	5.1,5.2	220,609	657,638
Commercial paper	5.3	788,874	-
Term deposit receipt	5.6	540,000	-
		1,549,483	657,638
5.1	Sukuks - At fair value through profit or loss		

Description	Number of certificates				Market value as at June 30, 2019	Investment as a percentage of		
	As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019		Net assets	Market value of total investments	Issue size
(Rupees in '000) ----- (%) -----								

All sukuks have a face value of Rs. 5,000 each except for GoP Ijara Sukuks which have face value of Rs. 100,000 each.

Dubai Islamic	129	-	129	-	-	-	-	-
K-Electric Limited - AZM Sukuk 3	5,200	-	5,200	-	-	-	-	-
Pak Electron Limited	105	41	146	-	-	-	-	-
Engro Fertilizer Limited	-	38,700	-	38,700	33,881	0.93%	2.19%	1.21%
Engro Polymer Chemical	-	1,000	150	850	85,398	2.34%	5.51%	-
Shakarganj foods	-	100	70	30	29,351	0.81%	1.89%	4.04%
GoP Ijara Sukuk - XVI	1,000	-	1,000	-	-	-	-	-
GoP Ijara Sukuk - XIX	3,000	-	2,251	749	71,979	1.98%	4.65%	0.53%
Total as at June 30, 2019					220,609	6.06%	14.24%	
Carrying value before mark to market as at June 30, 2019					222,927			

Other particulars of sukuku outstanding as at June 30, 2019 are as follows:

Description	Face value (unredeemed)	Markup rate per annum	Issue date	Maturity date
Engro-Fertilizer limited	38700	1.75% + 6 month KIBOR	9-Jul-14	9-Jul-19
Shakarganj foods	30	1.75% + 3 month KIBOR	10-Jul-18	10-Jul-24
Engro Polymer Chemical	850	0.90% + 3 month KIBOR	11-Jan-19	11-Jul-26
GoP Ijara Sukuk - XIX	749	5.24%	30-Jun-17	30-Jun-20

5.2 Non-performing sukuku classified at fair value through profit or loss

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2019	Investment as a percentage of		
		As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019		Net assets	Market value of total investments	Issue Size
(Rupees in '000)						----- (%) -----			

All sukuku have a face value of Rs. 5,000 except New Allied Electronics Industries (Private) Limited - 1st, issue which have face value of Rs. 312.5

New Allied Electronics Industries (Private) Limited									
- Sukuk 1	5.2.1	352,000	-	-	352,000	-	-	-	14.67%
New Allied Electronics Industries (Private) Limited									
- Sukuk 2	5.2.2	1,000	-	-	1,000	-	-	-	0.65%
						-			
Carrying value as at June 30, 2019						114,905			
Accumulated impairment						114,905			

5.2.1 These represent investment in privately placed sukuku with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said Circulars.

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

5.2.3 Other particulars of sukuku outstanding as at June 30, 2019 are as follows:

Name of the investee company	Face value (unredeemed)	Profit rate per annum	Issue date	Maturity date
New Allied Electronics Industries (Private) Limited - Sukuk 1	313	2.60% + 3 month KIBOR	27-Jul-07	27-Jul-12
New Allied Electronics Industries (Private) Limited - Sukuk 2	4,905	2.20% + 6 month KIBOR	3-Dec-07	3-Dec-12

5.3 This represents the purchase of commercial paper from HASCOL Petroleum Limited on January 15, 2019 (having face value of Rs. 418 million and carrying value 416 million). This carry profit at the rate of 12.26% and will mature on July 15, 2019 and K-Electric Limited on March 01, 2019 (having face value of Rs. 380 million and carrying value 372 million). This carry profit at the rate of 11.75% and will mature on September 02, 2019.

	Note	2019 -----Rupees in '000-----	2018
5.4 Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss			
Market value of investments	5.1	220,609	657,638
Less: carrying value of investments	5.1	(222,927)	(664,906)
		(2,318)	(7,268)

5.5 Net unrealised gain on re-measurement of investments classified as at fair value through profit or loss

Market value of investments	5.2	-	-
Less: carrying value of investments	5.2	114,905	(114,905)
Add: provision against non-performing sukuks	5.2	(114,905)	114,905
		-	-

5.6 This represent term deposit with Bank Islami Pakistan Limited placed on an expected mark-up rate 13.60% per annum.

6. MARK-UP ACCRUED

Mark-up accrued on bank balances		18,961	19,538
Mark-up accrued on sukuks		5,187	82
Mark-up accrued on government securities		2,009	12,972
Less: Income suspended over non-performing sukuks	6.1	-	-
		7,196	13,054
		26,157	32,592

6.1 This represents total income suspended to date in relation to non-performing term finance certificates and sukuks as disclosed in note 5.

2019
----- Rupees in '000 -----

7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit with Central Depository Company of Pakistan		100	100
Advance tax		1,240	1,192
Prepayments		189	-
		1,529	1,292

2019 2018
Note ----- Rupees in '000 -----

**8. PAYABLE TO NBP FUND MANAGEMENT LIMITED
- MANAGEMENT COMPANY**

Remuneration of the Management Company	8.1	2,001	2,263
Sindh Sales Tax on remuneration of the Management Company	8.2	260	294
Operational expenses	8.3	1,415	2,092
Selling and marketing expenses	8.4	5,659	-
Sales load		1,303	1,705
Sindh Sales Tax and Federal Excise Duty on sales load		825	935
		11,463	7,289

8.1 "Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of a Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets provided that Management Company may charge performance based or fixed fee or the combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document. On November 25, 2015 SECP has made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provisions of amended NBFC Regulations, the applicable rate has been changed from 2% to 1.5%."

The Management Company has charged management remuneration at the rate of 1% per annum until December 6, 2015. Thereafter from December 7, 2015, the Management Company has revised their policy for charging management remuneration as per the table given below:

Management remuneration (as % of net income *)	Minimum management remuneration (as % of average net asset value)	Maximum management remuneration (as % of average net asset value)
7.00%	0.50%	1.00%

* Net income = Gross income - all expenses of the Fund excluding Management remuneration and related Sales Tax and Federal Excise Duty thereon.

Management remuneration is paid on a monthly basis in arrears.

8.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

8.3 This represents reimbursement of certain expenses to the Management Company. As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.

8.4 The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expenses is 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, the Management Company has charged selling and marketing expenses amounting to Rs. 9.372 million at the rate of 0.4% of the net assets of the Fund being lower than actual expenses chargeable to Fund for the period.

	Note	2019 ----- Rupees in '000 -----	2018 -----
9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration of the Trustee	9.1	286	363
Sindh Sales Tax on remuneration of the Trustee	9.2	37	48
		323	411

- 9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per tariff specified therein, based on the net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

Tariff structure applicable to the Fund as at June 30, 2019 is as follows:

Net asset value	Tariff per annum
Upto Rs. 1,000 million	0.17% per annum of net asset value.
"On amount exceeding Rs. 1,000 million to Rs. 5,000 million"	Rs. 1.7 million plus 0.085% per annum of net asset value exceeding Rs. 1,000 million.
On amount exceeding Rs. 5,000 million	"Rs. 5.1 million plus 0.07% per annum of net asset value exceeding Rs. 5,000 million."

- 9.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2018: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 10.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorised as "shariah compliant" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2019 ----- Rupees in '000 -----	2018 -----
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		505	479
Provision for Sindh Workers' Welfare Fund	14.	11,921	6,905
Federal Excise Duty on remuneration of the Management Company	11.1 & 11.2	3,955	3,955
Settlement charges		6	5
Withholding tax		19,327	34
Capital gain Tax		2,095	1,921
Legal and professional charges		32	49
Bank charges		27	54
Brokerage charges		32	22
Printing charges		82	100
Shariah advisor fee		532	494
Others		404	565
		38,918	14,583

- 11.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

"However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, being prudent, is carrying provision for FED aggregating to Rs. 3.955 million as at June 30, 2019

Had the provision not being made, the net asset value per unit as at June 30, 2019 would have been higher by Rs. 0.0103 per unit (2018: Rs. 0.010 per unit)."

- 11.2** The amount of FED accrued on remuneration of the Management Company will be paid by the Management Company to the taxation authority, if required.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at June 30, 2019 and June 30, 2018.

13 AUDITORS' REMUNERATION

	2019	2018
	----- Rupees in '000 -----	
Annual audit fee	360	330
Half yearly review fee	144	132
Out of pocket expenses and others including Government levies	189	30
	<u>693</u>	<u>492</u>

14. PROVISION FOR WORKERS' WELFARE FUND AND SINDH WORKERS' 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 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. 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 (i.e. starting from May 21, 2015)

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.

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As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 11.921 million (2018: Rs. 6.905 million). Had the provision not being made, the net asset value per unit as at June 30, 2019 would have been higher by Rs.0.031 per unit (June 30, 2018 Rs. 0.018) per unit.

15. TAXATION

The Fund's income is exempt from income tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). The Fund has to distribute such accounting income for the year ended June 30, 2018 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

16. EARNINGS PER UNIT

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

17. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset for the year) is 1.65% per annum including 0.35% representing government levies on Collective Investment Schemes such as sales tax and Securities and Exchange Commission of Pakistan fee for the year.

18. DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to categorize funds under their management on the basis of criteria laid down in the Circular. The Board has approved the category of the fund as 'income scheme'.

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

Following is the detail of non-compliant investments :

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets	% of gross assets
New Allied Electronics Industries (Private) Limited	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of Circular 7 of 2009	Sukuks (5.2)	110,000	(110,000)	-	-	-
- Sukuk 1							
New Allied Electronics Industries (Private) Limited	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of Circular 7 of 2009	Sukuks (5.2)	4,905	(4,905)	-	-	-
- Sukuk 2							
Total carrying value			114,905	(114,905)			

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18.1 At the time of purchase, these sukuks were in compliance with the aforementioned Circular. However, they either subsequently defaulted or were downgraded to non investment grade.

2019 2018
-----No of Units-----

19 NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the year	377,833,783	512,725,293
Add: units issued during the year	465,150,612	707,138,501
Less: units redeemed during the year	(460,485,014)	(842,030,011)
Total units in issue at the end of the year	382,499,381	377,833,783

20 NET ASSET VALUE PER UNIT

The net asset value per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

21 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

21.1 Connected persons and related parties include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Baltoro Growth Fund. Limited being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

21.2 The transactions with connected persons and related parties are carried at agreed terms.

21.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

21.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

2019 2018
----- Rupees in '000 -----

21.5 Details of transactions with connected persons are as follows:

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	21,230	25,371
Sindh Sales Tax on Management Company's remuneration	2,760	3,298
Operational expenses	3,045	4,286
Sales load paid to the Management Company	4,459	1,492
Selling and marketing expenses	9,372	-

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	3,438	4,493
Sindh Sales Tax on Remuneration of the Trustee	447	584
Security Deposit	100	100

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	2019	2018
	----- Rupees in '000 -----	-----
Employees of the Management Company		
Units issued / transferred in 16,023,993 units (2018: 17,469,282 units)	154,635	170,376
Unit redeemed / transferred out units 19,595,376 (2018: 16,119,332 units)	193,805	157,574
Dividend re-invest 115,325 units (2018: 2,983 units)	1,096	28,616
Chief Financial Officer of the Management Company		
Units issued / transferred in 294,643 units (2018: 312,120 units)	2,800	3,000
Unit redeemed / transferred out 1,747 units (2018: 310,450 units)	17	3,002
Dividend re-invest 1,698 units (2018: Nil units)	16	-
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Profit on savings accounts	6,171	12,997
Term deposit receipt	5,191	-
Akhuwat (Portfolio managed by the Management Company)		
Units issued / transferred in Nil units (2018: 890,005 units)	-	8,558
Unit redeemed / transferred out Nil units (2018: 4,144,556 units)	-	40,804
Dividend re-invest Nil units (2018: 2,305 units)	-	22
*Prosperity Weaving Mills		
Units issued / transferred in Nil units (2018: 12 units)	-	117
21.6 Balances outstanding as at the year end		
NBP Fund Management Limited		
Remuneration of the Management Company	2,001	2,263
Sindh Sales Tax payable on remuneration of the Management Company	260	294
Operational expenses	1,415	2,092
Sales load	1,303	1,705
Sindh Sales Tax and Federal Excise Duty on sales load	825	935
Selling and marketing expenses	5,659	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	286	363
Sindh Sales tax Remuneration payable	37	48
Security deposit	100	100
National Bank of Pakistan - Parent of the Management Company		
Bank balances in current account	3,065	4,760
Employees of the Management Company		
Investment held in the Fund: 1,710,757 units (June 2018: 5,166,826 units)	16,291	36,271
Chief Financial Officer of the Management Company		
Investment held in the Fund: 296,264 units (June 2018:1,669 units)	2,821	16
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Balance in savings accounts	101,678	255,283
Term deposit receipt	540,000	-
Summit Bank (Common Directorship with the Management Company)		
Balance in current accounts	5,661	5,984

* Current balances with these parties have been disclosed as they become connected persons and related parties during the year.

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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 & CFA	31
2	Mr. Sajjad Anwar	MBA & CFA	19
3	Mr. Muhammad Ali Bhabha	CFA, FRM, MBA & MS(CS)	24
4	Mr. Hassan Raza	ACCA, BSC, CFA	8
5	Mr. Taha Khan Javed	MBA & CFA	13

22.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NBP Mahana Amdani Fund (Formerly NAFA Savings Plus Fund)
- NBP Savings Fund (Formerly NAFA Income Fund)
- NBP Islamic Savings Fund (Formerly NAFA Islamic Income Fund)
- NBP Islamic Mahana Amdani Fund (Formerly NBP Aitemaad Mahana Amdani Fund)
- NBP Riba Free Savings Fund (Formerly NAFA Riba Free Savings Fund)
- NBP Income Opportunity Fund (Formerly NAFA Income Opportunity Fund)
- NBP Financial Sector Income Fund (Formerly NAFA Financial Sector Income Fund)
- NBP Government Securities Liquid Fund (Formerly NAFA Government Securities Liquid Fund)
- NBP Money Market Fund (Formerly NAFA Money Market Fund)
- NBP Islamic Money Market Fund (Formerly NAFA Islamic Money Market Fund)
- NBP Active Allocation Riba Free Savings Fund (Formerly NAFA Active Allocation Riba Free Savings)
- NAFA Government Securities Savings Fund
- NBP Government Securities Fund-I

23. PATTERN OF UNIT HOLDING

Category	As at June 30, 2019		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
(Rupees in '000)			
Individuals	3,518	2,758,676	75.73%
Insurance companies	3	38,726	1.06%
Listed companies	3	122	0.00%
Retirement funds	32	182,447	5.00%
Others	42	662,398	18.18%
	3,598	3,642,370	100%

Category	As at June 30, 2018		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
(Rupees in '000)			
Individuals	2,447	2,021,818	53.55%
Insurance companies	5	174,156	4.61%
Listed companies	5	78,246	2.07%
Retirement funds	37	214,125	5.67%
Others	49	1,286,970	34.08%
	2,543	3,775,315	100%

24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 64th, 68th, 69th, 70th and 71st Board meetings were held on September 05, 2018, October 30, 2018, February 25, 2019 and April 26, 2018, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Mudassir H. Khan	2	1	1	69th
Mr. Tariq Jamali	2	-	2	68th and 69th
Mr. Abdul Hadi Palekar	4	3	1	70th
Mr. Foo Chiah Chinug (Dr. Kelvin Foo)	2	1	1	69th
Mr. Kamal Amir Chinoy	4	3	1	70th
Mr. Shehryar Faruque	4	3	1	68th
Mr. Hamayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan	2	2*	-	-
Dr. Amjad Waheed	4	4	-	-
Mr. Shaikh Muhammad Abdul Wahid Sethi	2	2*	-	-
Mr. Nasir Husain	2	2*	-	-
Mr. Ali Saigol	2	2*	-	-
Mr. Imran Zaffar	2	2*	-	-

24.1 Mr. Shaikh Muhammad Abdul Wahid Sethi, Mr. Nasir Husain, Mr. Ali Saigol and Mr. Imran Zaffar were appointed as directors on Board with effect from December 17, 2018

24.2 Mr. Foo Chiah Chiung (Dr. Kelvin Foo), Mr. Wajahat Rasul Khan, Mr. Mudassir H. Khan and Mr. Tariq Jamali resigned from the Board October with effect from 17, 2018, however, their resignations were approved by the SECP on January 18, 2019.

*These directors were appointed and retired/resigned during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

25. FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2019

At fair value through profit or loss	At amortised cost	Total
--------------------------------------	-------------------	-------

-----Rupees in '000-----

Financial Assets

Balances with banks	-	2,118,188	2,118,188
Investments	1,549,483	-	1,549,483
Mark-up accrued	-	26,157	26,157
Deposits	-	100	100
	1,549,483	2,144,445	3,693,928

As at June 30, 2019

At fair value through profit or loss	At amortised cost	Total
--------------------------------------	-------------------	-------

-----Rupees in '000-----

Financial Liabilities

Payable to the Management Company	-	2,001	2,001
Payable to Central Depository Company of Pakistan Limited - Trustee	-	286	286
Accrued expenses and other liabilities	-	1,620	1,620
Net assets attributable to redeemable units	-	3,642,370	3,642,370
	-	3,646,277	3,646,277

As at June 30, 2018

Loans and receivables	At fair value through profit or loss - held for trading	Total
-----------------------	---	-------

-----Rupees in '000-----

Financial Assets

Balances with banks	3,109,290	-	3,109,290
Investments	-	657,638	657,638
Mark-up accrued	32,592	-	32,592
Receivable against conversion of units	-	-	-
Deposits	100	-	100
	3,141,982	657,638	3,799,620

As at June 30, 2018

At fair value through profit or loss - held for trading	At amortised cost	Total
---	-------------------	-------

-----Rupees in '000-----

Financial Liabilities

Payable to the Management Company	-	7,289	7,289
Payable to the Trustee	-	411	411
Accrued expenses and other liabilities	-	1,768	1,768
Net assets attributable to redeemable units	-	3,775,315	3,775,315
	-	3,784,783	3,784,783

26. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

26.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan and Investment Committee.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

26.1.1 Currency risk

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

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 as a result of changes in market interest rates.

- Sensitivity analysis for variable rate instruments

As at June 30, 2019, the Fund holds KIBOR based interest bearing sukuks and balance in savings accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.3.316 million (2018: Rs. 1.560 million).

- Sensitivity analysis for fixed rate instruments

The Fund holds term deposits receipts and commercial papers that expose the Fund to fair value interest rate risk as at June 30, 2019. In case of 100 basis points increase in coupon rate on June 30, 2019, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher/lower by Rs. 3.794 million (2018: Rs. Nil).

As at June 30, 2019						
Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
%	Rupees in '000					
On-balance sheet financial instruments						
Financial assets						
Bank balances	5.0 - 13.8	2,118,188	2,099,815	-	-	18,373
Investments	5.24 - 13.2	1,549,483	33,881	975,602	-	540,000
Markup Accrued		26,157	-	-	-	26,157
Deposits		100	-	-	-	100
		3,693,928	2,133,696	975,602	-	584,630
Financial liabilities						
Payable to the Management Company		11,463	-	-	-	11,463
Payable to the Trustee		323	-	-	-	323
Accrued expenses and other liabilities		38,918	-	-	-	38,918
Net assets attributable to redeemable units		3,642,370	-	-	-	3,642,370
		3,693,074	-	-	-	3,693,074
On-balance sheet gap		854	2,133,696	975,602	-	(3,108,444)
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

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As at June 30, 2018

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
%		Rupees in '000			
On-balance sheet financial instruments					
Financial assets					
Bank balances	2.40 - 6.50	3,109,290	3,094,443	-	14,847
Investments	5.24 - 8.90	657,638	131,365	526,273	-
Markup Accrued		32,592	-	-	32,592
Deposits		100	-	-	100
		3,799,620	3,225,808	526,273	47,539
Financial liabilities					
Payable to the Management Company		11,128	-	-	11,128
Payable to the Trustee		321	-	-	321
Accrued expenses and other liabilities		1,125	-	-	1,125
Net assets attributable to redeemable units		4,876,177	-	-	4,876,177
		4,888,751	-	-	4,888,751
On-balance sheet gap		(1,089,131)	3,225,808	526,273	(4,841,212)
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-

26.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to price risk.

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 in debt securities. The Fund is also exposed to counter party credit risks on loans and receivables, balances with banks, profit receivable, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the Fund's policy is to enter into financial instrument contracts following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

The analysis below summarises the credit quality of the Fund's financial assets:

Bank balances by rating category

June 30, 2019

AAA	57.11%
AA+	0.19%
AA	1.15%
AA-	0.38%
A+	4.81%
A-	36.05%
A	0.05%
Suspended	0.27%

Term finance certificates, sukuks and Commercial Paper by rating category

AAA, AA, AA-,AA+	60.30%
A,A-,A+	18.40%
Non-performing	20.50%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is as follows :

	June 30, 2019		June 30, 2018	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
Balances with banks	2,118,188	2,118,188	3,109,290	3,109,290
Investments	937,504	937,504	657,638	657,638
Mark-up accrued	26,157	26,157	32,592	32,592
Receivable against transfer of units	-	-	-	-
Deposits	100	100	100	100
	3,081,949	3,081,949	3,799,620	3,799,620

Concentration of credit risk

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

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.

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

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to 15% of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. The Fund did not withhold any significant redemptions during the year.

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

June 30, 2019					
Total	Upto three months	Over three months and upto one year	Over one year		
Rupees in '000					
Financial liabilities					
Payable to the Management Company	11,463	11,463	-	-	
Payable to the Trustee	323	323	-	-	
Accrued expenses and other liabilities	1,620	1,620	-	-	
Net assets attributable to redeemable units	3,642,370	3,642,370	-	-	
	3,655,776	3,655,776	-	-	

June 30, 2018					
Total	Upto three months	Over three months and upto one year	Over one year		
Rupees in '000					
Financial liabilities					
Payable to the Management Company	7,289	7,289	-	-	
Payable to the Trustee	411	411	-	-	
Accrued expenses and other liabilities	1,768	1,768	-	-	
Net assets attributable to redeemable units	3,775,315	3,775,315	-	-	
	3,784,783	3,784,783	-	-	

27. UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the issuance and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies stated in note 26, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by disposal of investments where necessary.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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

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

	Note	Carrying amount			Fair value			
		Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
June 30, 2019								
Rupees -----								
Financial assets measured at fair value								
Sukuk's	5	148,630	-	148,630	-	148,630	-	148,630
Government Securities	5	71,979	-	71,979	-	71,979	-	71,979
Commercial paper	5	788,874	-	788,874	-	788,874	-	788,874
Term deposit receipt	5	540,000	-	540,000	-	540,000	-	540,000
		<u>1,009,483</u>	<u>-</u>	<u>1,009,483</u>	<u>-</u>	<u>220,609</u>	<u>788,874</u>	<u>1,549,483</u>
Financial assets not measured at fair value								
Bank balances	4	-	2,118,188	2,118,188	-	-	-	-
Mark-up accrued	6	-	26,157	26,157	-	-	-	-
Deposits, prepayments and other receivables	7	-	1,529	1,529	-	-	-	-
		<u>-</u>	<u>2,145,874</u>	<u>2,145,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Payable to the Management Company	8	-	11,463	11,471	-	-	-	-
Remuneration payable to the Trustee	9	-	323	332	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	10	-	2,283	2,293	-	-	-	-
Accrued expenses and other liabilities	11	-	38,918	38,929	-	-	-	-
Net assets attributable to redeemable units		-	3,642,370	3,642,370	-	-	-	-
		<u>-</u>	<u>3,695,357</u>	<u>3,695,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NBP ISLAMIC SAVINGS FUND (FORMERLY; NAFA ISLAMIC INCOME FUND)



	Carrying amount				Fair value			Total
	Fair value through held for trading	Available for sale	Loans and receivables	Other financial liabilities	Level 1	Level 2		
June 30, 2018	----- Rupees -----							
Financial assets measured at fair value								
Sukuk's	657,638	-	-	-	657,638	657,638	-	657,638
	<u>657,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,638</u>	<u>657,638</u>	<u>-</u>	<u>657,638</u>
Financial assets not measured at fair value								
Bank balances	-	-	3,109,290	-	3,109,290	-	-	-
Mark-up accrued	-	-	32,592	-	32,592	-	-	-
Deposits, prepayments and other receivables	-	-	1,292	-	1,292	-	-	-
	<u>-</u>	<u>-</u>	<u>3,143,174</u>	<u>-</u>	<u>3,143,174</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Payable to the Management Company	-	-	-	7,289	7,289	-	-	-
Remuneration payable to the Trustee	-	-	-	411	411	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	3,214	3,214	-	-	-
Accrued expenses and other liabilities	-	-	-	14,583	14,583	-	-	-
Net assets attributable to redeemable units				3,775,315	3,775,315	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,800,812</u>	<u>3,800,812</u>	<u>-</u>	<u>-</u>	<u>-</u>

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 30, 2019 .

30. GENERAL

30.1 Figures have been rounded off to the nearest thousand rupees.

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

Chief Financial Officer

Chief Executive Officer

Director

PERFORMANCE TABLE

Particulars	For the year ended June 30, 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	For the year ended June 30, 2014
Net assets at the year / period ended (Rs '000)	3,642,370	3,775,315	4,876,177	2,566,748	1,207,394	431,004
Net income for the year / period ended (Rs '000)	245,784	214,227	81,561	43,406	45,573	30,932
Net Asset Value per unit at the year / period ended (Rs)	9.5226	9.9920	9.5103	9.4856	9.4745	9.3285
Offer Price per unit	9.6272	10.1049	9.6178	9.6110	9.6009	9.4540
Redemption Price per unit	9.5226	9.9920	9.5103	9.4856	9.4745	9.3285
Highest offer price per unit (Rs)	9.6272	10.1049	10.0838	9.6110	9.6009	9.4540
Lowest offer price per unit (Rs)	8.8782	9.6190	9.5942	8.9506	8.7930	8.3199
Highest redemption price per unit (Rs)	9.5226	9.9920	9.9711	9.4856	9.4745	9.3285
Lowest redemption price per unit (Rs)	8.7763	9.5048	9.4870	8.8314	8.6772	8.2094
Fiscal Year Opening Ex NAV	8.7720	9.5036	9.4856	8.8298	8.6754	8.2082
Total return of the fund	8.56%	5.14%	5.40%	7.43%	9.21%	13.65%
Capital growth	0.22%	0.00%	5.33%	0.13%	1.03%	5.62%
Income distribution as % of Ex-NAV	8.34%	5.14%	0.07%	7.30%	8.18%	8.03%
Income distribution as % of Par Value	7.93%	4.88%	0.07%	6.92%	7.10%	6.59%
Distribution						
Interim distribution per unit			0.4855	-	0.7099	-
Final distribution per unit	0.7927	0.4883	0.0068	0.6918	-	0.6592
Distribution Dates						
Interim			19-Jun-17	29-Jun-16	29-Jun-15	-
Final	24-June-2019	04-Jul-2018	15-Sep-17		-	26-Jun-14
Average annual return of the fund (launch date October 26, 2007)						
(Since inception to June 30, 2019)	6.71%					
(Since inception to June 30, 2018)		6.53%				
(Since inception to June 30, 2017)			6.7%			
(Since inception to June 30, 2016)				6.83%		
(Since inception to June 30, 2015)					6.80%	
(Since inception to June 30, 2014)						6.39%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	20 Days	60 Days	83 Days	49 Days	2 Days	9 Days

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

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