



NBP FUNDS

Managing Your Savings

AM1
Rated by PACRA

NBP INCOME OPPORTUNITY 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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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

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

NBP INCOME OPPORTUNITY FUND
(FORMERLY; NAFA INCOME OPPORTUNITY FUND)



Faysal Bank Limited
Silk Bank Limited
Soneri Bank Limited
The Bank of Punjab
Telenor Microfinance Bank Limited
U Microfinance Bank Limited
Al Baraka Bank Limited
Dubai Islamic Bank Limited
Khushhali Bank Limited
Bankislami Pakistan Limited
NRSP Microfinance Bank Limited

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Nasir Husain
Director



Mr. Ali Saigol
Director



Mr. Shehryar Faruque
Director



Mr. Imran Zaffar
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



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



Mr. Taha Khan Javed, CFA
Head Of Equity



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Salman Ahmed, CFA
Head Of Risk Management



Mr. Zaheer Iqbal, ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head Of Compliance



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

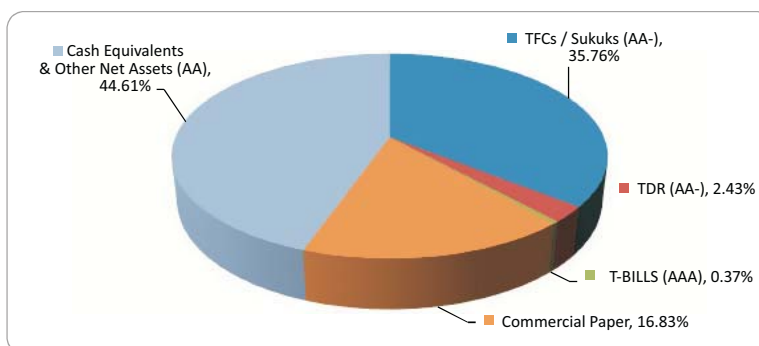
The Board of Directors of NBP Fund Management Limited is pleased to present the Fourteenth Annual Report of NBP Income Opportunity Fund (Formerly; NAFA Income Opportunity Fund) (NIOF) for the year ended June 30, 2019.

Fund's Performance

The size of NAFA Income Opportunity Fund has decreased from Rs. 6,351 million to Rs. 5,296 million during the period, i.e. a fall of 17%. During the said period, the unit price of the Fund has increased from Rs. 9.8214 (Ex-Div) on June 30, 2018 to Rs. 10.7303 on June 30, 2019 thus posting a return of 9.3% as compared to its Benchmark return of 10.2% for the same period. The return of the Fund is net of management fee and all other expenses.

NIOF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA. The trading activity in TFCs / Sukuks remained thin during FY2019 with the cumulative traded value of around Rs. 16 billion compared to Rs. 21 billion in FY2018. We have seen surge in the primary issuance as the demand for long-term credit increased, notably in the power sector. 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 sovereign yields also responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bill yields went up by 597 bps, 595 bps, and 593 bps, respectively.

The Fund has earned a total income of Rs. 602.791 million during the year. After deducting total expenses of Rs. 104.763 million, the net income is Rs. 498.028 million. The asset allocation of NBP Income Opportunity 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 8.73% of the opening ex-NAV (9.34% 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 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 23 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 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. Mr. 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

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز این بی پی انکم اپرچونٹی فنڈ (سابقہ: NAFA انکم اپرچونٹی فنڈ (NIOF)) کی چودھویں سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

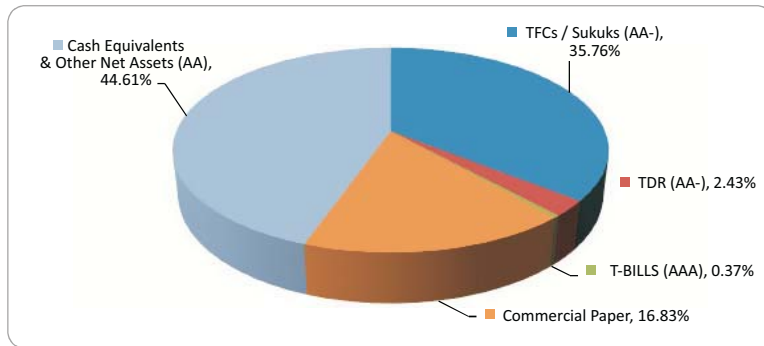
فنڈ کی کارکردگی

موجودہ مدت کے دوران NAFA انکم اپرچونٹی فنڈ (NIOF) کا سائز 6,351 ملین روپے سے کم ہو کر 5,296 ملین روپے ہو گیا ہے یعنی 17% کی کمی ہوئی۔ زیر جائزہ مدت کے دوران، فنڈ کے پونٹ کی قیمت 30 جون 2018 کو 9.8214 روپے (EX-Div) سے بڑھ کر 30 جون 2019 کو 10.7303 روپے ہو گئی، لہذا اس مدت کے دوران فنڈ نے اپنے بیچ مارک 10.2% کے مقابلے میں 9.3% کا منافع درج کیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NIOF کی انکم اسکیم کے طور پر درجہ بندی کی گئی ہے اور PACRA کی طرف سے 'A(f)' کی مستحکم ریٹنگ دی گئی ہے۔ TFCs / Sukuks میں تجارتی سرگرمی مالی سال 2018 میں 21 ملین روپے کے مقابلے مالی سال 2019 کے دوران تقریباً 16 ملین روپے کی مجموعی تجارتی قیمت کے ساتھ کم رہی۔ بنیادی اجراء میں اضافہ دیکھا گیا کیونکہ طویل مدتی کریڈٹ کی طلب خاص طور پر بجلی کے شعبہ میں قابل ذکر حد تک بڑھ گئی۔ 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، اشیائے خورد و نوش کی قیمتوں میں نمایاں اضافے، بین الاقوامی تیل کی قیمتوں میں اتار چڑھاؤ، کرنسی کی قدر میں کمی، یوٹی لیبیٹیز کے زخموں 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۔ گورنمنٹ بونڈ کے منافع بھی پالیسی کی شرح میں اضافے کے جواب میں بالترتیب 3 ماہ، 6 ماہ اور 12 ماہ کے 595 bps 597 T-Bills تک بڑھ گئے۔

فنڈ نے موجودہ مدت کے دوران 602,791 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 104,763 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 498,028 ملین روپے ہے۔

30 جون 2019 کو NIOF کی ایٹ ایلوکیشن حسب ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2019 کے اختتام کے بعد اوپننگ ex-NAV کا 8.73% (بنیادی قدر کا 9.34%) عموری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

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 منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سینڈ شیڈول کپارٹ 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 30 جون 2020 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

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

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، یکیش فلوا اور پونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
 - 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
 - 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظر پائی ہیں۔
 - 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی بیرونی کی گئی ہے۔
 - 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
 - 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
 - 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
 - 8 پرفارمنس ٹیمبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
 - 9 ٹیکسوں، ڈیویڈنڈ جھسولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
 - 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں کی گئی ہے۔
 - 11 پونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔
 - 12 ڈائریکٹرز ہی ای او، ایف او، کمپنی بیکریٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔
 - 13 مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔
- 30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

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



اظہار تشکر

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

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

مخائب بورڈ آف ڈائریکٹر

NBP منیجمنٹ لمیٹڈ

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 Income Opportunity Fund (formerly NAFA Income Opportunity 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 Income Opportunity Fund (Formerly; NAFA Income Opportunity Fund)

NBP Income Opportunity Fund (Formerly; NAFA Income Opportunity Fund) (NIOF) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Income Opportunity Fund (Formerly; NAFA Income Opportunity Fund) (NIOF) is to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in money market & debt securities having good credit rating and liquidity.

Benchmark

6 Month - KIBOR.

Fund Performance Review

This is the Fourteenth Annual report since the launch of the Fund on April 21, 2006. The Fund size decreased by 17% during FY19 and stands at Rs. 5,296 million as on June 30, 2019. The Fund's return since its inception is 8.1% p.a versus the benchmark return of 10.1% p.a. During FY19, the Fund posted a return of 9.3% as compared to the benchmark return of 10.2%. The return of the Fund is net of management fee and all other expenses.

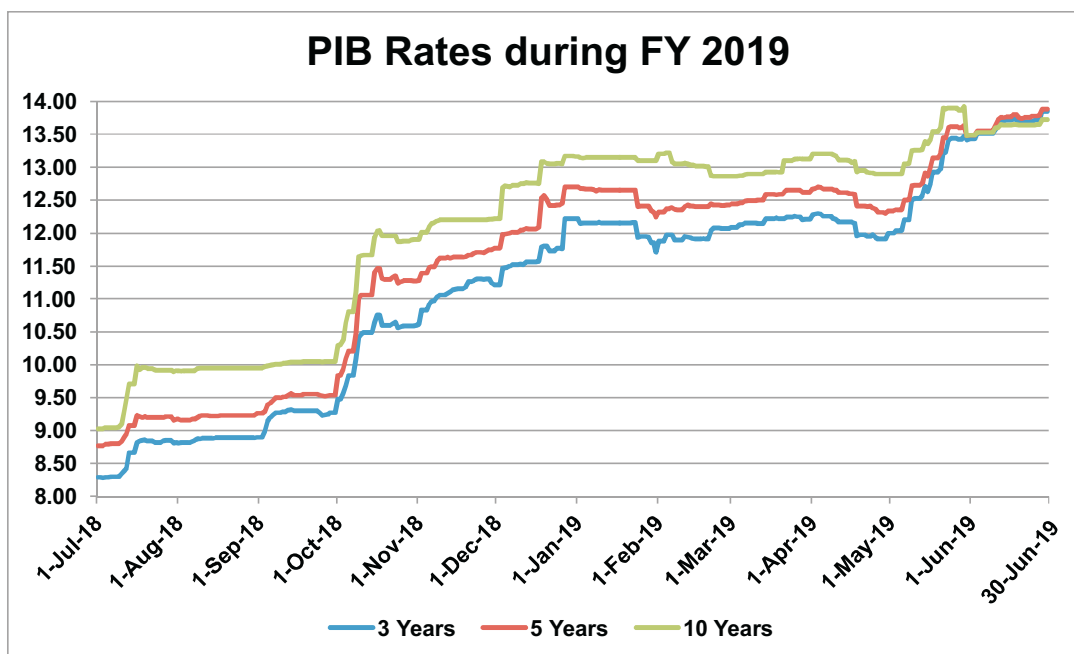
The Yield to Maturity of the Fund at year end FY19 is around 9.3% while that of TFC portfolio is 14.6%. The yield does not include potential recovery in fully provided TFCs (Face Value of around Rs 874 million), which is potential upside for the Fund. The Fund's TFC portfolio allocation is fairly diversified with exposure to Banking and Financial Services sectors.

The trading activity in TFCs / Sukuks remained thin during FY2019 with the cumulative traded value of around Rs. 16 billion compared to Rs. 21 billion in FY2018. We have seen surge in the primary issuance as the demand for long-term credit increased, notably in the power sector. 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 sovereign yields also responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bill yields went up by 597 bps, 595 bps, and 593 bps, respectively.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-19	30-Jun-18
TFCs/Sukuks	35.76%	29.24%
T-Bills	0.37%	3.11%
Placements with Banks	2.43%	5.2%
Money Market Placements	16.83%	-
Margin Trading System (MTS)	-	4.99%
Equity	-	0.65%
Cash (Cash Equivalents) & Other Assets	44.61%	56.81%
Total	100%	100%

PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2019

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Dec-18	3.754%	11.0822	10.7068
Jun-19	5.589%	11.2657	10.7068

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Asset	% of Gross Asset
AgriTech Limited I - Revised II 29-NOV-07 29-NOV-19	TFC	149,860,200	149,860,200	-	-	-
AgriTech Limited V 01-JUL-11 01-JAN-20	TFC	32,320,000	32,320,000	-	-	-
Azgard Nine Limited III (PP) - Revised 04-DEC-07 04-DEC-20	TFC	108,376,850	108,376,850	-	-	-
Azgard Nine Limited V (PPTFC Markup) 31-MAR-12 31-MAR-21	TFC	82,180,000	82,180,000	-	-	-
Dewan Cement Limited (Pre-IPO) 17-JAN-08 17-JAN-22	TFC	150,000,000	150,000,000	-	-	-
Eden House Limited - Sukuk Revised 29-MAR-08 29-SEP-19	Sukuk	9,056,250	9,056,250	-	-	-
New Allied Electronics Limited (PP) 15-MAY-07 15-NOV-20	TFC	31,706,536	31,706,536	-	-	-
New Allied Electronics Limited II - Sukuk 03-DEC-07 03-DEC-20	Sukuk	44,148,934	44,148,934	-	-	-
PACE Pakistan Limited - Revised 15-FEB-08 15-FEB-22	TFC	149,820,000	149,820,000	-	-	-
Saudi Pak Leasing Company Limited - Revised II 13-MAR-08 13-MAR-21	TFC	41,321,115	41,321,115	-	-	-
Worldcall RS - III 10-APR-18 20-SEP-26	TFC	74,976,975	74,976,975	-	-	-
Azgard Nine Limited (Non-Voting Ordinary Shares)	Equity	12,854	12,854	-	-	-
Total		873,779,714	873,779,714		0.0%	0.0%

NBP INCOME OPPORTUNITY FUND
(FORMERLY; NAFA INCOME OPPORTUNITY FUND)



Unit Holding Pattern of NAFA Income Opportunity Fund as on June 30, 2019

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	383
1-1000	1125
1001-5000	410
5001-10000	208
10001-50000	601
50001-100000	310
100001-500000	361
500001-1000000	61
1000001-5000000	45
5000001-10000000	6
10000001-100000000	8
Total	3518

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NBP Income Opportunity Fund (Formerly: NAFA Income Opportunity 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. 29.499 million. If the same were not made the NAV per unit of scheme would be higher by Rs.0.0598. For details investors are advised to read note 18 of the Financial Statement of the Scheme for the year ended June 30, 2019.

INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Income Opportunity Fund (Formerly: NAFA Income Opportunity Fund)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NBP Income Opportunity Fund (Formerly: NAFA Income Opportunity 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 matters

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

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Valuation and existence of investment</p> <p>Investments held at fair value through profit or loss are disclosed in note 5 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in equity securities, term finance certificates, government securities (treasury bills), sukuks, commercial papers and term deposits which are the main driver of the Fund's performance.</p> <p>Considering the above factors, the valuation and existence are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance; independently verified existence of investments from Central Depository Company (CDC) and Investor Portfolio Services (IPS) 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.

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Deloitte Yousuf Adil
Chartered Accountants

Date: September 29, 2019
Place: Karachi

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019

	2019	2018
Note	----- Rupees in '000 -----	
ASSETS		
Bank balances	4 2,418,997	3,641,276
Investments	5 2,933,092	2,426,121
Receivable against margin trading system	6 -	316,768
Mark-up accrued	7 54,566	36,800
Receivable against sale of investments	-	60,711
Deposits, prepayments and other receivables	8 16,112	9,991
Total assets	5,422,767	6,491,667
LIABILITIES		
Payable to NBP Fund Management Limited - Management Company	9 24,468	13,367
Payable to Central Depository Company of Pakistan Limited - Trustee	11 519	619
Payable to the Securities and Exchange Commission of Pakistan	12 4,307	6,233
Payable against purchase of investment	-	23,200
Accrued expenses and other liabilities	13 97,704	97,092
Total liabilities	126,998	140,511
NET ASSETS	5,295,769	6,351,156
UNIT HOLDERS' FUND (as per statement attached)	5,295,769	6,351,156
Contingencies and commitments	14	
	-----Number of units-----	
Number of units in issue	15 493,535,933	563,703,522
	-----Rupees-----	
Net asset value per unit	16 10.7303	11.2668

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY FUND)



INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	----- Rupees in '000 -----	
INCOME		
Return / mark-up on:		
- bank balances and term deposits	325,094	400,084
- term finance certificates and sukuks	198,273	106,688
- government securities	15,431	24,167
- letter of placement and commercial paper	42,661	16,038
- certificate of investment	-	12,964
- margin trading system	13,971	19,231
Net loss on spread transactions	(4,102)	(7,333)
Dividend income on spread transactions	9,485	17,221
Net loss on sale of investments	(358)	(3,313)
Net unrealised loss on re-measurement of investments at fair value through profit or loss	5.10 (17,545)	(13,969)
Reversal of provision in respect of non-performing investments	5.13 19,879	7,792
Other income	-	1,619
Total income	602,789	581,189
EXPENSES		
Remuneration of NBP Fund Management Limited - Management Company	9.1 49,097	83,111
Selling and marketing expenses- Management Company	10 18,085	-
Sindh Sales Tax on remuneration of the Management Company	9.2 6,383	10,804
Reimbursement of operational expenses to the Management Company	9.3 5,743	8,311
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1 5,620	7,418
Sindh Sales Tax on remuneration of the Trustee	11.2 731	964
Annual fee to the Securities and Exchange Commission of Pakistan	12 4,307	6,233
Securities transaction costs	993	1,778
Settlement and bank charges	2,509	4,922
Auditors' remuneration	17 645	612
Fund rating fee	457	353
Legal and professional charges	-	1,080
Annual listing fee	28	28
Provision against non-performing term finance certificates and sukuks	-	12,346
Total expenses	94,598	137,960
Net income from operating activities	508,191	443,229
Provision for Sindh Workers' Welfare Fund	18 (10,164)	(8,866)
Net income for the year before taxation	498,027	434,363
Taxation	19 -	-
Net income for the year after taxation	498,027	434,363
Earnings per unit		
Allocation of net income for the year		
Net income for the year after taxation	498,027	434,363
Income already paid on units redeemed	(106,779)	(151,292)
	391,248	283,071
Accounting income available for distribution:		
- Relating to capital gain	-	-
- Excluding capital gain	391,248	283,071
	391,248	283,071

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

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

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	----- Rupees in '000 -----	-----
Net income for the year after taxation	498,027	434,363
Other comprehensive income		
Items that may not be reclassified subsequently to income statement:		
Net unrealised gain on re-measurement of investments classified as 'fair value through other comprehensive income'	6,549	-
Net unrealised loss on re-measurement of investments classified as 'available for sale'	5.11 -	(5,172)
Total comprehensive income for the year	<u>504,576</u>	<u>429,191</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY FUND)



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

	2019				2018			
	(Rupees in '000)							
	Capital value	Undistributed income	FVTOCI reserve	Total	Capital value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total
Net assets at beginning of the year	5,590,674	760,482	-	6,351,156	7,716,545	477,411	5,172	8,199,128
Issuance of 460,526,320 units (2018: 541,805,456 units)								
- Capital value	4,925,973	-	-	4,925,973	5,792,217	-	-	5,792,217
- Element of income	97,853	-	-	97,853	117,709	-	-	117,709
Total proceeds on issuance of units	5,023,826	-	-	5,023,826	5,909,926	-	-	5,909,926
Redemption of 530,693,909 units (2018: 744,631,608 units)								
- Capital value	(5,676,514)	-	-	(5,676,514)	(7,956,481)	-	-	(7,956,481)
- Element of loss	(22,219)	(106,779)	-	(128,998)	(79,316)	(151,292)	-	(230,608)
Total payments on redemption of units	(5,698,733)	(106,779)	-	(5,805,512)	(8,035,797)	(151,292)	-	(8,187,089)
Total comprehensive income for the year	-	498,027	6,549	504,576	-	434,363	(5,172)	429,191
Transfer due to sale of investments classified as FVTOCI	-	6,549	(6,549)	-	-	-	-	-
Distribution during the year								
Final distribution @ Re. 0.5704 / unit declared on July 04, 2018								
- Cash distribution	-	(283,215)	-	(283,215)	-	-	-	-
- Refund of capital	(38,321)	-	-	(38,321)	-	-	-	-
	(38,321)	(283,215)	-	(321,536)	-	-	-	-
Interim distribution @ Re. 0.3754 / unit declared on December 20, 2018								
- Cash distribution	-	(150,323)	-	(150,323)	-	-	-	-
- Refund of capital	(37,391)	-	-	(37,391)	-	-	-	-
Interim distribution @ Re. 0.5589 / unit declared on June 24, 2019								
- Cash distribution	-	(229,467)	-	(229,467)	-	-	-	-
- Refund of capital	(39,560)	-	-	(39,560)	-	-	-	-
	(76,951)	(379,790)	-	(456,741)	-	-	-	-
Net assets at end of the year	4,800,495	495,274	-	5,295,769	5,590,674	760,482	-	6,351,156
Undistributed income brought forward								
- Realised		779,623				474,475		
- Unrealised		(19,141)				2,936		
Accounting income available for distribution		760,482				477,411		
- Relating to capital gain		-				-		
- Excluding capital gains		391,248				283,071		
		391,248				283,071		
Other comprehensive income transferred to Undistributed income		6,549				-		
Distribution during the year		-				-		
Final distribution @ Re. 0.5704 / unit declared on July 04, 2018		(283,215)				-		
Interim distribution @ Re. 0.3754 / unit declared on December 20, 2018		(150,323)				-		
Interim distribution @ Re. 0.5589 / unit declared on June 24, 2019		(229,467)				-		
		(663,005)				-		
Undistributed income carried forward		495,274				760,482		
Undistributed income carried forward								
- Realised		512,819				779,623		
- Unrealised		(17,545)				(19,141)		
		495,274				760,482		
Net assets value per unit at beginning of the year								
				11.2668				10.6964
Net assets value per unit at end of the year				10.7303				11.2668

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

Note	2019	2018
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	498,027	434,363
Adjustments:		
Return / markup on:		
- bank balances and term deposits	(325,094)	(400,084)
- term finance certificates, sukuks and commercial paper	(198,273)	(106,688)
- government securities	(15,431)	(24,167)
- letter of placement and commercial paper	(42,661)	(16,038)
- certificate of investment	-	(12,964)
- margin trading system	(13,971)	(19,231)
Net loss on spread transactions	4,102	7,333
Dividend income on spread transactions	(9,485)	(17,221)
Net unrealised loss on re-measurement of investments at fair value through profit or loss	17,545	13,969
Net loss on sale of investments	358	3,313
Provision for Sindh Workers' Welfare Fund	10,164	8,866
Reversal of provision in respect of non-performing investments	(19,879)	(7,792)
	(592,625)	(570,704)
	(94,598)	(136,341)
(Increase) / decrease in assets		
Investments - net	(332,080)	2,949,204
Receivable against margin trading system	316,768	(228,899)
Deposits, prepayments and other receivables	(6,121)	592,182
	(21,433)	3,312,487
Increase / (decrease) in liabilities		
Payable to the Management Company	11,101	(10,689)
Payable to the Trustee	(100)	(1,291)
Payable to the Securities and Exchange Commission of Pakistan	(1,926)	(3,173)
Payable against purchase of investments		
Accrued expenses and other liabilities	(9,552)	(49,744)
	(477)	(64,897)
Mark-up received on bank balances and term deposits	326,777	411,788
Mark-up received on term finance certificates and sukuks	177,908	83,791
Mark-up received on government securities	15,431	29,427
Mark-up received on margin trading system	14,867	18,698
Mark-up received on letter of placement and commercial paper	42,661	16,038
Mark-up received on certificate of investment	-	12,964
Income from spread transactions received	(4,102)	(7,333)
Dividend received on spread transactions	9,505	17,201
	466,539	3,693,823
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	4,908,551	5,926,867
Amounts paid on redemption of units	(5,805,512)	(8,153,620)
Distributions paid	(663,005)	-
	(1,559,966)	(2,226,753)
Net cash used in financing activities		
Net (decrease) / increase in cash and cash equivalents during the year	(1,093,427)	1,467,070
Cash and cash equivalents at the beginning of the year	3,641,276	2,174,206
Cash and cash equivalents at the end of the year	2,547,849	3,641,276

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

NBP Income Opportunity Fund (Formerly NAFA Income Opportunity Fund) ("the Fund") was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as an income scheme and other allied matters.

During the year on May 29, 2019, the name of the Fund was changed from NAFA Income Opportunity Fund to NBP Income Opportunity Fund. The change of name was made effective vide Fund's Eight Supplemental Offering Document which was approved by SECP vide its letter no. SCD/AMCW/NAFA/425/2019 dated May 29, 2019.

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

The Fund is an open-ended mutual fund classified as an '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 are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return by investing in money market and debt securities having good credit rating and liquidity. Other avenues of investments include ready future arbitrage in listed securities and transactions under margin trading system.

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

Title to 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 for the investments which are stated at fair value.

2.3 Functional and presentation currency

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

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

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

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

Effective from accounting period beginning on or after:

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

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

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the 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 periods beginning on or after:

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

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

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

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

2.5 Critical accounting estimates and judgments

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

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

- (a) classification of financial assets (Note 3.2.1 & 3.17)
- (b) impairment of financial assets (Note 3.2.5 & 3.3)
- (c) provisions (Note 3.11)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash comprises current and 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.

3.2 Adoption of IFRS 9 Financial Instruments

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

IFRS 9 introduces new requirements for:

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

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

3.2.1 Classification and measurement

IFRS 9 contains three principal classification categories for financial assets:

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

Financial asset at amortised cost

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

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

Financial Asset at FVOCI

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

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

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

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

Financial asset at FVTPL

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

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

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

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

Business Model Assessment

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

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

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

Classification and measurement of financial liabilities

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

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 Rupees in '000	New carrying as per IFRS 9 Rupees in '000
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Financial assets

Bank balances	LR	AC	3,641,276	3,641,276
Term deposits	LR	FVTPL	-	-
Receivable against margin trading system	LR	AC	316,768	316,768
Mark-up accrued	LR	AC	36,800	36,800
Receivable against sale of investments	LR	AC	60,711	60,711
Deposits and other receivables	LR	AC	9,991	9,991
Equity securities - listed (spread transactions)	HFT	FVTPL	22,849	22,849
Government securities	HFT	FVTPL	197,785	197,785
Term finance certificates - listed	HFT	FVTPL	163,338	163,338
Term finance certificates - unlisted	HFT	FVTPL	1,209,538	1,209,538
Sukuks	HFT	FVTPL	483,966	483,966
Equity securities - listed	AFS	FVTOCI	330,000	330,000

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

Payable to NBP Fund Management Limited - Management Company	OFL	AC	13,367	13,367
Payable to Central Depository Company of Pakistan Limited - Trustee	OFL	AC	619	619
Net assets attributable to redeemable units	OFL	AC	6,351	6,351
Payable against purchase of investment	OFL	AC	23,200	23,200
Accrued expenses and other liabilities	OFL	AC	97,092	97,092

"LR" is loans and receivables

"AC" is amortised cost

"HFT" is held for trading

"FVTPL" is fair value through profit or loss

"OFL" is other financial liabilities

3.2.2 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

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

Basis of valuation of government securities:

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

Basis of valuation of equity securities:

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs. The preference shares received as dividend in specie are carried at cost.

3.3 Impairment of non financial assets

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

3.4 Recognition

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

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

3.5 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.

3.6 Offsetting of financial instruments

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

3.7 Regular way contracts

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

3.8 Financial liabilities

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

3.9 Issuance and redemption of units

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

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

3.10 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.

3.11 Provisions

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

3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Mark-up / return on bank balances and term deposits, term finance certificates and sukuks, government securities, letter of placement and commercial papers are recognised on a time apportionment basis using the effective interest method.
- Income on transactions under margin trading system is recognised on an accrual basis.

3.13 Taxation

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

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

3.14 Expenses

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

3.15 Distributions to the unit holders

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

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

3.16 Earnings per unit

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

3.17 Transition to IFRS 9 Financial Instruments

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

Classification

The Fund classifies its financial assets in the following categories: 'at fair value through profit or loss', loans and receivables, and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at the time of initial recognition and re-evaluates this classification on a regular basis.

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

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

(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

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned above.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the Income Statement. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to Income Statement through other comprehensive income.

Financial assets classified as 'loans and receivables' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective yield method.

3.18 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as 'financial assets at fair value through profit or loss - held for trading' and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement in accordance with the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement.'

3.19 Securities under margin trading system

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the income statement. Transaction costs are expensed in the income statement.

	Note	2019 ----- Rupees in '000 -----	2018
4. BANK BALANCES			
Current accounts	4.1	10,769	13,229
Saving accounts	4.2 & 4.3	2,408,228	3,628,047
		<u>2,418,997</u>	<u>3,641,276</u>

4.1 These include bank balances of Rs. 0.07 million and Rs. 10.69 million (June 30, 2018: Rs. 0.07 million and Rs. 13.15 million), maintained with National Bank of Pakistan and Summit Bank Limited (related parties) respectively.

4.2 These saving accounts carry mark-up at the rates ranging from 6.10% to 14.00% per annum (2018: 3.75% to 10.25% per annum).

4.3 These include bank balances of Rs. 13.64 million and Rs. 6.36 million (June 30, 2018: Rs. 12.23 million and Rs. 2.33), which are maintained with National Bank of Pakistan and Askari Bank Limited (related parties) respectively, and both parties carry mark-up at the rate of 3.75% (June 30, 2018: 3.75%) per annum.

	Note	2019 ----- Rupees in '000 -----	2018
4.4 Cash and cash equivalents			
Current accounts		10,769	13,229
Saving accounts		2,408,228	3,628,047
Term deposit receipts		128,852	-
		<u>2,547,849</u>	<u>3,641,276</u>

5. INVESTMENTS

At fair value through profit or loss

Equity securities - listed	5.1	-	-
Equity securities - listed (spread transactions)	5.2	-	22,849
Government securities	5.3	19,788	197,785
Term finance certificates - listed	5.4	162,359	163,338
Term finance certificates - unlisted	5.5	1,298,388	1,209,538
Commercial paper	5.9	890,435	-
Sukuks	5.6	433,270	483,966
Term deposit receipts	5.8	128,852	-
		<u>2,933,092</u>	<u>2,077,476</u>

Available for sale

Equity securities - listed	5.7	-	18,645
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Loans and receivables

Term deposits		-	330,000
		<u>2,933,092</u>	<u>2,426,121</u>

NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY FUND)



5.1 Equity securities - listed at fair value through profit or loss

Name of the investee company	Number of shares					Market value as at June 30, 2019	Investment as a percentage of		
	As at July 1, 2018	Purchased during the year	Bonus / Right shares	Sold during the year	As at June 30, 2019		Net assets	Market value of total investments	Paid-up capital of the investee company

----- Number of shares ----- Rs in '000 ----- % -----

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

PERSONAL GOODS

Azgard Nine Limited - Non-voting	308	-	-	-	308	-	-	-
Carrying value before mark to market as at June 30, 2019						13		
Accumulated impairment						13		

5.2 Equity securities - listed (spread transactions) at fair value through profit or loss

The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready market and sells them in future market on the same day, resulting in spread income due to difference in ready and future stock prices. This way the Fund has no open exposure to the stock market.

Name of the investee company	Number of shares				Market value as at June 30, 2019	Investment as a percentage of		
	As at July 1, 2018	Purchased during the year	Sold during the year	As at June 30, 2019		Net assets	Market value of total investments	Paid-up capital of the investee company

----- Number of shares ----- Rs in '000 ----- % -----

All shares have a nominal face value of Rs. 10 each except for K-Electric Limited which have a face value of Rs. 3 each.

CEMENT

D.G. Khan Cement Company Limited	-	783,500	783,500	-	-	-	-	-
Fauji Cement Company Limited	1,000	314,500	315,500	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	956,000	956,000	-	-	-	-	-
Lucky Cement Limited	-	7,000	7,000	-	-	-	-	-
Pioneer Cement Limited	-	21,500	21,500	-	-	-	-	-

COMMERCIAL BANKS

Habib Bank Limited	-	101,000	101,000	-	-	-	-	-
United Bank Limited	-	196,000	196,000	-	-	-	-	-

FERTILIZER

Engro Fertilizers Limited	-	208,500	208,500	-	-	-	-	-
Engro Corporation Limited	-	109,000	109,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	53,500	53,500	-	-	-	-	-
Fauji Fertilizer Company Limited	-	111,000	111,000	-	-	-	-	-

POWER GENERATION AND DISTRIBUTION

The Hub Power Company Limited	-	4,000	4,000	-	-	-	-	-
K-Electric Limited	-	550,000	550,000	-	-	-	-	-

OIL AND GAS EXPLORATION COMPANIES

Oil and Gas Development Company Limited	-	79,500	79,500	-	-	-	-	-
Pakistan Petroleum Limited	-	1,500	1,500	-	-	-	-	-
Pakistan Oilfields Limited	-	24,500	24,500	-	-	-	-	-

OIL AND GAS MARKETING COMPANIES

Pakistan State Oil Company Limited	-	15,500	15,500	-	-	-	-	-
Sui Southern Gas Company Limited	-	202,500	202,500	-	-	-	-	-
Sui Northern Gas Pipelines Limited	-	664,500	664,500	-	-	-	-	-

FOOD AND PERSONAL CARE PRODUCTS

Engro Foods Limited	-	7,500	7,500	-	-	-	-	-
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NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY FUND)



Name of the investee company	Number of shares				Market value as at June 30, 2019	Investment as a percentage of		
	As at July 1, 2018	Purchased during the year	Sold during the year	As at June 30, 2019		Net assets	Market value of total investments	Paid-up capital of the investee company
-----Number of shares-----					Rs in '000	-----%		
REFINERY								
Attock Refinery Limited	-	619,500	619,500	-	-	-	-	-
CABLE AND ELECTRICAL GOODS								
Pak Elektron Limited	-	905,000	905,000	-	-	-	-	-
PHARMACEUTICALS								
The Searle Company Limited	-	304,000	304,000	-	-	-	-	-
TEXTILE COMPOSITE								
Nishat Mills Limited	-	80,000	80,000	-	-	-	-	-
Nishat (Chunian) Limited	-	1,361,000	1,361,000	-	-	-	-	-
TECHNOLOGY AND COMMUNICATION								
Pakistan Telecommunication Limited	-	31,000	31,000	-	-	-	-	-
CHEMICAL								
Engro Polymer & Chemicals Limited	-	1,561,000	1,561,000	-	-	-	-	-
					-			
					-			
Carrying value before mark to market as at June 30, 2019					-			

5.3 Government Securities at fair value through profit or loss

Issue Date	Tenor	Face value				Market value as at June 30, 2019	Investment as a percentage of	
		As at July 1, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019		Net assets	Market value of total investments
-----Rupees in '000-----						-----%		
Market treasury bills								
June 7, 2018	3 Months	200,000	-	200,000	-	-	-	-
July 19, 2018	3 Months	-	200,000	200,000	-	-	-	-
August 2, 2018	3 Months	-	200,000	200,000	-	-	-	-
October 11, 2018	3 Months	-	200,000	200,000	-	-	-	-
December 6, 2018	3 Months	-	200,000	200,000	-	-	-	-
February 14, 2019	3 Months	-	200,000	200,000	-	-	-	-
May 9, 2018	3 Months	-	20,000	-	20,000	19,789	0.37%	0.67%
Carrying value before mark to market as at June 30, 2019					19,818			
					19,818			

5.3.1 The effective yield on market treasury bills is 12.58% per annum (June 30, 2018: 6.78% per annum).

5.3.2 Investments include treasury bills with market value of Rs. 19.789 million (June 30, 2018: Rs. 197.785 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no. 11 dated October 23, 2007 issued by SECP.

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

Name of the investee company	Number of certificates				Market value as at June 30, 2019	Investment as a percentage of		
	As at July 1, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019		Net assets	Market value of total investments	Issue size
					Rs in '000	----- % -----		
All term finance certificates have a face value of Rs. 5,000 each unless stated otherwise.								
Bank Alfalah Limited - V	32,550	-	-	32,550	162,359	3.07%	5.54%	3.26%
Pace (Pakistan) Limited 5.4.1	30,000	-	-	30,000	-	-	-	10.00%
Saudi Pak Leasing Company Lirr 5.4.2	15,000	-	-	15,000	-	-	-	-
Worldcall Telecom Limited 5.4.3	45,000	-	-	45,000	-	-	-	30.00%
					<u>162,359</u>			
Carrying value before mark to market as at June 30, 2019					<u>429,391</u>			
Accumulated impairment					<u>266,118</u>			

5.4.1 This represents investment in listed term finance certificates with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as a non performing asset by Mutual Funds Association of Pakistan (MUFAP) since September 5, 2011. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

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

5.4.3 This represents investment in listed term finance certificates with a term of 5 years. On April 07, 2012, the investee company defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since November 8, 2012. The amount of provision required as per SECP circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.4.4 Other particulars of term finance certificates - listed outstanding as at June 30, 2019 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Bank Alfalah Limited - V	4,988	6 months KIBOR offer rate + 1.25%	AA	20-Feb-13	20-Feb-21
Pace (Pakistan) Limited	4,993	6 months KIBOR offer rate + 2.00%	Not rated	15-Feb-08	15-Feb-17
Saudi Pak Leasing Company Limited	-	6.87% fixed rate	Not rated	13-Mar-08	13-Mar-13
Worldcall Telecom Limited	2,142	6 Month KIBOR offer rate + 1.6%	Not rated	7-Oct-08	7-Oct-13

NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY FUND)



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

Name of the investee company	Number of certificates				Market value as at June 30, 2019	Investment as a percentage of		
	As at July 1, 2018	Purchased during the year	Sold / matured during the year	As at June 30, 2019		Net assets	Market value of total investments	Issue size
Rs in '000						%		
All term finance certificates have a face value of Rs 5,000 each unless stated otherwise.								
Habib Bank Limited	2,000	-	-	2,000	196,609	3.71%	6.70%	0.10
JS Bank Limited (December 14, 2016)	60,000	-	-	60,000	300,998	5.68%	10.26%	10.00
Javedan Corporation Limited (October 04, 2018)	-	1,000	-	1,000	96,488	1.82%	3.29%	0.17
Shakarganj Foods (July 10, 2018)	-	70	-	70	68,486	1.29%	2.33%	0.05
Jahangir Siddiqui and Company Limited (June 24, 2016)	20,000	-	-	20,000	50,000	0.94%	1.70%	10.00
Jahangir Siddiqui and Company Limited (July 18, 2017)	23,340	-	-	23,340	101,807	1.92%	3.47%	7.78
Silk Bank Limited	20,000	-	-	20,000	88,559	1.67%	3.02%	5.00
JS Bank Limited (December 29, 2017)	1,000	-	-	1,000	98,991	1.87%	3.37%	0.25
Jahangir Siddiqui and Company Limited (March 06, 2018)	30,000	-	-	30,000	149,021	2.81%	5.08%	10.00
Bank of Punjab (April 16, 2018)	1,500	-	-	1,500	147,429	2.78%	5.03%	0.17
Azgard Nine Limited III	50,000	-	-	50,000	-	0.00%	0.00%	10.00
Azgard Nine Limited V	16,436	-	-	16,436	-	0.00%	0.00%	2.35
Dewan Cement Limited	30,000	-	-	30,000	-	0.00%	0.00%	7.50
New Allied Electronics Industries (Private) Limited	15,000	-	-	15,000	-	0.00%	0.00%	8.33
Agriotech Limited V	6,464	-	-	6,464	-	0.00%	0.00%	10.00
Agriotech Limited I	30,000	-	-	30,000	-	0.00%	0.00%	10.00
					1,298,388			
Carrying value before mark to market as at June 30, 2019					1,867,038			

5.5.1 Other particulars of term finance certificates - unlisted outstanding as at June 30, 2019 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue date	Maturity date
Habib Bank Limited	99,880	6 months KIBOR offer rate + 0.5%	AAA	19-Feb-16	19-Feb-26
JS Bank Limited (December 14, 2016)	4,995	6 months KIBOR offer rate + 1.4%	A+	14-Dec-16	16-Dec-23
Javedan Corporation Limited (October 04, 2018)	100,000	6 months KIBOR offer rate + 1.75%	AA+	4-Oct-18	4-Oct-26
Shakarganj Foods (July 10, 2018)	1,000,000	3 months KIBOR offer rate + 1.75%	A	10-Jul-18	10-Jul-24
Jahangir Siddiqui and Company Limited (June 24, 2016)	2,500	6 months KIBOR offer rate + 1.65%	AA+	24-Jun-16	24-Jun-21
Jahangir Siddiqui and Company Limited (July 18, 2017)	5,000	6 months KIBOR offer rate + 1.4%	AA+	18-Jul-17	18-Jul-22
Silk Bank Limited	4,999	6 months KIBOR offer rate + 1.85%	A-	10-Aug-17	10-Aug-25
JS Bank Limited (December 29, 2017)	99,940	6 months KIBOR offer rate + 1.4%	A+	29-Dec-17	29-Dec-24
Jahangir Siddiqui and Company Limited (March 06, 2018)	5,000	6 months KIBOR offer rate + 1.4%	AA+	6-Mar-18	5-Mar-23
Bank of Punjab (April 16, 2018)	99,960	6 months KIBOR offer rate + 1.25%	Not rated	16-Apr-18	13-Apr-28
Azgard Nine Limited III	4,496	6 months KIBOR offer rate + 2.25%	Not rated	4-Dec-07	4-Dec-14
Azgard Nine Limited V	5,000	-	Not rated	31-Mar-12	31-Mar-19
Dewan Cement Limited	5,000	6 months KIBOR offer rate + 2%	Not rated	14-Jan-08	14-Jan-14
New Allied Electronics Industries (Private) Limited	1,250	3 months KIBOR offer rate + 3%	Not rated	15-May-07	15-May-11
Agriotech Limited V	4,999	11% fixed rate	Not rated	1-Jul-11	1-Jan-18
Agriotech Limited I	3,997	6 months KIBOR offer rate + 1.75%	Not rated	29-Nov-07	29-Nov-14

5.6 Sukuks - at fair value through profit or loss

Name of the investee company	Number of certificates				Market value as at June 30, 2019	Investment as a percentage of		
	As at July 1, 2018	Purchased during the year	Matured during the year	As at June 30, 2019		Net assets	Market value of total investments	Issue size
Rs in '000						%		
All term finance certificates have a face value of Rs. 100,000 each unless stated otherwise.								
Dawood Hercules Corporation Limited - Sukuk	4,830	-	-	4,830	433,270	0.08	0.15	9.29%
New Allied Electronics Industries 5.6.1 (Private) Limited	9,000	-	-	9,000	-	-	-	-
Eden Housing Limited	9,200	-	-	9,200	-	-	-	-
BRR Guardian Modaraba	10,000	-	10,000	-	-	-	-	-
Carrying value before mark to market as at June 30, 2019					435,666			
Accumulated impairment					62,759			

- 5.6.1** These represent investments in privately placed sukuks (term: 5 years) of the investee company. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly had been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.
- 5.6.2** This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.
- 5.6.3** This represents investment in privately placed sukuks. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 26, 2015. The investment has been fully provided. The amount of provision as per circular no 1 of 2009 and circular 33 of 2012 has been maintained by valuing the investment in terms of the said circular.
- 5.7** **Equity securities - listed - at fair value through other comprehensive income**

Name of the investee company	Number of shares				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	Paid-up capital of investee company
					Rs in '000		%	

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

CHEMICALS

Agritech Limited (note 5.7.1)	4,027,090	-	-	4,027,090	-	0.00%	0.00%	1.03%
Carrying value before mark to market as at June 30, 2019				<u>-</u>				
Accumulated impairment				<u>-</u>				

- 5.7.1** On April 12, 2012, a share transfer and debt swap agreement was entered into between the Financial Institutions and Azgard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price, in partial settlement of the outstanding principal / redemption obligations. As part of the above arrangement, the Fund settled its investment in TFC of Azgard Nine Limited amounted to Rs. 141,403,150 in consideration of 4,040,090 ordinary shares at the value of Rs. 35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. October 31, 2012. Accordingly, the same have been recorded at fair value and the resultant effect recorded through income statement as recovery on partial settlement of investment.

As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited shares shall be held by the respective trustees for the TFC issuer in their name for and on behalf of the TFC holders who shall be the beneficial owners of the subjected shares in proportion to their holdings. Accordingly, the trustees for the TFC issue pursuant to shareholders investors agreement hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer. During the lock in period of five years, shares can be sold to an outside buyer subject to a prior written approval of the investors, however, no such approval is required for inter financier sale.

During the year in January, 2018 Agritech Limited shares previously held by trustees for the TFC issuer were released to the Fund, as the five year lock in period expired and subsequent to the release of shares management has also sold the 13,000 shares.

- 5.8** These represents long term deposits having original maturity period of more than three months. These carry mark-up rate of 13.2% per annum.
- 5.9** This represents the purchase of commercial paper from HUB Power Company Limited on April 23, 2019 (having face value of Rs. 350 million). This carry profit at the rate of 11.96% and will mature on July 22, 2019, K-Electric Limited on March 01, 2019 (having face value of Rs. 435 million). This carry profit at the rate of 12.51% and will mature on September 02, 2019 and TPL Corp Limited on June 27, 2019 (having face value of Rs. 125 million). This carry profit at the rate of 12.78% and will mature on December 24, 2019.

	Note	2019 -----Rupees in '000-----	2018
5.10 Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss			
Market value of investments	5.1, 5.2, 5.3, 5.4, 5.5 & 5.6	1,913,806	2,077,476
Less: Carrying value of investments	5.1, 5.2, 5.3, 5.4, 5.5 & 5.6	(2,122,506)	(2,282,599)
		(208,700)	(205,123)
Provision against investments	5.12	191,154	191,155
		(17,545)	(13,969)
5.11 Net unrealised (loss) / gain on re-measurement of investments at other comprehensive income			
Market value of investments		-	18,645
Less: Carrying value of investments		(738,668)	(769,599)
		(738,668)	(750,954)
Provision against investments	5.12	713,556	745,782
		(25,112)	(5,172)
5.12 Details of provision against investments			
Provisions related to investments classified as "fair value through profit or loss."		191,154	191,155
Provisions related to investments classified as "Fair value through OCI"		713,556	745,782
		904,710	936,937

Note	2019	2018
	-----Rupees in '000-----	
5.13 Movement in provision against non performing investments		
Opening balance	924,589	920,035
Add: Charge for the year	-	12,346
Less: Reversal of provision due to recovery	(19,879)	(7,792)
Less: Reversal of provision on sale of shares	(30,930)	-
Closing balance	<u>873,780</u>	<u>924,589</u>

6. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

6.1 This carries average mark-up rate of Nil (June 30, 2018: 9.31%) and are matured at the option of financee subject to maximum period of 60 days.

Note	2019	2018
	----- Rupees in '000 -----	
7. MARK-UP ACCRUED		
Mark-up accrued on bank balances and term deposits	4,967	6,650
Mark-up accrued on margin trading system	-	896
Dividend receivable on spread transactions	-	20
Mark-up accrued on:		
- Term finance certificate and sukuks	282,212	263,005
- Pakistan Investment Bonds	-	-
Less: Income suspended over non-performing debt securities	(232,613)	(233,771)
	49,599	29,234
Less: Provision against accrued mark-up	-	-
	<u>54,566</u>	<u>36,800</u>

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Receivable against transfer of units	8.1	2	-
Security deposits with:			
- Central Depository Company of Pakistan Limited		100	100
- National Clearing Company of Pakistan Limited		2,750	2,750
		2,850	2,850
Advance tax		8,074	6,721
Unrealised gain on future contracts		-	420
Others		5,186	-
Receivable from NCCPL against exposure margin for RFS		-	-
		<u>16,112</u>	<u>9,991</u>

8.1 This represented amount receivable from other collective investment scheme being managed by the Management Company of the Fund. This amount was received during the period in respect of units issued to various unit holders based on their request for transfer of units from other collective investment scheme to the Fund.

	Note	2019 ----- Rupees in '000 -----	2018 -----
9. PAYABLE TO THE NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	4,463	5,941
Sindh Sales Tax on remuneration of the Management Company	9.2	580	772
Selling and marketing expenses operational expense	9.3	10,948	3,917
Sales load		2,737	
Sindh Sales Tax and Federal Excise Duty on sales load		3,700	1,043
		2,040	1,694
		24,468	13,367

9.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015, SECP had made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed from 2% to 1.5%.

The Management Company has charged management remuneration at the rate of 1.5% per annum until December 06, 2015. Thereafter from December 07, 2015, the Management Company has charged management remuneration at the rate of 1.3% per annum till May 01, 2017 and from May 02, 2017 the Management Company has been charging management remuneration at the rate of 1% per annum till September 10, 2018. Thereafter, from September 11, 2018, the Management Company has revised their policy for charging management remuneration as per the table given below:

Management remuneration (as % of net income *)	Minimum management remuneration (as % of average net asset value)	Maximum management remuneration (as % of average net asset value)
8.00%	0.50%	1.00%

9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on the services provided by the Management Company as required by 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 NBFC Regulations, fee and expense 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 lower amount, to the Fund.

10. 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. 18.085 million.

	Note	2019 ----- Rupees in '000 -----	2018 -----
11. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration of the trustee	11.1	459	547
Sindh Sales Tax on remuneration of the trustee	11.2	60	72
		<u>519</u>	<u>619</u>

- 11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily 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	Rs 0.7 million or 0.20% p.a. of net asset value whichever is higher.
On an amount exceeding Rs 5,000 million	Rs 2.0 million plus 0.10% p.a. of net asset value exceeding Rs 1,000 million.

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

12. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, 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.

	Note	2019 ----- Rupees in '000 -----	2018 -----
13. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		442	477
Provision for Workers' Welfare Fund	18	-	-
Provision for Sindh Workers' Welfare Fund	18	29,499	19,335
Federal Excise Duty on remuneration of the Management Company	12.1 & 12.2	39,241	39,241
Brokerage charges		-	108
Settlement charges		40	112
Printing charges		99	139
Withholding tax		22,396	63
Capital gain tax		3,448	2,687
Legal and professional charges		420	529
Payable against redemption of units		1,534	33,831
Dividend payable		346	-
Others	8	239	570
		<u>97,704</u>	<u>97,092</u>

- 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) on September 04, 2013.

While disposing the above petition, 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. 39.241 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.0.0795 per unit (June 30, 2018: Rs. 0.0696 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

14.1 Contingencies

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

14.2 Commitments

	2019	2018
	----- Rupees in '000 -----	
Margin trading system transactions entered into by the Fund in respect of which purchase transactions have not been settled	-	2,380
Margin trading system transactions entered into by the Fund in respect of which release transactions have not been settled	-	39,642
Sale of future contracts	-	23,400

15. NUMBER OF UNITS IN ISSUE

	2019	2018
	-----Number of Units-----	
Total units in issue at the beginning of the year	563,703,522	766,529,674
Add: units issued during the year	460,526,320	541,805,456
Less: units redeemed during the year	(530,693,909)	(744,631,608)
Total units in issue at the end of the year	493,535,933	563,703,522

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	382	330
Half yearly review fee	167	155
Out of pocket expenses including government levies	96	127
	645	612
	645	612

18. WORKERS WELFARE FUND AND SINDH WORKER'S WELFARE FUND

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by 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. 29.499 million (2018: Rs. 19.335 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.0598 (June 30, 2018: Rs. 0.0343) per unit.

19. TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute 90% 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.

20. 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.

21. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 1.83% per annum including 0.38% representing government levies on Collective Investment Scheme such as sales tax, provision for SWWF and SECP fee for the year.

22. DETAILS OF NON-COMPLIANT INVESTMENTS

The SECP vide circular no. 7 of 2009 dated March 6, 2009, required all asset management companies to categorize funds under their management on the basis of criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

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

Following is the detail of non-compliant investments :

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision		Provision held, if any	Value of investment after provision		% of net assets	% of gross assets
			-----Rupees in ' 000-----			-----%-----			
Azgard Nine Limited III	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	108,377	(108,377)	-	-	-	-	
Azgard Nine Limited V	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	82,180	(82,180)	-	-	-	-	
Agritech Limited I	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	149,860	(149,860)	-	-	-	-	
Agritech Limited V	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	32,320	(32,320)	-	-	-	-	
Dewan Cement Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	150,000	(150,000)	-	-	-	-	
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Sukuks (21.1)	9,056	(9,056)	-	-	-	-	
New Allied Electronics Industries (Private) Limited - PPTFC	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	31,707	(31,707)	-	-	-	-	
New Allied Electronics Industries (Private) Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Sukuks (21.1)	44,149	(44,149)	-	-	-	-	
Pace Pakistan Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	149,820	(149,820)	-	-	-	-	
Saudi Pak Leasing Company Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	41,321	(41,321)	-	-	-	-	
Worldcall Telecom Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (21.1)	74,977	(74,977)	-	-	-	-	
Azgard Nine Limited (Non-voting)	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Shares (21.1)	13	(13)	-	-	-	-	
Total carrying value and accumulated impairment as at June 30, 2019			873,780	(873,780)	-	-	-	-	

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

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 are carried out at agreed terms.

23.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBF 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 the transactions with connected persons are as follows:

NBP Fund Management Limited (Management Company)

Remuneration of the Management Company	49,097	83,111
Sindh Sales Tax on remuneration of the Management Company	6,383	10,804
Reimbursement of operational expenses to the Management Company	5,743	8,311
Sales load and related Sindh Sales Tax and Federal Excise Duty	2,791	49
Operational expense	5,743	8,311
Selling and marketing expenses	18,085	-

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	5,620	7,418
Sindh sales tax on remuneration of the Trustee	731	964
CDS charges	672	1,365

National Bank of Pakistan (Parent of the Management Company)

Mark-up on bank balances	292	346
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Summit Bank Limited (Common Directorship with the Management Company)

Mark-up on bank balances	40	159
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***Muhammad Murtaza Ali - Company Secretary of Management Company**

Units issued / transferred in Nil units (2018: 92,128 units)	-	1,000
Units redeemed / transferred out Nil units (2018: 92,128 units)	-	1,020

Humayun Bashir - Director

Units issued / transferred in 4,037,92,163 units (2018: Nil units)	43,584	-
Units redeemed / transferred out 1,888,289 units (2018: Nil units)	21,000	-
Dividend re-invest units 40,855 units	438	-

	2019	2018
	----- Rupees in '000 -----	
Employees of the Management Company		
Units issued / transferred in 2,389,294 units (2018: 3,979,790 units)	25,472	43,112
Units redeemed / transferred out 1,771,365 units (2018: 3,928,783 units)	19,212	42,692
Dividend re-invest units 72,333 units (2018: Nil units)	774	-
NBP Employees Pension Fund (Pension Fund of the Parent of Management Company)		
Dividend re-invest 10,673,283 units (June 30, 2018: Nil units)	114,275	-
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Mark-up on bank balances	87	91
Portfolios managed by the Management Company		
Units issued / transferred in 12,312,892 units (2018: 12,473,075 units)	126,912	140,130
Units redeemed / transferred out 18,146,358 units (2018: 14,896,841 units)	198,103	166,752
Dividend re-invest units 1,612 units (2018: Nil units)	17	-

*Current year transactions with these related parties have not been disclosed as they did not remain connected persons and related parties during current year.

23.6		2019	2018
	Amounts outstanding as at year end are as follows:	----- Rupees in '000 -----	
NBP Fund Management Limited			
	Remuneration of the Management Company	4,463	5,941
	Sindh Sales Tax on remuneration of the Management Company	580	772
	Operational expense	2,737	-
	Selling and marketing expenses	10,948	3,917
	Sales load	3,700	1,043
	Sindh Sales Tax and Federal Excise Duty on sales load	2,040	1,694
Central Depository Company of Pakistan Limited (Trustee)			
	Remuneration of the trustee	459	547
	Sindh sales tax on remuneration of the trustee	60	72
	CDS charges	40	106
	Security deposit	100	100
National Bank of Pakistan (Parent of the Management Company)			
	Bank balance	13,708	12,302
	Accrued markup on bank balance	8	-
Summit Bank Limited (Common Directorship with the Management Company)			
	Bank balance	13,207	15,412
	Accrued markup on bank balance	10	8

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

***BankIslami Pakistan Limited (Common Directorship with the Management Company)**

Bank Balance	117	512
Accrued markup on bank balance	4	12

***Askari Bank Limited (Common Directorship with the Management Company)**

Bank Balance	6,360	2,327
Accrued markup on bank balance	4	11

Humayun Bashir (Director)

Investment held in the Fund: 2,189,728 units (June 30, 2018: Nil units)	23,496	-
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NBP Employees Pension Funds

Investment held in the Fund: 94,820,660 units (June 30, 2018: 84,145,983 units)	1,017,454	984,056
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Employees of the Management Company

Investment held in the Fund: 1,500,944 units (June 30, 2018: 810,682 units)	16,106	9,134
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Portfolios managed by the Management Company

Investment held in the Fund: 4,964,666 units (June 30, 2018:10,750,223 units)	53,272	121,121
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*Prior year balances with these parties have not been disclosed as they were not connected persons and related parties during prior year.

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	MBA & CFA	19
3	Mr. Muhammad Ali Bhabha	CFA, FRM, MBA & MS(CS)	24
4	Mr. Hasan Raza	ACCA /BSC / CFA	8
5	Mr. Taha Khan Javed	MBA & CFA	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 Riba Free Savings Fund (Formerly NAFA Riba Free Savings Fund)
- NBP Income Opportunity Fund (Formerly NAFA Income Opportunity Fund)
- NBP Financial Sector Income Fund
- NBP Government Securities Liquid Fund (Formerly NAFA Government Securities Liquid Fund)
- NBP Money Market Fund (Formerly NAFA Money Market Fund)
- NBP Islamic Money Market Fund (Formerly NAFA Islamic Money Market Fund)
- NAFA Active Allocation Fund
- NAFA Government Securities Savings Fund
- NBP Government Securities Fund Plan-I

25. TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year June 30, 2019

S.No	Particulars	Percentage
1	Adam Securities (Private) Limited	17.12%
2	Alfalah Securities (Private) Limited	3.94%
3	EFG Hermes Pakistan Limited (Formerly Invest & Finance Securities Limited)	0.80%
4	First Capital Equities Limited	9.26%
5	MRA Securities Limited	48.14%
6	Icon Securities (Private) Limited	0.11%
7	Taurus Securities Limited	13.69%
8	SC Security (Private) Limited	6.94%

List of top ten brokers by percentage of commission charged during the year June 30, 2018

S.No	Particulars	Percentage
1	MRA Securities Limited	45.21%
2	Alfalah Securities (Private) Limited	22.19%
3	Adam Securities (Private) Limited	15.46%
4	First Capital Equities Limited	8.13%
5	EFG Hermes Pakistan Limited (Formerly Invest & Finance Securities Limited)	5.37%
6	Topline Securities (Private) Limited	2.80%
7	Intermarket Securities	0.84%

26. PATTERN OF UNIT HOLDING

As at June 30, 2019

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	3,337	2,084,831	39.37%
NBFCs	1	-	0.00%
Associated companies and directors	4	1,041,618	19.67%
Insurance companies	5	166,318	3.14%
Retirement funds	40	649,067	12.26%
Public listed companies	9	257,244	4.86%
Others	122	1,096,691	20.71%
	3,518	5,295,769	100%

As at June 30, 2018

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	2,217	1,684,504	26.52%
Directors	1	589	0.01%
Associated companies and directors	2	948,088	14.93%
Insurance companies	5	167,848	2.64%
Retirement funds	42	665,607	10.48%
Public listed companies	8	1,203,100	18.94%
Others	119	1,681,420	26.47%
	2,394	6,351,156	100%

27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 68th, 69th, 70th, 71th Board meetings were held on September 05, 2017, October 30, 2018, February 25, 2019, 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	
Mr. Mudassir H. Khan	2	1	1	69th
Mr. Tariq Jamali	2	-	2	68th and 69th
Mr. Abdul Hadi Palekar	4	3	1	70th
Mr. Foo Chiah Chinug (Dr. Kelvin Foo)	2	1	1	69th
Mr. Kamal Amir Chinoy	4	3	1	70th
Mr. Shehryar Faruque	4	3	1	68th
Mr. Hamayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan	2	2*	-	-
Dr. Amjad Waheed	4	4	-	-
Mr. Shaikh Muhammad Abdul Wahid Sethi	2	2*	-	-
Mr. Nasir Husain	2	2*	-	-
Mr. Ali Saigol	2	2*	-	-
Mr. Imran Zaffar	2	2*	-	-

27.1 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.

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

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

28. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
Financial assets	-----Rupees in '000-----		
Bank balances	-	2,418,997	2,418,997
Investments	2,933,092	-	2,933,092
Receivable against margin trading system	-	-	-
Mark-up accrued	-	54,566	54,566
Receivable against sale of investments	-	-	-
Deposits and other receivables	-	2,850	2,850
	2,933,092	2,476,413	5,409,505

	As at June 30, 2019		
	At fair value through profit or loss	At amortized cost	Total
Financial liabilities	-----Rupees in '000-----		
Payable to the Management Company	-	24,468	24,468
Payable to the Trustee	-	519	519
Accrued expenses and other liabilities	-	62,118	62,118
Net assets attributable to redeemable units	-	5,295,769	5,295,769
	-	5,382,874	5,382,874

	As at June 30, 2018			
	At amortised cost	At fair value through profit or loss - held for trading	Available for Sale	Total
Financial Assets	-----Rupees in '000-----			
Bank balances	3,641,276	-	-	3,641,276
Investments	330,000	2,077,476	18,645	2,426,121
Receivable against margin trading system	316,768	-	-	316,768
Mark-up accrued	36,800	-	-	36,800
Receivable against sale of investments	60,711	-	-	60,711
Deposits and other receivables	2,850	-	-	2,850
	4,388,405	2,077,476	18,645	6,484,526

	As at June 30, 2018		
	At fair value through profit or loss - held for trading	At amortized cost	Total
Financial Liabilities	-----Rupees in '000-----		
Payable to the Management Company	-	13,367	13,367
Payable to the Trustee	-	619	619
Accrued expenses and other liabilities	-	35,766	35,766
Net assets attributable to redeemable units	-	6,351,156	6,351,156
	-	6,400,908	6,400,908

29. FINANCIAL RISK MANAGEMENT

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

29.1 Market risk

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

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

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

29.1.1 Currency risk

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

29.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2019, the Fund holds KIBOR based interest bearing term finance certificates, sukuks and balance in saving accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates as on June 30, 2019 with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs. 43.02 million (2018: Rs. 50.43 million).

b) Sensitivity analysis for fixed rate instruments

The Fund holds term deposits receipts and commercial papers that expose the Fund to fair value interest rate risk as at June 30, 2019. In case of 100 basis points increase in coupon rate on June 30, 2019, with all other variables held constant, the net assets of the Fund for the year would have been higher by Rs. 1.286 million (2018: Rs. Nil) and net income for the year would have been higher by Rs. 1.286 million (2018: Rs. Nil). In case of 100 basis points decrease in KIBOR on 30 June 2017, with all other variables held constant, the net assets of the Fund for the year would have been lower by Rs. 1.095 million (30 June 2018: Rs. Nil) and net income for the year would have been lower by Rs. 1.095 million (June 30, 2018: Rs. Nil).

NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY 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		
On-balance sheet financial instruments		% ----- Rupees in '000 -----				
Financial assets						
Bank balances	4.5 - 14	2,418,997	2,408,228	-	-	10,769
Investments	7.61 - 14.71	2,933,092	128,852	890,435	1,913,805	-
Receivable against margin trading system		-	-	-	-	-
Mark-up accrued		54,566	-	-	-	54,566
Receivable against sale of investments		-	-	-	-	-
Deposits and other receivables		2,850	-	-	-	2,850
		5,409,505	2,537,080	890,435	1,913,805	68,185
Financial liabilities						
Payable to the Management Company		24,468	-	-	-	24,468
Payable to the Trustee		519	-	-	-	519
Accrued expenses and other liabilities		62,118	-	-	-	62,118
Net assets attributable to redeemable units		5,295,769	-	-	-	5,295,769
		5,382,874	-	-	-	5,382,874
On-balance sheet gap		26,631	2,537,080	890,435	1,913,805	(5,314,689)
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		
On-balance sheet financial instruments		% ----- Rupees in '000 -----				
Financial assets						
Bank balances	3.75 - 10.25	3,641,276	3,628,047	-	-	13,229
Investments	6.66 - 8.67	2,426,121	330,000	197,785	1,856,842	41,494
Receivable against margin trading system		316,768	316,768	-	-	-
Mark-up accrued		36,800	-	-	-	36,800
Receivable against sale of investments		60,711	-	-	-	60,711
Deposits and other receivables		2,850	-	-	-	2,850
		6,484,526	4,274,815	197,785	1,856,842	155,084
Financial liabilities						
Payable to the Management Company		13,367	-	-	-	13,367
Payable to the Trustee		619	-	-	-	619
Accrued expenses and other liabilities		35,766	-	-	-	35,766
Net assets attributable to redeemable units		6,351,156	-	-	-	6,351,156
		6,400,908	-	-	-	6,400,908
On-balance sheet gap		83,618	4,274,815	197,785	1,856,842	(6,245,824)
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

29.1.3 Price risk

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

The fund is exposed to equity price risk because of investment held by the Fund and classified in the statement of assets and liabilities as 'available for sale' and 'at fair value through profit and loss'.

In case of 5% increase / decrease in fair value on June 30, 2019, the net income for the year would increase / decrease by Rs. 1.814 million (2018: Rs 0.932 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'available for sale'. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.

29.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on loans and receivables, balances with banks, profit receivable, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings.

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

Bank balances by rating category	June 30, 2019
AAA	26%
AA+	1%
AA	0%
AA-	17%
A+	44%
A-	0%
A	11%
Suspended	1%

Term finance certificates and sukuks by rating category

AA	31.45%
AA-	12.88%
AAA	10.38%
A+	21.12%
AA+	15.88%
A	3.62%
A-	4.68%

The maximum exposure to credit risk before any credit enhancement as follows:

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
	-----Rupees in '000 -----		-----Rupees in '000 -----	
Balances with banks	2,418,997	2,418,997	3,641,276	3,641,276
Investments	2,933,092	2,913,304	2,426,121	2,228,336
Receivable against margin trading system	-	-	316,768	316,768
Mark-up accrued	54,566	54,566	36,800	36,800
Receivable against sale of investments	-	-	60,711	60,711
Deposits and other receivables	2,850	2,850	2,850	2,850
	<u>5,409,505</u>	<u>5,389,717</u>	<u>6,484,526</u>	<u>6,286,741</u>

Concentration of credit risk

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

29.3 Liquidity risk

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

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

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

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.

----- 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	24,468	24,468	-	-
Payable to the Trustee	519	519	-	-
Accrued expenses and other liabilities	62,118	62,118	-	-
Net assets attributable to redeemable units	5,295,769	5,295,769	-	-
	5,382,874	5,382,874	-	-

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	13,367	13,367	-	-
Payable to the Trustee	619	619	-	-
Accrued expenses and other liabilities	35,766	35,766	-	-
Net assets attributable to redeemable units	6,351,156	6,351,156	-	-
	<u>6,400,908</u>	<u>6,400,908</u>	<u>-</u>	<u>-</u>

30. Fair value of financial instruments

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

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

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

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

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

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

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

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

NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY FUND)



	Note	Carrying amount				Fair value			Total
		At fair value through profit or loss	Fair value through other comprehensive income	Amortized Cost	Total	Level 1	Level 2	Level 3	
June 30, 2019									
----- Rupees -----									
Financial assets measured at fair value									
Equity securities - listed	5	-	-	-	-	-	-	-	-
Equity securities - listed (spread transactions)		-	-	-	-	-	-	-	-
Government securities		19,788	-	-	19,788	-	19,788	-	19,788
Term finance certificates - listed		162,359	-	-	162,359	162,359	-	-	162,359
Term finance certificates - unlisted		1,298,388	-	-	1,298,388	-	1,298,388	-	1,298,388
Commercial paper		890,435	-	-	890,435	-	890,435	-	890,435
Sukuks		433,270	-	-	433,270	-	433,270	-	433,270
Term deposits		128,852	-	-	128,852	-	128,852	-	128,852
		2,933,092	-	-	2,933,092	162,359	2,770,733	-	2,933,092
Financial assets not measured at fair value									
Term deposit receipts		128,852	-	-	128,852	-	128,852	-	128,852
Bank balances	5	-	-	2,418,997	2,418,997	-	-	-	-
Receivable against margin trading system		-	-	-	-	-	-	-	-
Mark-up accrued		-	-	54,566	54,566	-	-	-	-
Receivable against sale of investments		-	-	-	-	-	-	-	-
Deposits, prepayments and other receivables	8	-	-	16,112	16,112	-	-	-	-
		128,852	-	2,489,675	2,618,527	-	128,852	-	128,852
Financial liabilities not measured at fair value									
Payable to the Management Company	9	-	-	24,468	24,477	-	-	-	-
Remuneration payable to the Trustee	10	-	-	519	529	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan		-	-	4,307	4,307	-	-	-	-
Payable against purchase of investment		-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	12	-	-	97,704	97,716	-	-	-	-
Net assets attributable to redeemable units		-	-	5,295,769	5,295,769	-	-	-	-
		-	-	5,422,767	5,422,798	-	-	-	-

NBP INCOME OPPORTUNITY FUND (FORMERLY; NAFA INCOME OPPORTUNITY FUND)



		Carrying amount				Fair value				
		At fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Note Rupees								
June 30, 2018										
Financial assets measured at fair value										
Equity securities - listed	5	-	-	-	-	-	-	-	-	
Equity securities - listed (spread transactions)	5	22,849	-	-	-	22,849	-	-	22,849	
Government securities	5	197,785	-	-	-	197,785	197,785	-	197,785	
Term finance certificates - listed	5	163,338	-	-	-	163,338	163,338	-	163,338	
Term finance certificates - unlisted	5	1,209,538	-	-	-	1,209,538	-	1,209,538	1,209,538	
Commercial paper	5	-	-	-	-	-	-	-	-	
Sukuks	5	483,966	-	-	-	483,966	-	483,966	483,966	
Equity securities - listed		-	330,000	-	-	330,000	-	-	-	
		2,077,476	330,000	-	-	2,407,476	186,187	1,891,289	2,077,476	
Financial assets not measured at fair value										
Term deposits	5	-	-	-	-	-	-	-	-	
Bank balances	4	-	-	2,418,997	-	2,418,997	-	-	-	
Receivable against margin trading system		316,768	-	-	-	316,768	-	-	-	
Mark-up accrued	6	-	-	36,800	-	36,800	-	-	-	
Receivable against sale of investments	7	-	-	60,711	-	60,711	-	-	-	
Deposits, prepayments and other receivables	8	-	-	9,991	-	9,991	-	-	-	
		316,768	-	2,526,499	-	2,843,267	-	-	-	
Financial liabilities not measured at fair value										
Payable to the Management Company	9	-	-	-	13,367	13,367	-	-	-	
Remuneration payable to the Trustee	10	-	-	-	519	519	-	-	-	
Payable to the Securities and Exchange Commission	11	-	-	-	6,233	6,233	-	-	-	
Payable against purchase of investment		-	-	-	23,200	23,200	-	-	-	
Accrued expenses and other liabilities	12	-	-	-	97,092	97,092	-	-	-	
Net assets attributable to redeemable units		-	-	-	6,351,156	6,351,156	-	-	-	
		-	-	-	6,491,567	6,491,567	-	-	-	

31. UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the issuance and redemption of units. 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 28, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

32. DATE OF AUTHORISATION FOR ISSUE

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

33. GENERAL

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

33.2 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')	5,295,769	6,351,157	8,199,128	6,274,223	5,242,537	4,352,570
Net Income / (loss) (Rs. '000')	498,027	434,363	290,906	226,587	301,448	474,424
Net Asset Value per units (Rs.)	10.7303	11.2668	10.6964	10.7016	11.559	10.4676
Offer price per unit	10.8515	11.3941	10.8173	10.8431	11.7132	10.6085
Redemption price per unit	10.7303	11.2668	10.6964	10.7016	11.559	10.4676
Ex - Highest offer price per unit (Rs.)	10.8515	11.3941	10.8225	10.8431	10.8419	10.6085
Ex - Lowest offer price per unit (Rs.)	9.9402	10.8180	10.1963	10.0903	9.5761	9.0910
Ex - Highest redemption price per unit (Rs.)	10.7303	11.2668	10.7023	10.7016	10.6992	10.4676
Ex - Lowest redemption price per unit (Rs.)	9.8239	10.6943	10.0663	9.9553	9.45	8.9703
Fiscal Year Opening Ex NAV	9.8214	10.6964	10.0640	9.9539	9.4481	8.9772
Total return of the fund	9.25%	5.33%	6.28%	7.51%	13.21%	16.60%
Capital growth	0.53%	0.00%	-0.45%	0.06%	0.96%	3.32%
Income distribution as % of Ex-NAV	8.73%	5.33%	6.74%	7.46%	12.25%	13.28%
Income distribution as % of Par Value	9.34%	5.70%	6.78%	7.97%	11.58%	11.93%
Interim distribution per unit	0.3754		0.6780	0.7971	0.29	1.19
Final distribution per unit	0.5589	0.5704	-		0.87	
Distribution dates						
Interim	20-Dec-18		21-Jun-17	30-June-2016	29-June-2015, 13-Feb-2014, 30-Apr-2014	26-Jun-2014
Interim	24-Jun-19					
Final	-	4-Jul-18			14-July-2015	
Average annual return (launch date 28-03-08)						
(Since inception to June 30, 2019)	8.06%					
(Since inception to June 30, 2018)		7.96%				
(Since inception to June 30, 2017)			8.20%			
(Since inception to June 30, 2016)				8.39%		
(Since inception to June 30, 2015)					8.85%	
(Since inception to June 30, 2014)						7.92%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	43 Days	34 Days	30 Days	57 Days	57 Days	241 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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