

NBP RIBA FREE 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 RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS 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 Shahra-e-Faisal, Karachi.

Bankers to the Fund

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

NBP RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS FUND)



NBP FUNDS
Managing Your Savings

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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



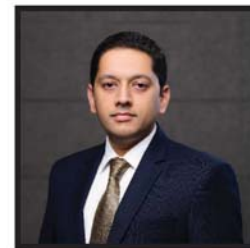
Mr. Salman Ahmed, CFA
Head Of Risk Management



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 Ninth Annual Report of **NBP Riba Free Savings Fund (Formerly; NAFA Riba Savings Fund) (NRFSF)** for the year ended June 30, 2019.

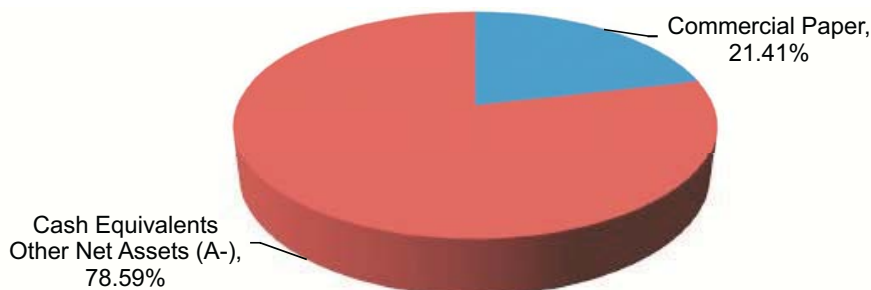
Fund's Performance

The size of NBP Riba Free Savings Fund has grown from Rs. 4,017 million to Rs. 6,569 million during the period, i.e. a significant rise of 64%. During the period, the unit price of the Fund has increased from Rs. 9.3736 (Ex-Div) on June 30, 2018 to Rs. 10.2049 on June 30, 2019 thus posting a return of 8.9% 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.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. The stability rating of the Fund by PACRA is A (f), which denotes a strong capacity to maintain relative stability in returns and very low exposure to risks. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

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.

The Fund has earned a total income of Rs. 582.249 million during the year. After deducting total expenses of Rs.93.148 million, the net income is Rs. 489.101 million. The asset allocation of NBP Riba Free 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 8.694% of the opening ex-NAV (8.858% 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 26 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 23 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 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 اینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP ریفاری سیونگ فنڈ (NRFSF) (سابقہ: NAFA ریفاری سیونگ فنڈ) کی نویں سالانہ رپورٹ برائے سال تختہ 30 جون 2019ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

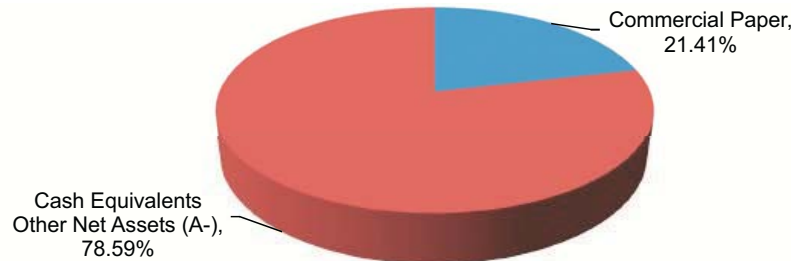
NBP ریفاری سیونگ فنڈ کا سائز اس مدت کے دوران خاطر خواہ اضافہ کے بعد 4,017 ملین روپے سے بڑھ کر 6,569 ملین روپے ہو گیا۔ یعنی 64% کا خاطر خواہ اضافہ ہوا۔ زیر جائزہ مدت کے دوران، فنڈ کی پینٹ قیمت 30 جون 2018 کو 9.3736 روپے (EX-Div) سے بڑھ کر 30 جون 2019 کو 10.2049 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت کے دوران 3.7% پانچ مارک منافع کے مقابلے میں 8.9% کا منافع دیا۔ فنڈ کی یہ کارکردگی اینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NRFSF ایک اسلامک انکم اسکیم ہے، جس کا اسٹاک مارکیٹ سے کوئی براہ راست یا بالواسطہ تعلق نہیں ہے۔ فنڈ کو PACRA کی طرف سے A(f) کی مستحکم ریٹنگ دی گئی ہے جو منافع جات میں استحکام برقرار رکھنے کی زبردست اہلیت اور خطرات کی زد میں آنے کے بہت معمولی امکانات کی نشان دہی کرتی ہے۔ فنڈ کا مقصد اسلامی بینکوں / کمرشل بینکوں کی اسلامک ونڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے تو اتر سے بہتر منافع فراہم کرنا ہے، جب کہ اعلیٰ کوائٹی کے کریڈٹ پروفائل کے ساتھ آسان لیکویڈیٹی بھی مہیا کرنا ہے۔ کسی بھی واحد انسٹرومنٹ کی پیچورٹی، ماسوائے حکومت پاکستان کے اجارہ سکوک، 6 ماہ سے تجاوز نہیں کر سکتی۔ حکومت پاکستان کے اجارہ سکوک 6 ماہ کو پین ری سیٹ کے ساتھ فلونگ ریٹ شریعہ کمپلیٹ سیکورٹیز ہیں۔ یہ قیمتوں کے تعین کرنے کے خطرے کو کم کرتے ہیں۔

کارپوریٹ سکوک میں تجارتی سرگرمی مالی سال 2018 میں 10 ملین روپے کے مقابلے مالی سال 2019 میں تقریباً 12 ملین روپے کے مجموعی تجارتی حجم کے ساتھ اعلیٰ کوائٹی ڈیبٹ ایبٹوز کے لحاظ سے قدر کم رہی۔ انرجی سیکٹور کو حکومت کے گارنٹی شدہ 200 ملین پاکستانی روپے کے Sukuks کے اجراء نے طویل مدتی شریعہ کمپلیٹ ڈیبٹ انسٹرومنٹس کے لئے undersupplied 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 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 پیمائش 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، ایشیائے خورد و نوش کی قیمتوں میں نمایاں اضافے، بین الاقوامی تیل کی قیمتوں میں اتار چڑھاؤ، کرنسی کی قدر میں کمی، یوٹی لیبیز کے نرخوں میں متوقع اضافی ایڈجسٹمنٹ، بینکوں کا بڑھنا اور کرنسی کی قدر میں کمی کے دوسرے دور جیسے اثرات کی وجہ سے افراط زر میں اضافہ متوقع ہے۔

فنڈ نے سال کے دوران 582.249 ملین روپے کی کل آمدنی کمائی ہے۔ 93.148 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 489.101 ملین روپے ہے۔

30 جون 2019 کو NBP ریفاری سیونگ فنڈ کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

اینجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2019 کے اختتام کے بعد ایو پانگ ex-NAV کا 8.694% (Par Value کا 8.858%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

یکسیشن

درج بالا نقد منافع سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین متہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سیکشن 10 کے تحت پارت 1 کی شرح 99 کے تحت ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2020 کو ختم ہونے والے سال میں دوبارہ تقرر کے لئے پیش کیا ہے۔

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

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
 - 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
 - 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شاربائی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
 - 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
 - 5 انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
 - 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
 - 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
 - 8 پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
 - 9 ٹیکسوں، ڈیوٹیجز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
 - 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 26 میں کی گئی ہے۔
 - 11 یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 25 میں ظاہر کیا گیا ہے۔
 - 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے نوٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔
 - 13 مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی ائٹریسٹ نہیں رکھتی۔
- 30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کیٹگری
•1 جناب کمال عامر چنائے	غیر جانبدار ڈائریکٹرز
•2 جناب شہر یار فاروق	
•3 جناب ہمایوں بشیر	
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
•1 شیخ محمد عبدالواحد سیٹھی (چیرمین)	نان ایگزیکٹو ڈائریکٹرز
•2 جناب ناصر حسین	
•3 جناب عبدالہادی پالیکر	
•4 جناب علی سیگل	
•5 جناب عمران ظفر	

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے منجمنٹ 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 ٹرسٹی 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 منجمنٹ کمیٹی

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 30 اگست 2019

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Riba Free Savings Fund (formerly NAFA Riba Free Savings Fund) (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 Riba Free Savings Fund (formerly; NAFA Riba Free Savings Fund)

NBP Riba Free Savings Fund (NRFSF) is an Open-end Shariah Compliant Income Scheme.

Investment Objective of the Fund

The objective of NBP Riba Free Savings Fund (Formerly; NAFA Riba Free Savings Fund) is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah Compliant banks and money market/debt securities.

Benchmark

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

Fund Performance Review

This is the Ninth Annual report since the launch of the Fund on August 20, 2010. The Fund size has grown significantly by 64% during FY19 and stands at Rs. 6,569 million as on June 30, 2019. The Fund has posted a return of 7.8% p.a since its inception versus the benchmark return of 5.7% p.a. During FY19, the Fund posted a return of 8.9% as compared to the benchmark return of 3.7%. This translates into an outperformance of 5.2% p.a. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its investment objectives.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. The Fund was awarded A(f) stability rating by PACRA. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

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
Cash (Cash Equivalents) & Other Assets	78.59%	97.50%
GOP Ijara Sukuk	-	2.50%
Commercial Paper	21.41%	-
Total	100.00%	100.00%

NBP RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS FUND)



Distribution for the Financial Year 2019

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	8.858%	0.8858	10.1885

Unit Holding Pattern of NBP Riba Free Savings Fund (Formerly; NAFA Riba Free Savings Fund) as on June 30, 2019

Size of Unit Holding (Units)	# of Unit Holders
1-1000	2475
1001-5000	611
5001-10000	528
10001-50000	1,364
50001-100000	547
100001-500000	607
500001-1000000	100
1000001-5000000	62
5000001-10000000	10
10000001-100000000	6
Total	6,310

During the period under question:

There has been no significant change in the state of affairs of the Fund. NBP Riba Free Savings Fund (Formerly; NAFA Riba Free Savings Fund) does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 15.055Million. If the same were not made the NAV per unit/FY19 return of scheme would be higher by Rs. 0.0234/0.229%. For details investors are advised to read note 19 of the Financial Statement of the Scheme for the year ended June 30, 2019.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Riba Free Savings Fund (Formerly; NAFA Riba Free Savings Fund) (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shari'ah 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 ninth year of the operations of NBP Riba Free Savings Fund (NRFSF). This report is being issued in accordance with clause 3.14 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

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

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

INDEPENDENT ASSURANCE REPORT To the unit holders of NBP Riba Free Savings Fund (Formerly NAFA Riba Free Savings Fund)

Report on the Statement of Compliance with the Shariah Principles

We have performed an independent assurance engagement of NBP Riba Free Savings Fund (Formerly; NAFA Riba Free Savings 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 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.

The engagement partner on the engagement resulting in this independent assurance report is **Mr. Naresh Kumar**.

Deloitte Yousuf Adil
Chartered Accountants

Dated: September 29, 2019

Place: Karachi

INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Riba Free Saving Fund (formerly NAFA Riba Free Savings Fund)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NBP Riba Free Savings Fund (formerly NAFA Riba Free Savings 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 6 to the financial statements represent significant portion of the net assets of the Fund</p> <p>The Fund's primary activity is, inter alia, to invest in commercial papers 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 the Central Depository Company (CDC), and bank account 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 investigated further.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not received this information and therefore cannot report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

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

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

Report on other legal and regulatory requirements

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

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

Deloitte Yousuf Adil
Chartered Accountants

Date: September 29, 2019
Place: Karachi.

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019

	Note	2019 -----Rupees in '000 -----	2018
Bank balances	5	4,208,621	3,921,350
Investments	6	2,381,549	100,380
Accrued profit	7	68,097	21,579
Deposit, prepayment and other receivables	8	416	200
Total assets		6,658,683	4,043,509
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	9	22,303	4,913
Payable to Central Depository Company of Pakistan Limited - Trustee	10	620	391
Payable to the Securities and Exchange Commission of Pakistan	12	4,197	2,473
Accrued expenses and other liabilities	13	62,512	18,531
Total liabilities		89,632	26,308
NET ASSETS		6,569,051	4,017,201
UNIT HOLDERS' FUND (as per statement attached)		6,569,051	4,017,201
Contingencies and commitments	14		
-----Number of units-----			
Number of units in issue	15	643,712,304	374,671,846
-----Rupees-----			
Net asset value per unit	14	10.2049	10.7219

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	----- Rupees in '000 -----	
Return / profit on;		
- bank balances and term deposit receipts	479,811	198,133
- government securities	2,949	5,540
- commercial papers	99,869	5,380
6.2	(380)	-
Net loss on maturity / sale of investments		
Net unrealised loss on re-measurement of investments at fair value through profit or loss	-	(1,610)
Total income	582,249	207,443
EXPENSES		
Remuneration of NBP Asset Management Limited - Management Company	9.1 40,067	19,601
Sindh Sales Tax on remuneration of the Management Company	9.2 5,208	2,548
Reimbursement of operational expenses to the Management Company	9.3 5,596	3,297
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1 5,489	3,653
Sindh Sales Tax on remuneration of the Trustee	10.2 714	475
Selling and Marketing Expense - Management company	11 18,988	-
Annual fee to the Securities and Exchange Commission of Pakistan	4,197	2,473
Settlement and bank charges	710	560
Auditors' remuneration	17 732	655
Fund rating fee	412	373
Legal and professional charges	55	50
Annual listing fee	28	28
Printing charges	18	77
Shariah advisor fee	952	494
Total expenses	83,166	34,284
Net income from operating activities	499,083	173,159
Provision for Sindh Workers' Welfare Fund	19 (9,982)	(3,464)
Net income for the year before taxation	489,101	169,695
Taxation	20 -	-
Net income for the year after taxation	489,101	169,695
Earnings per unit	21	
Allocation of net income for the year:		
Net income for the year after taxation	489,101	169,695
Income already paid on units redeemed	(217,557)	(75,567)
	271,544	94,128
Accounting income available for distribution		
Relating to capital gain	-	-
Excluding capital gain	271,544	94,128
	271,544	94,128

The annexed notes from 1 to 32 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	489,101	169,695
Other comprehensive income	-	-
Total comprehensive income for the year	<u>489,101</u>	<u>169,695</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS FUND)



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2019

	Year ended June 30,					
	2019			2018		
	(Rupees in '000)					
	Capital Value	Undistributed Income	Total	Capital Value	Undistributed Income	Total
Net assets at beginning of the year	3,904,490	112,711	4,017,201	2,108,566	18,583	2,127,149
Issue of 1,229,423,431 units (2018: 659,679,347 units)						
- Capital value	12,525,981	-	12,525,981	6,720,945	-	6,720,945
- Element of income	602,233	-	602,233	175,044	-	175,044
Total proceeds on issuance of units	13,128,214	-	13,128,214	6,895,989	-	6,895,989
Redemption of 960,382,973 units (2018: 493,792,205 units)						
- Capital value	(9,784,862)	-	(9,784,862)	(5,030,854)	-	(5,030,854)
- Element of loss	(337,576)	(217,557)	(555,133)	(69,211)	(75,567)	(144,778)
Total payments on redemption of units	(10,122,438)	(217,557)	(10,339,995)	(5,100,065)	(75,567)	(5,175,632)
Total comprehensive income for the year	-	489,101	489,101	-	169,695	169,695
Final distribution @ Re.0.5334 / unit declared on July 04, 2018						
- Cash distribution	-	(94,079)	(94,079)	-	-	-
- Refund of capital	(105,771)	-	(105,771)	-	-	-
	(105,771)	(94,079)	(199,850)	-	-	-
Interim distribution @ Re.0.8858 / unit declared on June 26, 2019						
- Cash distribution	-	(260,882)	(260,882)	-	-	-
- Refund of capital	(264,738)	-	(264,738)	-	-	-
	(264,738)	(260,882)	(525,620)	-	-	-
Net assets at end of the year	6,539,757	29,294	6,569,051	3,904,490	112,711	4,017,201
Undistributed income brought forward						
- Realised		112,711			17,383	
- Unrealised		-			1,200	
		112,711			18,583	
Accounting income available for distribution						
- Relating to capital gain		-			-	
- Excluding capital gain	271,544			94,128		
	271,544			94,128		
Final distribution @ Re.0.5334 / unit declared on July 04, 2018		(94,079)			-	
Interim distribution @ Re.0.8858 / unit declared on June 26, 2019		(260,882)			-	
Undistributed income carried forward		29,294			112,711	
Undistributed income carried forward						
- Realised		29,294			112,711	
- Unrealised		-			-	
		29,294			112,711	
		- (Rupees) -			- (Rupees) -	
Net assets value per unit at beginning of the year	10.7219			10.1882		
Net assets value per unit at end of the year	10.2049			10.7219		

The annexed notes from 1 to 32 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS 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	489,101	169,695
Adjustments:		
Return / profit on;		
- bank balances and term deposit receipts	(479,811)	(198,133)
- government securities	(2,949)	(5,540)
- commercial papers	(99,869)	-
Net unrealised Loss on re-measurement of investments at fair value through profit or loss	-	1,610
Net loss on maturity / sale of investments	380	-
Provision for Sindh Workers' Welfare Fund	9,982	3,464
	(572,267)	(198,599)
	(83,166)	(28,904)
(Increase) / decrease in assets		
Investments - net	(1,306,546)	-
Deposits, prepayments and other receivables	(216)	177
	(1,306,762)	177
Increase / (decrease) in liabilities		
Payable to the Management Company	17,390	1,938
Payable to the Trustee	229	149
Payable to the Securities and Exchange Commission of Pakistan	1,724	1,398
Accrued expenses and other liabilities	33,321	(4,414)
	52,664	(929)
Mark-up on bank balances received	433,067	186,940
Mark-up on government securities received	3,175	5,510
Mark-up on commercial papers	99,869	-
	(801,153)	162,794
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash generated from investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	12,757,705	6,896,783
Amounts paid on redemption of units	(10,339,320)	(5,186,527)
Distributions paid	(354,961)	(37)
	2,063,424	1,710,219
Net cash generated from financing activities		
Net increase in cash and cash equivalents during the year	1,262,271	1,873,013
Cash and cash equivalents at the beginning of the year	3,921,350	2,048,337
Cash and cash equivalents at the end of the year	5,183,621	3,921,350

The annexed notes from 1 to 32 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 Riba Free Savings Fund (formerly NAFA Riba Free Savings Fund) (the Fund) was established under a Trust Deed executed between NBP Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 18, 2010 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

During the year on May 13, 2019, the name of the Fund was changed from NAFA Riba Free Saving fund to NBP Riba Free Saving Fund. The change of name was made effective vide Fund's Ninth Supplementary Offering Document which was approved by SECP vide its letter no. SCD/AMCW/NAFA/407/2019 dated May 13, 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 the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

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

The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in Shariah compliant banks and money market / debt securities.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the pension fund manager to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 4.2.1 and 4.19.1);
- b) Impairment of financial assets (note 4.2.1);
- c) Provision (note 4.13)

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

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 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 on the Fund's financial statements other than certain additional disclosures.

	"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 note no. 4.2)	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

"Effective from accounting period beginning on or after"

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.

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

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

Effective from accounting period 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

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

**Effective from accounting period
beginning on or after**

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT

The accounting policies adopted and the methods of computation of balances used in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018 except for the changes in accounting policies as explained in note 4.1.

4.1 Cash and cash equivalents

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

4.2 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.

4.2.1 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

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.

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.

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.

The adoption of IFRS 9 does not have any impact on the Fund's accounting policies related to financial liabilities.

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.

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.

Impairment of financial assets

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

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

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

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

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	New carrying as per IFRS 9
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-----'Rupees in 000's'-----

Financial Assets

Balance with banks	LR	AC	3,921,350	3,921,350
Investments	HFT	FVTPL	100,380	100,380
Mark-up accrued	LR	AC	21,579	21,579
Deposit and other receivables	LR	AC	200	200

Financial Liabilities

Payable to the Management Company	OFL	AC	4,913	4,913
Payable to the Trustee	OFL	AC	391	391
Accrued expenses and other liabilities	OFL	AC	1,620	1,620
Net assets attributable to redeemable units	OFL	AC	4,017,201	4,017,201

"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

4.3 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.

4.4 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.

4.5 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.

4.6 Derecognition

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

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

4.7 Offsetting of financial instruments

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

4.8 Regular way contracts

All regular purchases / sales of financial assets are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the assets.

4.9 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'statement of assets

and liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.10 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.

4.11 Issuance and redemption of units

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

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

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

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

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

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

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

4.13 Provisions

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

4.14 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the 'income statement' in the period in which they arise.

- Markup / return on government securities, sukuk certificates, bank balances and term deposits are recognized on a time proportion basis using the effective interest method.

4.15 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.

4.16 Taxation

"The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among 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."

4.17 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.

4.18 Earnings per unit

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

4.19 Transition to IFRS 9 Financial Instruments

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

4.19.1 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 - held-for-trading, loans and receivables or available-for-sale.

(a) Investments as 'at fair value through profit or loss'

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.

4.19.2 Initial recognition and measurement

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

4.19.3 Subsequent measurement

a) Financial assets 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 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 the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

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 - held for trading' 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 derecognised or impaired. At this time, the cumulative gain or loss previously recognised 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 amortised cost using the effective interest method. Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.19.4 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 recognised whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised 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 recognised 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 provision is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

5. BALANCE WITH BANKS	Note	2019 ----- Rupees in '000 -----	2018
Current accounts		23,890	15,227
Savings accounts	5.1	4,184,731	3,906,123
		4,208,621	3,921,350

5.1 These savings accounts carry markup at rates ranging from 2.42% to 13.85% per annum (2018: 3.75% to 7.5% per annum).

6. INVESTMENTS	Note	2019 ----- Rupees in '000 -----	2018
Financial assets at fair value through profit or loss			
Government securities - GoP ijarah sukuks	6.1	-	100,380
Commercial paper	6.2	1,406,549	-
Term deposit receipts	6.3	975,000	-
		2,381,549	100,380

6.1 Government securities - GoP ijarah sukuks

Description	Period	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 certificates have a face value of Rs.100,000 each									
GoP ijarah sukuk XVI	Dec 18, 2015 to Dec 18, 2018	1,000	-	1,000	-	-	0.00%	0%	0.00%
						-	0.00%	0%	0.00%
Carrying value before mark to market as at June 30, 2019						-			

NBP RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS FUND)



6.2 This represents the purchase of commercial paper from HASCOL Petroleum Limited on January 15, 2019 having face value of Rs. 600 million, (Carrying value of Rs. 595.060 million) which carry profit at the rate of 11.66% and will mature on July 15, 2019. It also includes purchase of commercial paper from K-Electric Limited on March 01, 2019 having a face value of Rs. 825 million, (Carrying value of Rs. 806.201 million) which carry profit at the rate of 12.51% and will mature on September 02, 2019.

6.3 This carry markup rate of 13.60% (2018: Nil) per annum and having maturity at July 29, 2019 (2018: Nil).

	Note	2019 ----- Rupees in '000 -----	2018
7. ACCRUED PROFIT			
Profit accrued on bank balances		53,675	21,353
Profit accrued on government securities		-	226
Profit accrued on term deposit receipts		14,422	-
		<u>68,097</u>	<u>21,579</u>
8. DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES			
Security deposit with Central Depository Company of Pakistan Limited		200	200
Prepayment		216	-
		<u>416</u>	<u>200</u>
9. PAYABLE TO NBP ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	5,048	2,143
Selling and marketing expense		12,645	-
Sindh Sales Tax on remuneration of the Management Company	9.2	657	280
Operational expenses	9.3	3,161	1,828
Sales load		405	289
Sindh Sales Tax and Federal Excise Duty on sales load		387	373
		<u>22,303</u>	<u>4,913</u>

9.1 Under the provisions of the Non-Banking Finance Companies and Notifies Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to a remuneration which has been changed by the SECP in various prior years. As per the latest notification of SECP i.e. S.R.O 1160(1)/2015 the applicable rate is 1.5% to 2% of net assets.

Considering above requirement, management has made the policy for charging management remuneration as per the higher of below table:

Management remuneration (as % of net income *)	Minimum management remuneration (as % of average net asset value)	Maximum management remuneration (as % of average net asset value)
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7% **

0.50%

1.25%

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

**From September 10, 2018, the management company has changed the percentage has been changed from 10% to 7%.

Management remuneration is paid on a monthly basis in arrears.

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

9.3 This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(s) of the amended 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.

	Note	2019 Rupees in '000	2018
10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration of the Trustee	10.1	549	347
Sindh Sales Tax on remuneration of the Trustee	10.2	71	44
		620	391

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

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

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

10.2 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.

11. SELLING AND MARKETING

"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 started to charge from September 10, 2018 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses chargeable to Fund for the period. The charge for the current year is Rs. 18.988 million."

12. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, 2008, a collective investment scheme categorised as "income scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

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

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration		536	526
Provision for Sindh Workers' Welfare Fund	18	15,055	5,074
Federal Excise Duty on remuneration of the Management Company	13.1&13.2	10,657	10,657
Settlement charges		42	29
Withholding tax		28,060	55
Capital gain tax		6,155	1,125
Legal and professional charges		22	55
Bank charges		112	47
Payable against redemption of units		861	186
Printing charges		59	85
Mutual fund rating fee		-	195
Others		953	497
		62,512	18,531

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

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

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

"However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 10.657 million as at June 30, 2019.

Had the provision not been made, the net asset value per unit as at June 30, 2019 would have been higher by Rs. 0.0166 per unit (2018: Rs.0.0284 per unit)."

- 13.2** The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the Taxation authority, if required.

14. CONTINGENCIES AND COMMITMENTS

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

	2019	2018
	-----Number of units-----	
15. NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	374,671,846	208,784,704
Add: units issued during the year	1,229,423,431	659,679,347
Less: units redeemed during the year	(960,382,973)	(493,792,205)
	<u>643,712,304</u>	<u>374,671,846</u>

16. 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.

	2019	2018
	----- Rupees in '000 -----	
17. AUDITORS' REMUNERATION		
Annual audit fee	421	394
Half yearly review fee	169	138
Other certifications		90
Out of pocket expenses	142	33
	<u>732</u>	<u>655</u>

18. CASH AND CASH EQUIVALENT

Current accounts	23,890	15,227
Savings accounts	4,184,731	3,906,123
Term deposit receipts	975,000	-
	<u>5,183,621</u>	<u>3,921,350</u>

19. 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.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 15,055 million (2018: Rs. 5.074 million).

Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.0234 (June 30, 2018: Rs.0.0135) per unit.

20. TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2019 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

21. EARNINGS PER UNIT

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

22. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the year) is 1.66% per annum including 0.36% representing government levies on Collective Investment Schemes such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

23. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

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

23.2 The transactions with connected persons and related parties are carried out at agreed terms

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

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

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

23.5 Details of transactions with connected persons and related parties are as follows:

NBP Asset Management Limited (Management Company)

Remuneration of the Management Company	40,067	19,601
Sindh Sales Tax on remuneration of the Management Company	5,208	2,548
Reimbursement of operational expenses to the Management Company	5,596	3,297
Sales load	3,054	779
Sindh Sales Tax and Federal Excise Duty on sales load	397	101
Selling and Marketing Expense	18,988	-

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	5,489	3,653
Sindh Sales Tax on remuneration of the Trustee	714	475
CDS charges	29	12

Employees of the Management Company

Units issued / transferred in 13,250,832 units (2018: 2,979,421 units)	140,210	31,058
Units redeemed / transferred out 12,854,195 units (2018: 2,207,309 units)	137,391	23,060
Dividend Re-invest Units Issued 82,734 (2018: Nil)	843	-

**** National Fullerton Asset Management Employee Provident Fund (Provident Fund of the Management Company)**

Units issued / transferred in Nil (2018: 1,860,004 units)	-	19,213
Units redeemed / transferred out Nil (2018: 1,356,746 units)	-	14,152

Bank Islami Pakistan Limited (Common Directorship with the Management Company)

Profit on bank balances	66,178	19,289
Purchase of Term Deposit Receipts	2,210,000	-

Portfolios Managed by the Management Company

Dividend Re-invest Units Issued 48,732 (2018: Nil)	497	-
Units Issued / Transferred In 13,183,520 units (2018: 3,860,512)	137,571	112,394
Units Redeemed / Transferred Out 10,201,338 units (2018: 3,255,334)	110,103	79,197

Mr. Khalid Mehmood - Chief Financial Officer

Dividend Re-invest Units Issued 6,546 (2018: Nil)	67	-
Units Issued / Transferred In 579,832 units (2018: 173,886)	5,926	1,800
Units Redeemed / Transferred Out 269,569 units (2018: 87,572)	2,831	927

	2019	2018
	----- Rupees in '000 -----	
23.6 Details of amounts outstanding as at year end with connected persons and related parties are as follows:		
NBP Asset Management Limited (Management Company)		
Remuneration of the Management Company	5,048	2,143
Sindh Sales Tax on remuneration of the Management Company	657	280
Operational expenses	3,161	1,828
Sales load	405	289
Sindh Sales Tax and Federal Excise Duty on sales load	387	373
Selling and Marketing Expense	12,645	-
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	549	347
Sindh sales tax on remuneration of the Trustee	71	44
CDS charges	13	29
Security deposit	200	200
National Bank of Pakistan (Parent of the Management Company)		
Bank balance	2,837	4,080
Summit Bank Limited (Common Directorship with the Management Company)		
Bank balance	7,888	2,881
Bank Islami Pakistan Limited (Common Directorship with the Management Company)		
Bank balance	874,415	62,359
Markup accrued	15,885	698
Employees of the Management Company		
Investment held in the Fund 1,599,198 Units (2018: 1,119,851 units)	16,320	2,007
** National Fullerton Asset Management Employee Provident Fund (Provident Fund of the Management Company)		
Investment held in the Fund Nil Units (2018: 730,657)	-	7,834
Mr. Khalid Mehmood - Chief Financial Officer		
Investment held in the Fund 403,123 Units (2018: 86,314)	4,114	925
Portfolios Managed by the Management Company		
Units held 6,353,216 (2018: 3,322,303)	64,834	35,621

**Prior year transactions with these parties have not been disclosed as they were not connected persons or related parties during prior years.

*** These are parties whose portfolios are managed by the management company.

24. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA & CFA	31
2	Mr. Sajjad Anwar	CFA & MBA	19
3	Mr. Muhammad Ali Bhabha	CFA, FRM, MBA & MS(CS)	24
4	Mr. Hassan Raza	CFA, ACCA & BSC	8
5	Mr. Taha Khan Javed	CFA & MBA	13

24.1 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 Money Market Fund (Formerly NAFA Money Market 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 Islamic Money Market Fund (Formerly NAFA Islamic Money Market Fund)
- NBP Active Allocation Riba Free Savings Fund (Formerly NAFA Active Allocation Riba Free Savings Fund)
- NAFA Government Securities Savings Fund
- NBP Government Securities Fund - I

24.2 TRANSACTIONS WITH BROKERS / DEALERS

There has been no brokerage expense during the year ended June 30, 2019 and June 30, 2018.

25. PATTERN OF UNITS HOLDING

Category	Number of unit holders	As at June 30, 2019	
		Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	6,160	3,484,218	53.04%
Associated Companies and Directors	1	7,372	0.11%
Insurance Companies	6	49,206	0.75%
Retirement Funds	68	1,472,467	22.42%
Public Limited Companies	5	304,458	4.63%
Others	70	1,251,329	19.05%
	6,310	6,569,051	100.00%

Category	Number of unit holders	As at June 30, 2018	
		Net asset value of the amount invested	Percentage of investment
		Rupees in '000	
Associated Companies and Directors	1,600	1,083,771	26.98%
Insurance companies	1	7,834	0.20%
Retirement funds	4	53,128	1.32%
Public Limited Companies	73	1,629,218	40.56%
Others	3	257,638	6.41%
	55	985,612	24.53%
	1,736	4,017,201	100.00%

26. ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 68th, 69th, 70th, and 71st Board meetings were held on September 05, 2018, October 30, 2018, February 25, 2019 and April 26, 2019, 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	
Mudassir H. Khan*	2	1	1	69th Meeting
Tariq Jamali*	2	-	2	68th and 69th Meeting
Abdul Hadi Palekar	4	3	1	70th Meeting
Foo Chiah Chinug (Dr. Kelvin Foo)*	2	1	1	69th Meeting
Kamal Amir Chinoy	4	3	1	70th Meeting
Shehryar Faruque	4	3	1	68th Meeting
Hamayun Bashir	4	4	-	-
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	-	-

26.1 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.

26.2 Mr. Foo Chiah Chiung (Dr. Kelvin Foo), Mr. Wajahat Rasul Khan, Mr. Mudassir H. Khan and Mr. Tariq Jamali resigned from the Board with effect from October 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.

NBP RIBA FREE SAVINGS FUND

(FORMERLY; NAFA RIBA FREE SAVINGS FUND)



As at June 30, 2019			
Amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
-----Rupees in '000-----			
Financial Assets			
Balance with banks	4,208,621	-	4,208,621
Investments	-	2,381,549	2,381,549
Mark-up accrued	68,097	-	68,097
Deposit and other receivables	200	-	200
	4,276,918	2,381,549	6,658,467

As at June 30, 2019			
	Amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----			
Payable to the Management Company	22,303	-	22,303
Payable to the Trustee	620	-	620
Accrued expenses and other liabilities	13,242	-	13,242
Net assets attributable to redeemable units	6,569,051	-	6,569,051
	6,605,216	-	6,605,216

As at June 30, 2018			
Loans and receivables	Held for trading	Available for sale	Total
-----Rupees in '000-----			
Financial Assets			
Balance with banks	3,921,350	-	3,921,350
Investments	-	100,380	100,380
Mark-up accrued	21,579	-	21,579
Deposit and other receivables	200	-	200
	3,943,129	100,380	4,043,509

As at June 30, 2018			
	At fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
Financial Liabilities			
Payable to the Management Company	-	4,913	4,913
Payable to the Trustee	-	391	391
Accrued expenses and other liabilities	-	1,620	1,620
Net assets attributable to redeemable units	-	4,017,201	4,017,201
	-	4,024,125	4,024,125

28. FINANCIAL RISK MANAGEMENT

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

28.1 Market risk

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

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

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

28.1.1 Currency risk

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

28.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2019, the Fund holds KIBOR based interest bearing balance in savings accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund would have been higher / lower by approximately Rs. 40.06 million (2016: Rs. 21.1 million).

The composition of the Fund's investment portfolio and rates announced by the banks are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

b) Sensitivity analysis for fixed rate instruments

The Fund holds commercial 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 for the year would have been higher by Rs. 19.28 million (2018: Rs. Nil) and net income for the year would have been higher by Rs. 19.28 million (2018: Rs. Nil). In case of 100 basis points decrease in KIBOR on 30 June 2019, with all other variables held constant, the net assets of the Fund for the year would have been lower by Rs. 22.66 million (30 June 2018: Rs. Nil) and net income for the year would have been lower by Rs. 22.66 million (June 30, 2018: Rs. Nil).

Interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

NBP RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS FUND)



As at June 30, 2019

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
%		Rupees in '000			
On-balance sheet financial instruments					
Financial assets					
Balance with banks	2.42 - 13.85	998,890	975,000	-	23,890
Investments	11.66 & 12.51	1,406,549	1,406,549	-	-
Mark-up accrued		68,097	-	-	68,097
Deposit and other receivables		200	-	-	200
		2,473,736	2,381,549	-	92,187
Financial liabilities					
Payable to the Management Company		22,303	-	-	22,303
Payable to the Trustee		620	-	-	620
Accrued expenses and other liabilities		13,242	-	-	13,242
Net assets attributable to redeemable units		6,569,051	-	-	6,569,051
		6,605,216	-	-	6,605,216
On-balance sheet gap		(4,131,480)	2,381,549	-	(6,513,029)
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-

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					
Balance with banks	3.75 - 7.5	3,921,350	3,906,123	-	15,227
Investments	6.33	100,380	-	100,380	-
Mark-up accrued		21,579	-	-	21,579
Deposit and other receivables		200	-	-	200
		4,043,509	3,906,123	100,380	37,006
Financial liabilities					
Payable to the Management Company		4,913	-	-	4,913
Payable to the Trustee		391	-	-	391
Accrued expenses and other liabilities		1,620	-	-	1,620
Net assets attributable to redeemable units		4,017,201	-	-	4,017,201
		4,024,125	-	-	4,024,125
On-balance sheet gap		19,384	3,906,123	100,380	(3,987,119)
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-

28.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to equity price risk as the Fund does not hold any equity securities as at June 30, 2019.

28.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances, mark-up accrued receivable on bank balances and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. The risk of default is considered minimal due to inherent systematic measures taken therein. The Fund does not face any credit risk with respect to investment in government securities as these represent the interest of the Government of Pakistan. Therefore, the Fund does not expect to incur material credit losses on its financial assets.

The Fund's significant credit risk arises mainly on account of its placements with banks. The credit rating profile of balances with banks is as follow:

Bank balances by rating category	2019
AAA	19.8%
AA	13.6%
AA-	10.7%
A+	23.2%
A-	31.3%
Others including receivables	1.4%

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

	June 30, 2019		June 30, 2018	
	Financial assets	Maximum Exposure	Financial assets	Maximum Exposure
	----- Rupees in '000 -----			
Balance with banks	4,208,621	4,208,621	3,921,250	3,921,250
Investments	2,381,549	2,381,549	100,380	100,380
Accrued profit	68,097	68,097	21,353	21,353
Deposit and other receivables	200	200	200	200

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.

28.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

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

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

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

	As at June 30, 2019			
	Total	Upto three months	Over three months and upto one year	Over one year
	Rupees in '000			
Financial liabilities				
Payable to the Management Company	22,303	22,303	-	-
Payable to the Trustee	620	620	-	-
Accrued expenses and other liabilities	13,242	13,242	-	-
Net assets attributable to redeemable units	6,569,051	6,569,051	-	-
	6,605,216	6,605,216	-	-

	As at 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	4,913	4,913	-	-
Payable to the Trustee	391	391	-	-
Accrued expenses and other liabilities	1,620	1,620	-	-
Net assets attributable to redeemable units	4,017,201	4,017,201	-	-
	4,024,125	4,024,125	-	-

29. 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.

Fair value hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

NBP RIBA FREE SAVINGS FUND (FORMERLY; NAFA RIBA FREE SAVINGS FUND)



- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).B34

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

		Carrying amount			Fair value			
		Fair value through profit & loss	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
June 30, 2019		Rupees in 000						
Financial assets measured at fair value								
Government securities - GoP ijarah sukuk	6	-	-	-	-	-	-	-
Commercial paper		1,406,549	-	1,406,549	-	1,406,549	-	1,406,549
Term deposit receipts		975,000	-	975,000	-	975,000	-	975,000
		2,381,549	-	2,381,549	-	2,381,549	-	2,381,549
Financial assets not measured at fair value								
Bank balances	5	-	4,208,621	4,208,621	-	-	-	-
Accrued profit on bank balances		-	53,675	53,675	-	-	-	-
Accrued profit on term deposit receipts	7	-	14,422	14,422	-	-	-	-
Deposits and other receivables	8	-	416	416	-	-	-	-
		-	4,277,134	4,277,134	-	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company	9	-	22,303	22,312	-	-	-	-
Remuneration payable to the Trustee	10	-	620	630	-	-	-	-
Accrued expenses and other liabilities	13	-	13,242	13,255	-	-	-	-
Net assets attributable to redeemable units		-	6,569,051	6,569,051	-	-	-	-
		-	6,605,216	6,605,248	-	-	-	-
June 30, 2018		Rupees 000						
Financial assets measured at fair value								
Government securities - GoP ijarah sukuk	6	100,380	-	-	100,380	100,380	-	100,380
Commercial paper	6	-	-	-	-	-	-	-
		100,380	-	-	100,380	100,380	-	100,380
Financial assets not measured at fair value								
Bank balances	5	-	-	3,921,350	3,921,350	-	-	-
Accrued profit on bank balances		-	-	21,353	21,353	-	-	-
Accrued profit on government securities	7	-	-	226	226	-	-	-
Accrued profit on term deposit receipts		-	-	-	-	-	-	-
Deposits and other receivables	8	-	-	200	200	-	-	-
		-	-	3,943,129	3,943,129	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company	9	-	-	-	4,913	4,913	-	-
Remuneration payable to the Trustee	10	-	-	-	391	391	-	-
Accrued expenses and other liabilities	13	-	-	-	1,620	1,620	-	-
Net assets attributable to redeemable units		-	-	-	4,017,201	4,017,201	-	-
		-	-	-	4,024,125	4,024,125	-	-

29.1 The Fund has not disclosed the fair values for these financial assets (other than investment) and for financial liabilities, as these are either short term in nature or are repriced periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

30. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies stated in note 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.

31. 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.

32. GENERAL

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

32.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation.

**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 (Rs. '000')	6,569,051	4,017,201	2,127,149	1,160,226	799,218	1,657,030
Net Income (Rs. '000')	489,101	169,695	60,421	18,826	62,036	238,802
Net Asset Value per units (Rs.)	10.2049	10.7219	10.1882	10.1693	10.1642	10.1045
Offer price per unit	10.2625	10.7825	10.2458	10.2365	10.2320	10.1725
Redemption price per unit	10.2049	10.7219	10.1882	10.1693	10.1642	10.1045
Ex - Highest offer price per unit (Rs.)	10.2625	10.7825	10.2458	10.2365	10.2320	10.1725
Ex - Lowest offer price per unit (Rs.)	9.4344	10.2471	9.6871	9.7058	9.5350	9.4357
Ex - Highest redemption price per unit (Rs.)	10.2049	10.7219	10.1882	10.1693	10.1642	10.1045
Ex - Lowest redemption price per unit (Rs.)	9.3783	10.1895	9.6249	9.6397	9.4718	9.3726
Fiscal Year Opening Ex Nav	9.3736	10.1882	9.6235	9.6361	9.4676	9.3719
Total return of the fund	8.87%	5.24%	5.87%	5.53%	7.36%	7.82%
Capital growth	0.17%	0.00%	-0.13%	0.05%	0.14%	-0.15%
Income distribution as a % of ex nav	8.694%	5.24%	5.99%	5.48%	7.22%	7.97%
Income distribution as a % of par value	8.858%	5.33%	5.77%	5.57%	6.83%	7.47%
Distribution						
Interim distribution per unit	0.8858		0.5768	0.5570	0.6831	0.747
Final distribution per unit	-	0.5334	-	-	-	-
Distribution dates						
Interim	26-Jun-2019		21-Jun-2017	30-Jun-2016	30-Jun-2015	
Final	-	04-Jul-2018	-	-	-	-
Average annual return (launch date 21-08-2010)						
(Since inception to June 30, 2019)	7.79%					
(Since inception to June 30, 2018)		7.66%				
(Since inception to June 30, 2017)			8.01%			
(Since inception to June 30, 2016)				8.38%		
(Since inception to June 30, 2015)					9%	
(Since inception to June 30, 2014)						9.41%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	14 Days	4 Days	8 Days	78 days	15 days	33 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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