

**NAFA ISLAMIC PRINCIPAL  
PROTECTED FUND-II**



**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 Shahra-e-Faisal, Karachi.

### Bankers to the Fund

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



## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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 Sixth Annual Report of NAFA Islamic Principal Protected Fund - II (NIPPF-II) for the year ended June 30, 2019.

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

### Fund's Performance

After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KMI-30 Index fell sharply by 23.8% on a year-on-year basis. Though the market started off the year on a positive note as investors cheered the peaceful transition between two democratically elected governments, the rebound turned out to be short-lived as investors' attention shifted to the deteriorating economic fundamentals emanating from the intractable twin deficits, especially the heightened Current Account Deficit (CAD).

Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding the scope of duties on non-essential imported luxury goods, and deep cut in public spending. The tightening policies led to a sharp decline in the economic activity as manifested by contraction in the Large Scale Manufacturing sector while the GDP growth rate slowed to 3.3% for FY2019 compared with 5.5% in the previous year. This in turn weighed on the corporate profitability, especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

To bridge the gap on external account, though the government was able to secure a sizable financial assistance from friendly countries such as China, KSA and UAE, the delay in the IMF program irked the market participants, as despite the government's efforts, CAD for the year clocked in at unsustainably high level of USD 13.6 billion albeit down from USD 19.9 billion in the previous year. The unfortunate Pulwama Attack led to escalation of tension between Pakistan and India, which also weighed on the market sentiment. Negative headlines pertaining to the ongoing proceedings of Financial Action Task Force (FATF), which expressed its concerns on lack of operational reforms also perturbed investors throughout the year. Tax laden Federal Budget FY2019-20 along with ongoing drive for the documentation of economy are causing short-term pain with its negative implications for the economic growth, corporate profitability, consumer confidence, and market sentiment.

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

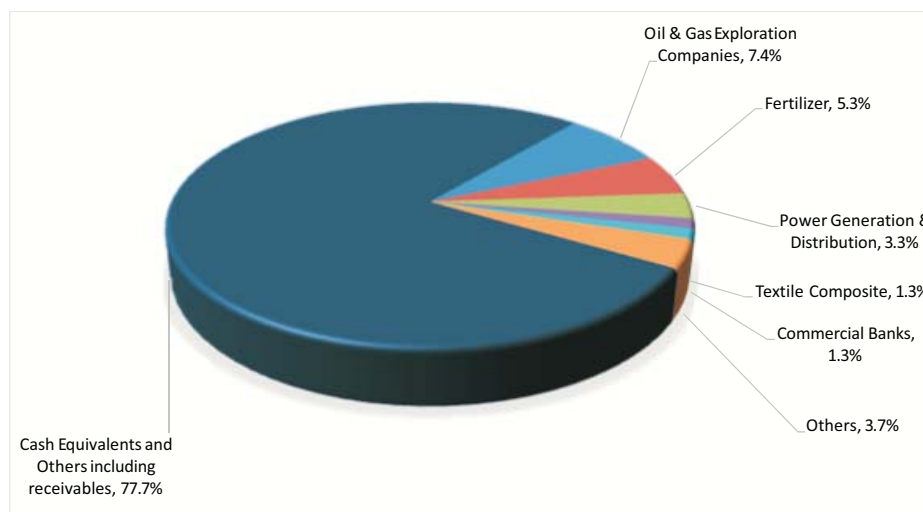
During the period, the unit price of NAFA Islamic Principal Protected Fund - II has decreased from Rs. 101.5691 (Ex-Div) on June 30, 2018 to Rs. 100.2278 on June 30, 2019, thus showing a decrease of 1.3%. The Benchmark return during the same period was decreased by 3.7%. Thus, the Fund has outperformed its Benchmark by 2.4% during the period under review. Since inception (June 27, 2014), NIPPF-II has risen by 56.7%, whereas the Benchmark has increased by 39.2%, thus to date out-performance is 17.5%.

This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs. 106 million as of June 30, 2019.





The asset allocation of the Fund as on June 30, 2019 is as follows:



## Income Distribution

Due to net loss for the year, no distribution has been made.

## Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

## Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retired and, being eligible, offer themselves for re-appointment for the year ending June 30, 2020.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 26 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 22 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"> <li>1. Mr. Kamal Amir Chinoy</li> <li>2. Mr. Shehryar Faruque</li> <li>3. Mr. Humayun Bashir</li> </ol>
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> <li>1. Shaikh Muhammad Abdul Wahid Sethi (Chairman)</li> <li>2. Mr. Nasir Husain</li> <li>3. Mr. Abdul Hadi Palekar</li> <li>4. Mr. Ali Saigol</li> <li>5. Mr. Imran Zaffar</li> </ol>

### 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

NAFA فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II- (NIPPF-II) کی چھٹی سالانہ رپورٹ برائے تختہ سال 30 جون 2019ء پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

NAFA نے 27 جون 2014ء کو اسلامک پرنسپل پروٹیکٹڈ فنڈ II- (NIPPF-II) کے نام سے اپنا دوسرا اوپن اینڈ اسلامک کیپیٹل پروٹیکٹڈ فنڈ کا آغاز کیا۔ اس فنڈ کا مقصد یونٹ ہولڈرز کی سرمایہ کاری کو منظور شدہ شریعہ کیپٹل ایکویٹی اور منی مارکیٹ انسٹرومنٹس میں طویل مدتی مواقع فراہم کرنا، جب کہ ان کی ابتدائی سرمایہ کاری کو ابتدائی پیچھڑی کی تاریخ تک محفوظ فراہم کرنا ہے، جو لانچ کی تاریخ سے دو سال ہے۔ یہ فنڈ فی الوقت نئے اندراج کے لئے بند ہے۔

### فنڈ کی کارکردگی

بعد از مشکل مالی سال 2017-18، مالی سال 2019ء بھی تجارتی حجم میں کمی کے باعث اسٹاک مارکیٹ نے مایوس کن کارکردگی کا مظاہرہ کیا جیسا کہ KMI-30 انڈیکس میں سالانہ بنیادوں پر 23.8% کی کمی واقع ہوئی اگرچہ اس سال مارکیٹ کا آغاز مثبت انداز سے ہوا جیسا کہ سرمایہ کاروں نے دو منتخب جمہوری حکومتوں کے پُراسن انتقال اقتدار کو سراہا۔ تاہم مقامی سرمایہ کاروں کا جوش و خروش مثبت ثابت ہوا جس کی وجہ سے سرمایہ کاروں کا خراب معیشت کی طرف متوجہ ہونا تھا۔ یہ صورتحال دو ہرے خسارے، خاص طور پر بڑھتے ہوئے کرنٹ اکاؤنٹ خسارہ (CAD) سے صاف ظاہر ہو رہی تھی۔

مہنگائی پر قابو پانے اور بیرونی اکاؤنٹ کے عدم توازن کو کم کرنے کے مقاصد کے ساتھ مشکل اقتصادی حالات سے دوچار موجودہ حکومت نے امریکی ڈالر کے برعکس روپیہ کی قدر میں خاطر خواہ کمی، پالیسی شرح میں تیز ترین اضافہ، غیر ضروری پر تقیش درآمدی اشیاء کی ڈیوٹی میں اضافہ اور عوامی اخراجات میں کمی جیسی سخت پالیسیوں کا آغاز کیا۔ سخت پالیسیوں کی وجہ سے معاشی سرگرمیوں میں واضح کمی واقع ہوئی جس کا اظہار بڑے پیمانے کے پیداواری شعبے میں کمی سے ہوا جبکہ ڈی پی پی نمو کی شرح گزشتہ سال 5.5% کے مقابلے میں مالی سال 2019ء میں 3.3% کی شرح سے سست رفتاری کا شکار رہی۔ جس کا اثر کاروباری منافع خاص طور پر گردش شعبوں کے منافع پر طلب کی کمی اور لاگت دباؤ کے باعث ہوا جس کے نتیجے میں سرمایہ کاروں کے جذبات مزید مدہم پڑ گئے۔

بیرونی اکاؤنٹ کے خلاء کو پورا کرنے کے لئے اگرچہ حکومت، چین، سعودی عرب اور متحدہ عرب امارات جیسے دوست ممالک سے قابل ذکر مالی امداد حاصل کرنے میں کامیاب ہو گئی تھی تاہم IMF پروگرام میں تاخیر نے مارکیٹ کے شرکاء کو پریشان کیا۔ حکومتی کوششوں کے باعث کرنٹ اکاؤنٹ خسارہ گزشتہ سال میں 19.9 امریکی ڈالر سے کم ہو کر رواں سال 13.6 امریکی ڈالر کی غیر مستحکم اعلیٰ سطح پر پہنچ گیا۔ بد قسمتی سے بلوآمد حملے کے بعد پاکستان اور بھارت کے درمیان کشیدگی بڑھ گئی جس سے سرمایہ کاروں کے جذبات بھی مدہم ہوئے۔ فنانشل ایکشن ٹاسک فورس (ایف ایٹ ایف) کی جاری کارروائی سے متعلق منی خبروں نے آپریشنل اصلاحات کی عدم فراہمی پر خدشات کے اظہار نے سال بھر سرمایہ کاروں کو پریشان کئے رکھا۔ دستاویزی معیشت کے لئے جاری مہم کے ساتھ ٹیکسوں سے بھرپور وفاقی بجٹ مالی سال 2019-2020ء قلیل مدت پریشانی کا حامل رہا جس کے منفی اثرات اقتصادی ترقی، کاروباری منافع، حصار قبیل کے اعتماد اور سرمایہ کاروں کے مدہم جذبات کی شکل میں ظاہر ہوئی۔

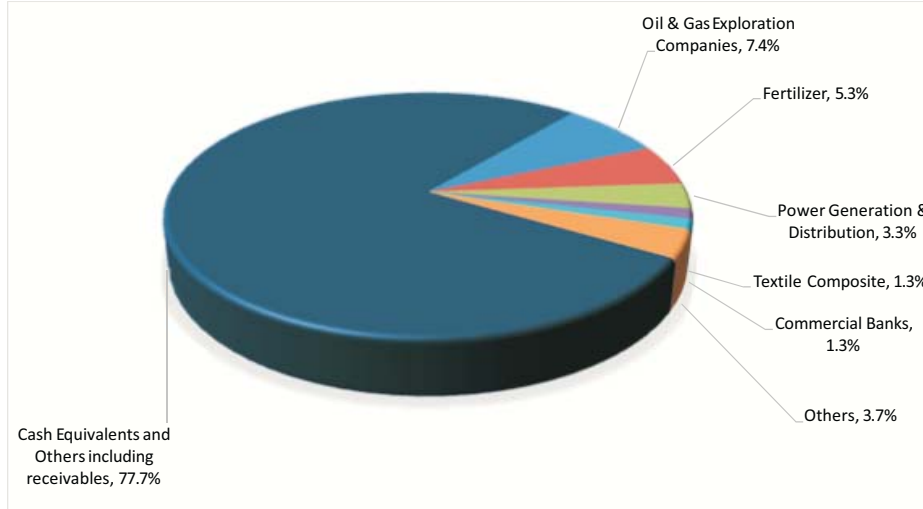
مالی سال 2019ء کے دوران، بینک دولت پاکستان (SBP) نے دو ماہ کے وقفے سے چھ مائیکرو پالیسی جائزوں کا انعقاد کیا۔ بیرونی اکاؤنٹ کی مشکلات اور درپوش افراط زر کے دباؤ کو دور کرنے کے رجحان SBP نے پالیسی کی شرح 6.50% سے 12.25% تک بڑھادی۔ بجلی اور ایندھن کی قیمتوں میں اضافہ، کرنسی کی قدر کی کمی کے باعث درآمدی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

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

اس مدت کے دوران، اسلامک پرنسپل پروٹیکٹڈ فنڈ II- کے یونٹ کی قیمت 30 جون 2018ء کو 101.5691 روپے (Ex-Div) سے کم ہو کر 30 جون 2019ء کو 100.2278 روپے ہو گئی، لہذا 1.3% کی کمی ظاہر کر رہی ہے۔ اسی مدت کے دوران بیچ مارک منافع میں 3.7% کی کمی ہوئی۔ چنانچہ زیر جائزہ مدت کے دوران فنڈ نے اپنے بیچ مارک سے 2.4% کی بہتر کارکردگی کا مظاہرہ کیا۔ اپنے قیام (27 جون 2014ء) کے وقت سے NIPPF-II میں 56.7% کا اضافہ ہوا، جبکہ بیچ مارک میں 39.2% کا اضافہ ہوا، لہذا فنڈ نے آج تک اپنے بیچ مارک میں 17.5% کی بہتر کارکردگی دکھائی۔

فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ 30 جون 2019ء کو NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II کا ساٹھ 106 بلین روپے ہے۔

30 جون 2019 کے مطابق فنڈ کی ایسٹ ایبلویشن حسب ذیل ہے:



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

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی دواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیمیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ جصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
- 13 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 چٹائے 2 • جناب شہر یار فاروق 3 • جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
1 • شیخ محمد عبدالواحد سیٹھی (چیرمین) 2 • جناب ناصر حسین 3 • جناب عبدالہادی پالیکر 4 • جناب علی سیدگل 5 • جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

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

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

منیاب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ 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 NAFA Islamic Principal Protected Fund - II (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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

### NAFA Islamic Principal Protected Fund-II

NAFA Islamic Principal Protected Fund-II is an Open-ended Shari'ah Compliant Capital Protected Fund

#### Investment Objective of the Fund

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

#### Benchmark

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

#### Fund performance review

This is the sixth annual report of the Fund. During the period, NAFA Islamic Principal Protected Fund - II decreased by 1.3%. The Benchmark return during the same period was decreased by 3.7%. Thus, the Fund has outperformed its Benchmark by 2.4% during the period under review. Since inception (June 27, 2014), NIPPF-II has risen by 56.7%, whereas the Benchmark has increased by 39.2%, thus to date outperformance is 17.5%. This performance is net of management fee and all other expenses. The size of NAFA Islamic Principal Protected Fund-II is Rs.106 million as of June 30, 2019.

The Fund current stock exposure stands at around 22.3%. Key holdings of the Fund belong to Oil & Gas Exploration Companies, Fertilizer, Power Generation & Distribution, Textile Composite and Commercial Banks sectors.

After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KMI-30 Index fell sharply by 23.8% on a year-on-year basis. Though the market started off the year on a positive note as investors cheered the peaceful transition between two democratically elected governments, the rebound turned out to be short-lived as investors' attention shifted to the deteriorating economic fundamentals emanating from the intractable twin deficits, especially the heightened Current Account Deficit (CAD).

Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding the scope of duties on non-essential imported luxury goods, and deep cut in public spending. The tightening policies led to a sharp decline in the economic activity as manifested by contraction in the Large Scale Manufacturing sector while the GDP growth rate slowed to 3.3% for FY2019 compared with 5.5% in the previous year. This in turn weighed on the corporate profitability, especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

To bridge the gap on external account, though the government was able to secure a sizable financial assistance from friendly countries such as China, KSA and UAE, the delay in the IMF program irked the market participants, as despite the government's efforts, CAD for the year clocked in at unsustainably high level of USD 13.6 billion albeit down from USD 19.9 billion in the previous year. The unfortunate Pulwama Attack led to escalation of tension between Pakistan and India, which also weighed on the market sentiment. Negative headlines pertaining to the ongoing proceedings of Financial Action Task Force (FATF), which expressed its concerns on lack of operational reforms also perturbed investors throughout the year. Tax laden Federal Budget FY2019-20 along with ongoing drive for the documentation of economy are causing short-term pain with its negative implications for the economic growth, corporate profitability, consumer confidence, and market sentiment.

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

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

### Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-19	30-Jun-18
Equities / Stocks	22.3%	24.4%
Cash Equivalents	89.4%	86.0%
Other Net Liabilities	(11.7%)	(10.4%)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Distribution for the Financial Year 2019

Due to net loss for the year, no distribution has been made.

### Unit Holding Pattern of NAFA Islamic Principal Protected Fund-II as on June 30, 2019

Size of Unit Holding (Units)	# of Unit Holders
1-1000	19
1001-5000	18
5001-10000	9
10001-50000	2
50001-100000	4
<b>Total</b>	<b>52</b>

### Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 3.612 million. If the same were not made the NAV per unit/FY19 return of scheme would be higher by Rs. 3.405/ 3.35%. For details investors are advised to read note 14.1 of the Financial Statement of the Scheme for the year ended June 30, 2019.





## **STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES**

**NAFA Islamic Principal Protected Fund-II** (the Fund) has fully complied with the Shari'ah guidelines prescribed by the SHARI'AH Advisor as required under the Trust Deed and the Offering Document of the Fund for its operations, investments and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: August 30, 2019  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer



## Report of the Shari'ah Supervisory Board - NAFA Islamic Principal Protected Fund-II

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

Alhamdulillah, the period from July 1, 2018 to June 30, 2019 was the Sixth year of operations of NAFA Islamic Principal Protected Fund-II (NIPPF- II). This report is being issued in accordance with clause 4.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on fulfillment of the Shari'ah Compliance requirements for launching of the fund.

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

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

- i. We have reviewed and approved the modes of equity investments of NIPPF-II in light of Shari'ah requirements. Following is a list of top investments of NIPPF-II as on June 30, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Limited.	Fertilizer	33.98%	20.8%	3.52%	66%	(144.42)	
Engro Fertilizer Limited.	Fertilizer	25.93%	6.57%	0.43%	76%	(32.97)	
The Hub Power Company Limited.*	Power Generation & Distribution	31.38%	0.00%	0.43%	41%	(29.25)	
Pakistan Petroleum Limited.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
Oil & Gas Development Company Limited.	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.75	128
Mari Petroleum Company Limited.	Oil & Gas Marketing Companies	11.14%	15.09%	1.04%	33%	(597.55)	
Pakistan Oilfields Limited.	Oil & Gas Exploration Companies	0.00%	0.01%	3.20%	52%	(9.27)	

\*Debt is considered excluding circular Debt



- i. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIPPF-II are Shari'ah Compliant and in accordance with the criteria established by us.
- ii. There are investments made by NIPPF-II where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NIPPF-II for the year ended June 30, 2019 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 23,904/- was created and an amount of Rupees 18,953/- was available for disbursement into charity as of June 30, 2019, which is inclusive of Rupees 12,916/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2019 will be adjusted after the availability of the respective annual financial statements.

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

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

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**Mufti Muhammad Naveed Alam**  
Member  
SHARI'AH Supervisory Board

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**Mufti Ehsan Waqar**  
SHARI'AH Advisor & Member  
SHARI'AH Supervisory Board

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**Dr. Imran Ashraf Usmani**  
Chairman  
SHARI'AH Supervisory Board



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

We were engaged by the Board of Directors of NBP Fund Management Limited, Management Company of NAFA Islamic Principal Protected Fund - II (the Fund), to report on Fund's Compliance with the Shari'ah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2019, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shari'ah principles specified in the Trust Deed and the guidelines issued by the Shari'ah Advisor, in all material respects.

### Applicable Criteria

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

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended 30 June 2019.

### Responsibilities of the Management Company

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

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

### Our Independence and Quality Control

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

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

### Our responsibilities

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

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



The procedures performed included performing tests of controls for making investments and maintaining bank accounts in accordance with the Shari'ah principles specified in the Trust Deed and the guidelines issued by the Shari'ah Advisor.

### **Conclusion**

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

In our opinion, the annexed statement, for the year ended 30 June 2019, presents fairly the status of the Fund's compliance with the Shari'ah principles specified in the Trust Deed and the guidelines issued by the Shari'ah Advisor, in all material respects.

**Date: September 27, 2019**

**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of the NAFA Islamic Principal Protected Fund II ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2019, income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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

#### **Other matter**

The financial statements of the Fund for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 September 2018.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2018, but does not include the financial statements and our auditors' report thereon.

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

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

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

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



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

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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



## Report on Other Legal and Regulatory Requirements

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

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

**Date: September 27, 2019**

**Karachi**

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**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**





### STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2019

	Note	2019 (Rupees in '000)	2018
<b>Assets</b>			
Bank balances	7	95,050	108,910
Investments	8	23,688	30,891
Dividend and profit receivable	9	1,264	965
Security Deposits	10	2,600	2,600
<b>Total assets</b>		<b>122,602</b>	<b>143,366</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	11	597	380
Payable to Central Depository Company of Pakistan Limited - Trustee	12	13	16
Payable to Securities and Exchange Commission of Pakistan	13	88	100
Accrued expenses and other liabilities	14	15,579	16,165
<b>Total liabilities</b>		<b>16,277</b>	<b>16,661</b>
<b>Net assets</b>		<b>106,325</b>	<b>126,705</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>106,325</b>	<b>126,705</b>
<b>Contingency and commitment</b>	15		
		(Number of units)	
<b>Number of units in issue</b>	16	<b>1,060,828</b>	<b>1,237,623</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>100.2278</b>	<b>102.3781</b>

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

For NBP Fund Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director


**INCOME STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in '000)	2018
<b>Income</b>			
Dividend income		1,433	1,101
Loss on sale of investments at fair value through profit or loss (FVTPL) - net		(3,834)	(2,138)
Mark - up on bank deposits		9,117	7,166
Net unrealised diminution on re-measurement of investments at FVTPL		(5,067)	(1,949)
<b>Total (loss) / income</b>		<b>1,649</b>	<b>4,180</b>
<b>Expenses</b>			
Remuneration to NBP Fund Management Limited - Management Company	11.1	1,372	1,238
Sindh Sales Tax on remuneration to Management Company	11.2	178	161
Remuneration to Central Depository Company of Pakistan Limited - Trustee	12.1	152	173
Sindh Sales Tax on remuneration to Trustee	12.2	20	22
Selling and marketing expenses	11.3	377	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	11.4	117	133
Annual fee - Securities and Exchange Commission of Pakistan		88	100
Settlement and bank charges		456	450
Auditors' remuneration	17	233	195
Securities transaction cost		71	50
Charity expense		24	21
SHARI'AH advisor fee		20	498
Annual listing fee		22	22
Printing charges		-	69
Legal and professional fees		-	49
<b>Total expenses</b>		<b>3,130</b>	<b>3,181</b>
<b>Net (loss) / income from operating activities</b>		<b>(1,481)</b>	<b>999</b>
Provision for Sindh Workers' Welfare Fund	14.1	-	(20)
<b>Net (loss) / income for the year before taxation</b>		<b>(1,481)</b>	<b>979</b>
Taxation	18	-	-
<b>Net (loss) / income for the year</b>		<b>(1,481)</b>	<b>979</b>
<b>Allocation of net income for the year</b>			
Net income for the year		-	979
Income already paid on units redeemed		-	(6)
		<b>973</b>	<b>973</b>
<b>Accounting income available for distribution:</b>			
-Relating to capital gains		-	-
-Excluding capital gains		-	973
		<b>973</b>	<b>973</b>

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

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

 \_\_\_\_\_  
**Chief Financial Officer**

 \_\_\_\_\_  
**Chief Executive Officer**

 \_\_\_\_\_  
**Director**



**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED JUNE 30, 2019

	2019 (Rupees in '000)	2018
Net (loss) / income for the year	(1,481)	979
Other comprehensive income for the year	-	-
<b>Total comprehensive (loss) /income for the year</b>	<u><u>(1,481)</u></u>	<u><u>979</u></u>

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

For NBP Fund Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director




**CASH FLOW STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in '000)	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) / income for the year		(1,481)	979
<b>Adjustments:</b>			
Net unrealised diminution on re-measurement of investments at FVTPL		<u>5,067</u>	<u>1,949</u>
		<b>3,586</b>	<b>2,928</b>
<b>Decrease / (increase) in assets</b>			
Investments		<u>2,136</u>	<u>(20,743)</u>
Dividend and profit receivable		<u>(299)</u>	<u>(343)</u>
		<b>1,837</b>	<b>(21,086)</b>
<b>(Decrease) / increase in liabilities</b>			
Payable to NBP Fund Management Limited - Management Company		<u>217</u>	<u>(525)</u>
Payable to Central Depository Company of Pakistan Limited - Trustee		<u>(3)</u>	<u>(1)</u>
Payable to Securities and Exchange Commission of Pakistan		<u>(12)</u>	<u>(357)</u>
Accrued expenses and other liabilities		<u>(586)</u>	<u>(444)</u>
		<b>(384)</b>	<b>(1,327)</b>
<b>Net cash generated from operating activities</b>		<u><b>5,039</b></u>	<u><b>(19,485)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount paid on redemption of units	19	<u>(18,337)</u>	<u>(16,307)</u>
Distributions paid		<u>(562)</u>	<u>-</u>
<b>Net cash (decrease) / used in financing activities</b>		<u><b>(18,899)</b></u>	<u><b>(16,307)</b></u>
<b>Net increase in cash and cash equivalents during the year</b>		<u><b>(13,860)</b></u>	<u><b>(35,792)</b></u>
Cash and cash equivalents at beginning of the year		<b>108,910</b>	144,702
<b>Cash and cash equivalents at end of the year</b>	7	<u><u><b>95,050</b></u></u>	<u><u><b>108,910</b></u></u>

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

 For NBP Fund Management Limited  
 (Management Company)

 \_\_\_\_\_  
 Chief Financial Officer

 \_\_\_\_\_  
 Chief Executive Officer

 \_\_\_\_\_  
 Director



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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** NAFA Islamic Principal Protected Fund-II (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 07 May 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 15 May 2014 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of (MUFAP).
- 1.3** The Fund has been categorised as an open-end "Shari'ah Compliant Capital Protected Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited.
- 1.4** The objective of NAFA Islamic Principal Protection Fund - II is to earn a potentially high return through dynamic asset allocation between Shari'ah compliant equities and money market investment avenues, while providing principal protection to its unit holders. Principal protection means that the net realisable value of the Fund shall not fall below the initial investment value (adjusted for distributions / redemptions during the life of the Fund), provided that the units are held till the completion of the initial maturity of the Fund. The duration of the Fund is perpetual. The Initial Maturity of the Fund is two years from the commencement of the launch of the Fund.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM1 to the Management Company. The Fund has not yet been rated.
- 1.6** Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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



## 2.2 Accounting convention

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

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgments

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

- (a) Provisions (Note 5.5)
- (b) Element of income (Note 5.8)

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of amendment is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Fund's financial statements.



- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The Fund may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, the Fund should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a entity increases its interest in a joint operation that meets the definition of a business. A entity remeasures its previously held interest in a joint operation when it obtains control of the business. A entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a entity treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.





The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Fund's financial statements.

#### 4 Changes in accounting policies

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented except for the change in accounting policies as stated below:

The Fund has adopted IFRS 9 'Financial instruments' from 1 July 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements, which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, mark-up and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 6.

##### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 5.1.2, 5.1.6 and 5.1.8

##### ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012.



### iii. Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. As the Fund presents the movement in Unitholders Fund on net assets basis, there is no impact of the changes on net assets of the Fund. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 6.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Financial Assets

#### 5.1.1 Classification (Policies applicable before 1 July 2018)

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

#### a) Loans and receivables

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

#### b) Financial assets at 'fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

#### c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

#### 5.1.2 Classification (Policies applicable after 1 July 2018)

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

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

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



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

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

### **Business model assessment**

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

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

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

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

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

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

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

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and receivables, if any. These financial assets are held to collect contractual cash flow.



- Other business model: this includes equity securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

### Reclassifications

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

#### 5.1.3 Regular way contracts

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

#### 5.1.4 Initial recognition and measurement

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

#### 5.1.5 Subsequent measurement (Policies applicable before 1 July 2018)

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

##### a) Basis of valuation of equity securities

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

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

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

##### b) Loans and receivables

Subsequent to initial recognition financial assets classified as 'Loans and receivables' are carried at amortised cost using the effective interest method.

#### 5.1.6 Subsequent measurement (Policies applicable after 1 July 2018)

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

##### Financial assets at FVTPL

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

##### Financial assets at amortised cost

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

The fair value of financial assets are determined as follows:



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

#### 5.1.7 Impairment of financial assets (Policies applicable before 1 July 2018)

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

##### a) Equity Securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 'income statement', is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

##### b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

#### Impairment of financial assets (Policies applicable after 1 July 2018)

##### Financial assets at amortised cost

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

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

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

#### 5.1.8 Derecognition

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

#### 5.1.9 Offsetting of financial assets and financial liabilities

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

**5.2 Cash and cash equivalents**

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

**5.3 Financial liabilities**

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

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

**5.4 Derivatives**

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

**5.5 Provisions**

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

**5.6 Taxation**

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

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

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

**5.7 Issue and redemption of units**

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



## 5.8 Element of income

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

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

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

## 5.9 Earnings per unit

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

## 5.10 Net assets value per unit

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

## 5.11 Revenue recognition

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

## 5.12 Distribution

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

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

## 6 Financial assets and financial liabilities

### 6.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.



	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<b>Financial assets</b>					
Listed equity securities	(a)	Held for trading	Mandatorily at FVTPL	30,891	30,891
Bank balances	(b)	Loans and receivables	Amortised cost	108,910	108,910
Dividend and profit receivable	(b)	Loans and receivables	Amortised cost	965	965
Security deposits	(b)	Loans and receivables	Amortised cost	2,600	2,600
				<u>143,366</u>	<u>143,366</u>
<b>Financial liabilities</b>					
Payable to NBP Fund Management Limited - Management Company		Amortised cost	Amortised cost	380	380
Payable to Central Depository Company of Pakistan - Trustee		Amortised cost	Amortised cost	16	16
Accrued expenses and other liabilities		Amortised cost	Amortised cost	1,686	1,686
				<u>2,082</u>	<u>2,082</u>

The reclassifications set out in the table above are explained below.

- (a) Listed Equity Securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- (b) The financial assets classified as 'loans and receivables' have been classified as amortised cost.

7	<b>BANK BALANCES</b>		2019	2018
			(Rupees in '000)	
	In current accounts		255	922
	In savings accounts	7.1	94,795	107,988
			<u>95,050</u>	<u>108,910</u>

7.1 These accounts carry mark-up at rates ranging from 2.4% to 13.00% (2018: 2.4% to 6.45%) per annum.

## 8 INVESTMENTS

### At fair value through profit or loss

- Listed equity securities	8.1	<u>23,688</u>	<u>30,891</u>
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## 8.1 Investment in listed equity securities

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

Name of the Investee Company	As at 1 July 2018	Purchases during the year	Bonus Shares issued during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2019	Market value /carrying value as at 30 June 2019	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of the capital of the investee company held
	(Rupees in '000)									
	(Number of shares)									
	(%)									
<b>Pharma and Bio Tech</b>										
Abbott Laboratories (Pakistan) Limited	900	-	-	-	700	200	95	0.09	0.40	-
The Searle Company Limited	2,101	-	150	-	1,908	343	50	0.05	0.21	-
	<b>3,001</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>2,608</b>	<b>543</b>	<b>145</b>	<b>0.14</b>	<b>0.61</b>	<b>-</b>
<b>Commercial Banks</b>										
Meezan Bank Limited	16,106	17,000	3,081	-	20,000	16,187	1,411	1.33	5.96	-
	<b>16,106</b>	<b>17,000</b>	<b>3,081</b>	<b>-</b>	<b>20,000</b>	<b>16,187</b>	<b>1,411</b>	<b>1.33</b>	<b>5.96</b>	<b>-</b>
<b>Cement</b>										
D.G. Khan Cement Company Limited	3,400	-	-	-	3,400	-	-	-	-	-
Lucky Cement Limited	1,400	4,000	-	-	3,400	2,000	761	0.72	3.21	-
Maple Leaf Cement Factory Limited	-	16,000	-	-	16,000	-	-	-	-	-
Pioneer Cement Limited	9,200	13,550	-	-	22,750	-	-	-	-	-
Kohat Cement Company Limited	4,100	3,500	1,230	-	5,500	3,330	175	0.16	0.74	-
Fauji Cement Company Limited	20,600	-	-	-	20,600	-	-	-	-	-
	<b>38,700</b>	<b>37,050</b>	<b>1,230</b>	<b>-</b>	<b>71,550</b>	<b>5,330</b>	<b>936</b>	<b>0.88</b>	<b>3.95</b>	<b>-</b>
<b>Fertilizer</b>										
Engro Corporation Limited (refer note 8.1.1)	10,400	10,300	990	-	10,800	10,890	2,892	2.72	12.21	-
Engro Fertilizers Limited (refer note 8.1.1)	35,000	61,500	-	-	53,000	43,500	2,783	2.62	11.75	-
	<b>45,400</b>	<b>71,800</b>	<b>990</b>	<b>-</b>	<b>63,800</b>	<b>54,390</b>	<b>5,675</b>	<b>5.34</b>	<b>23.96</b>	<b>-</b>
<b>Automobile and Parts</b>										
Millat Tractors Limited	300	-	-	-	300	-	-	-	-	-
	<b>300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Power Generation &amp; Distribution</b>										
The Hub Power Company Limited (refer note 8.1.1)	27,500	40,000	-	4,657	29,000	43,157	3,399	3.20	14.35	-
Kot Addu Power Company Limited	9,900	-	-	-	9,900	-	-	-	-	-
K-Electric Limited	95,500	103,000	-	-	169,500	29,000	127	0.12	0.54	-
	<b>132,900</b>	<b>143,000</b>	<b>-</b>	<b>4,657</b>	<b>208,400</b>	<b>72,157</b>	<b>3,526</b>	<b>3.32</b>	<b>14.89</b>	<b>-</b>
<b>Textile Composite</b>										
Nishat Mills Limited (refer note 8.1.1)	17,000	13,400	-	-	16,400	14,000	1,307	1.23	5.52	-
Kohinoor Textile Mills Limited	4,737	-	-	-	-	4,737	119	0.11	0.50	-
	<b>21,737</b>	<b>13,400</b>	<b>-</b>	<b>-</b>	<b>16,400</b>	<b>18,737</b>	<b>1,426</b>	<b>1.34</b>	<b>6.02</b>	<b>-</b>
<b>Oil &amp; Gas Marketing Companies</b>										
Pakistan State Oil Company Limited (refer note 8.1.1)	6,200	-	600	-	3,200	3,600	611	0.57	2.58	-
Attock Petroleum Limited	-	1,900	-	-	1,900	-	-	-	-	-
Sui Northern Gas Pipelines	5,500	2,000	-	-	-	7,500	521	0.49	2.20	-
Haseco Petroleum Limited	3,188	-	926	-	2,967	1,147	79	0.07	0.33	-
	<b>14,888</b>	<b>3,900</b>	<b>1,526</b>	<b>-</b>	<b>8,067</b>	<b>12,247</b>	<b>1,211</b>	<b>0.56</b>	<b>5.11</b>	<b>-</b>



Name of the Investee Company	As at 1 July 2018	Purchases during the year	Bonus Shares issued during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2019	Market value /carrying value as at 30 June 2019	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of the paid up capital of the investee company held
	(Rupees in '000)									
	(Number of shares)									
	----- (%) -----									
<b>Engineering</b>										
Mughal Iron and Steel Industries Limited	4,226	7,000	-	-	9,000	2,226	56	0.05	0.24	*
International Industries Limited	-	1,400	-	-	1,400	-	-	-	-	*
International Steels Limited	7,500	2,600	-	-	10,000	100	4	-	0.02	*
Ittefaq Iron Industries Limited	5,500	-	-	-	5,500	-	-	-	-	*
	<b>17,226</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>25,900</b>	<b>2,326</b>	<b>60</b>	<b>0.05</b>	<b>0.26</b>	
<b>Glass &amp; Ceramics</b>										
Tariq Glass industries Limited	-	5,500	-	-	1,000	4,500	345	0.32	1.46	0.01
	-	<b>5,500</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>4,500</b>	<b>345</b>	<b>0.32</b>	<b>1.46</b>	
<b>Technology and Communication</b>										
Systems Limited	7,000	-	700	-	1,800	5,900	566	0.53	2.39	*
P.T.C.L. "A"	-	31,500	-	-	31,500	-	-	-	-	*
	<b>7,000</b>	<b>31,500</b>	<b>700</b>	<b>-</b>	<b>33,300</b>	<b>5,900</b>	<b>566</b>	<b>0.53</b>	<b>2.39</b>	
<b>Paper &amp; Board</b>										
Cherat Packaging Limited	-	2,100	-	-	2,100	-	-	-	-	*
	-	<b>2,100</b>	<b>-</b>	<b>-</b>	<b>2,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Refinery</b>										
National Refinery Limited	-	1,100	-	-	900	200	23	0.02	0.10	*
	-	<b>1,100</b>	<b>-</b>	<b>-</b>	<b>900</b>	<b>200</b>	<b>23</b>	<b>0.02</b>	<b>0.10</b>	
<b>Chemical</b>										
Engro Polymer & Chemicals Limited	26,029	20,000	-	-	28,000	18,029	486	0.46	2.05	*
	<b>26,029</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>28,000</b>	<b>18,029</b>	<b>486</b>	<b>0.46</b>	<b>2.05</b>	
<b>Oil &amp; Gas Exploration Companies</b>										
Oil & Gas Development Company Limited (refer note 8.1.1)	13,700	16,000	-	-	11,300	18,400	2,419	2.28	10.20	*
Pakistan Oilfields Limited (refer note 8.1.1)	2,000	5,100	300	-	3,900	3,500	1,421	1.34	6.00	*
Pakistan Petroleum Limited (refer note 8.1.1)	9,100	17,600	1,140	-	10,500	17,340	2,504	2.36	10.56	*
Mari Petroleum Limited	1,200	1,000	120	-	800	1,520	1,534	1.44	6.48	*
	<b>26,000</b>	<b>39,700</b>	<b>1,560</b>	<b>-</b>	<b>26,500</b>	<b>40,760</b>	<b>7,878</b>	<b>7.42</b>	<b>33.24</b>	
<b>Vanaspati and Allied Industries</b>										
Unity Foods Limited	-	48,000	-	-	48,000	-	-	-	-	*
	-	<b>48,000</b>	<b>-</b>	<b>-</b>	<b>48,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total - 30 June 2019</b>	<b>349,287</b>	<b>445,050</b>	<b>9,237</b>	<b>4,657</b>	<b>556,925</b>	<b>251,305</b>	<b>23,688</b>	<b>21.71</b>	<b>100.00</b>	

\* Nil value due to rounding difference



**8.1.1** Investments include shares with market value of Rs. 4.436 million (30 June 2018: Rs. 5.778 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated 23th October 2007 issued by the Securities and Exchange Commission of Pakistan.

**8.1.2** The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has led a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) have withheld the shares equivalent to 5% of bonus announcement amounting to Rs. 0.279 million (30 June 2018: 0.697 million) and not deposited in CDC account of department of Income Tax.

### 9 DIVIDEND AND PROFIT RECEIVABLE

	2019	2018
	(Rupees in '000)	
Dividend receivable on equity securities	-	864
Profit receivable on savings deposits	<u>1,264</u>	<u>101</u>
	<u>1,264</u>	<u>965</u>

### 10 SECURITY DEPOSITS

Security deposits with:		
- National Clearing Company of Pakistan Limited	2,500	2,500
- Central Depository Company of Pakistan Limited	<u>100</u>	<u>100</u>
	<u>2,600</u>	<u>2,600</u>

### 11 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management remuneration	11.1	107	106
Sindh Sales Tax on management fee	11.2	14	14
Sales Tax Payable on sales and transfer load		196	196
Selling and marketing expenses	11.3	224	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	11.4	<u>56</u>	<u>64</u>
		<u>597</u>	<u>380</u>

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

**11.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2018: 13%) was charged on management remuneration and sales load.



- 11.3** As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company is entitled to charge selling and marketing expense to Collective Investment Scheme at the rate of 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Accordingly, such expense has been charged effective from 06 September 2018 at the rate of 0.4% of average annual net assets of the Fund.
- 11.4** In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.

<b>12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<b>2019</b>	<b>2018</b>
	<b>(Rupees in '000)</b>	
Trustee remuneration	12.1	12
Sindh Sales Tax on Trustee remuneration	12.2	1
	<u>13</u>	<u>16</u>

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

Based on the Trust Deed, the Trustee remuneration is 0.13% of Net Assets.

- 12.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the period, Sindh Sales Tax at the rate of 13% (30 June 2018: 13%) was charged on trustee remuneration.

## **13 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, a collective scheme categorized as an equity scheme is required to pay an annual fee to SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

## **14 ACCRUED EXPENSES AND OTHER LIABILITIES**

Provision for Sindh Workers' Welfare Fund	14.1	3,612	3,612
Federal Excise Duty on management remuneration	14.2	8,151	8,151
Federal Excise Duty on sales load		2,703	2,703
Charity Payable		545	553
Auditors' remuneration		206	214
Legal fees		150	237
Printing charges		111	152
Brokerage fee		13	7
Settlement and bank charges		76	35
SHARI'AH Advisor fee		12	488
Withholding tax		-	13
		<u>15,579</u>	<u>16,165</u>



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

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013.

MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

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

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

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

Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 3.405 per unit (2018: Rs 2.919).

- 14.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

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

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



Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 8.151 million out of which no payment has been made. Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 7.684 (30 June 2018: Rs. 6.586) per unit.

Federal Excise Duty on management remuneration and Federal Excise Duty on sales load has been reclassified from payable to NBP fund management limited - Management Company to accrued expenses and other liabilities in order to give better presentation and accordingly comparatives have been rearranged.

## 15 CONTINGENCY AND COMMITMENT

There is no contingency and commitment outstanding as at 30 June 2019.

## 16 NUMBER OF UNITS IN ISSUE

	2019	2018
	(Number of units)	
Total units in issue at beginning of the year	1,237,623	1,398,392
Add: Units issued	16.1 4,332	-
Less: Units redeemed	(181,127)	(160,769)
Total units in issue at end of the year	<u>1,060,828</u>	<u>1,237,623</u>

16.1 This includes 4,332 units (30 June 2018: Nil) issued against Dividend Reinvestment Plan amounting to Rs. 0.439 million net of taxation (30 June 2018: Nil).

16.2 The Management Company on 04 July 2018 declared final distribution of Rs. 0.8090 per unit (for full year) for the year ended 30 June 2018. The aggregate cash distribution amounted to Rs. 1.001 million.

## 17 AUDITORS' REMUNERATION

	2019	2018
	(Rupees in '000)	
Statutory audit fee	125	125
Half yearly review fee	30	33
Out of pocket expenses and others including government levy	78	37
	<u>233</u>	<u>195</u>

## 18 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year ended 30 June 2019, the fund has incurred net loss therefore no distribution has been made. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2019.



19 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES	Receivable against sale of units	Payable against redemption of units	Dividend Payable	Total
	----- (Rupees in '000) -----			
Opening balance as at 1 July 2018	-	-	-	-
Receivable against issuance of units	-	-	-	-
Payable against redemption of units	-	18,337	-	18,337
Dividend Payable	-	-	562	562
	-	18,337	562	18,899
Amount received on issuance of units	-	-	-	-
Amount paid on redemption of units	-	(18,337)	-	(18,337)
Dividend paid	-	-	(562)	(562)
	-	(18,337)	(562)	(18,899)
<b>Closing balance as at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 20 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 2.67% per annum. Total expense ratio (excluding government levies) is 2.43% per annum.

## 21 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2019		
	Amortised cost	Mandatorily at fair value through profit or loss	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Bank balances	95,050	-	95,050
Investments	-	23,688	23,688
Dividend and profit receivable	1,264	-	1,264
Security Deposits	2,600	-	2,600
	<b>98,914</b>	<b>23,688</b>	<b>122,602</b>
	-----		
	As at 30 June 2019		
	Mandatorily at fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company Company	-	597	597
Payable to Central Depository Company of Pakistan Limited - Trustee	-	13	13
Accrued expenses and other liabilities	-	1,113	1,113
	<b>-</b>	<b>1,723</b>	<b>1,723</b>



	As at 30 June 2018		Total
	Loans and receivables	At fair value through profit or loss	
	----- (Rupees in '000) -----		
<b>Assets</b>			
Bank balances	108,910	-	108,910
Investments	-	30,891	30,891
Dividend and profit receivable	965	-	965
Security Deposits	2,600	-	2,600
	<u>112,475</u>	<u>30,891</u>	<u>143,366</u>

	As at 30 June 2018		Total
	At fair value through profit or loss	Loans and receivables	
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company Company	-	380	380
Payable to Central Depository Company of Pakistan Limited - Trustee	-	16	16
Accrued expenses and other liabilities	-	1,686	1,686
	<u>-</u>	<u>2,082</u>	<u>2,082</u>

## 22 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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





22.5 Details of transactions with connected persons are as follows:	2019	2018
	(Rupees in '000)	
<b>NBP Fund Management Limited - Management Company</b>		
Remuneration of NBP Fund Management Limited - Management Company	1,372	1,238
Sindh Sales Tax on remuneration to Management Company	178	161
Allocation of expenses related to registrar services, accounting, operation and valuation services	117	133
Selling and marketing expenses	377	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	152	173
Sindh Sales Tax on remuneration to Trustee	20	22
CDS charges	365	366
<b>Employees of the Management Company</b>		
Dividend Re-investment of 16 units (2018: Nil)	2	-
<b>Taurus Securities Limited</b>		
Brokerage charges	4	2
<b>22.6 Balances at year end</b>		
<b>NBP Fund Management Limited - Management Company</b>		
Management remuneration payable	107	106
Sindh Sales tax payable	14	14
Allocation of expenses related to registrar services, accounting, operation and valuation services	56	64
Selling and marketing expenses	224	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration Payable	12	14
Sindh Sales Tax on Trustee remuneration	1	2
CDS charges	35	31
Security deposit	100	100
<b>Employees of the Management Company</b>		
Dividend reinvestment: 2,303 units (2018: 2,287 units)	231	234
<b>Mehreen Dawood</b>		
Units held: 209,748 (2018: 208,293 units)	21,023	21,325
<b>City School Provident Fund Trust</b>		
Units held: 458,218 (2018: 458,218 units)	45,926	46,911
<b>Novartis Pharma (Pakistan) Ltd - Senior Provident Fund</b>		
Units held: 107,206 (2018: Nil units)	10,745	-
<b>Taimur Dawood</b>		
Units held: 107,967 (2018: Nil units)	10,821	-



## 23 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	MBA / Doctorate in Business Administration / CFA	31
2	Mr. Sajjad Anwar (Refer Note 23.1)	CFA / MBA Finance	19
3	Mr. Muhammad Ali Bhabha	MBA / MS (CS) /CFA / FRM	24
4	Mr. Hasan Raza	ACCA / BSC / CFA	8
5	Mr. Taha Khan Javed	MBA / CFA	13

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

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

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

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

List of brokers by percentage of commission paid during the year ended 30 June 2018:

S. No	Particulars	Percentage (%)
1	Concordaia Securities (Private) Limited	9.10
2	Aqeel Karim Dehdi Securities ( Private) Limited	7.47
3	Taurus Securities Limited	6.66
4	Arif Habib Securities Limited	5.97
5	Alfalah Securities (Private) Limited	5.54
6	Pearl Securities (Private) Limited	5.35
7	EFG Hermes Pakistan Limited (formerly Invest & Finance Securities (Private) Limited)	5.04
8	D.J.M Securities (Private) Limited	4.78
9	Topline Securities (Private) Limited	4.19
10	Foundation Securities (Private) Limited	3.95


**25 PATTERN OF UNIT HOLDING**

Category	As at 30 June 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	46	44,132	41.51
Retirement Funds	4	61,352	57.70
Others	2	840	0.79
	<b>52</b>	<b>106,325</b>	<b>100.00</b>

Category	As at 30 June 2018		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	67	62,592	49.40
Retirement funds	4	62,667	49.46
Others	3	1,446	1.14
	<b>74</b>	<b>126,705</b>	<b>100.00</b>

**26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

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

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of directorship	Attended	Leave granted	
Mr. Mudassir H. Khan (Note 26.4)	2	1	1	69th Meeting
Mr. Tariq Jamali (Note 26.5)	2	-	2	68th and 69th Meeting
Mr. Abdul Hadi Palekar	4	3	1	70th Meeting
Mr. Foo Chiah Chinug (Dr. Kelvin Foo) (Note 26.2)	2	1	1	69th Meeting
Mr. Kamal Amir Chinoy	4	3	1	70th Meeting
Mr. Shehryar Faruque	4	3	1	68th Meeting
Mr. Hamayun Bashir	4	4	-	
Mr. Wajahat Rasul Khan (Note 26.3)	2	2	-	
Dr. Amjad Waheed	4	4	-	
Mr. Shaikh Muhammad Abdul Wahid Sethi (Note 26.1)	2	2	-	
Mr. Nasir Husain (Note 26.1)	2	2	-	
Mr. Ali Saigol (Note 26.1)	2	2	-	
Mr. Imran Zaffar (Note 26.1)	2	2	-	

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

**26.2** Mr. Foo Chiah Chiung (Dr. Kelvin Foo) resigned from the Board 8 October 2018



**26.3** Mr. Wajahat Rasul Khan resigned from the Board 8 October 2018

**26.4** Mr. Mudassir H. Khan resigned from the Board 12 October 2018

**26.5** Mr. Tariq Jamali resigned from the Board 12 October 2018

## **27 FINANCIAL RISK MANAGEMENT**

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

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

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

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

### **27.1 Market risk**

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

#### **27.1.1 Currency risk**

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

#### **27.1.2 Interest rate risk**

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

##### **a) Sensitivity analysis for variable rate instruments**

Presently, the Fund holds no variable rate instruments.

##### **b) Sensitivity analysis for fixed rate instruments**

Presently, the Fund holds no fixed rate instruments.

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



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

As at 30 June 2018					
Yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to yield / interest risk	Total
	Upto three months	Over three months and upto one year	Over one year		
----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Bank balances	2.40 - 6.45	107,988	-	922	108,910
Investments		-	-	30,891	30,891
Dividend and profit receivable		-	-	965	965
Security Deposits		-	-	2,600	2,600
		<u>107,988</u>	<u>-</u>	<u>35,378</u>	<u>143,366</u>
<b>Financial Liabilities</b>					
Payable to NBP Fund Management Limited - Management Company		-	-	380	380
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	16	16
Accrued expenses and other liabilities		-	-	1,686	1,686
		-	-	2,082	2,082
<b>On-balance sheet gap</b>		<u>107,988</u>	<u>-</u>	<u>33,296</u>	<u>141,284</u>
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		<u>107,988</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cumulative interest rate sensitivity gap</b>		<u>107,988</u>	<u>107,988</u>	<u>107,988</u>	<u>-</u>



### 27.1.3 Price risk

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

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

In case of 5% increase / decrease in PSX 100 index on 30 June 2019, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 1.184 million (2018: Rs. 1.545 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the PSX 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the PSX 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the PSX 100 index.

### 27.2 Credit risk

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

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2019 and 30 June 2018.

<b>Balances with banks</b>	<b>2019</b>	<b>2018</b>
	<b>(Rupees in '000)</b>	
<b>AAA</b>	<b>1,009</b>	16,058
<b>AA+</b>	<b>338</b>	1,923
<b>AA-</b>	<b>93,697</b>	90,924
<b>A+</b>	<b>6</b>	5
	<b><u>95,050</u></b>	<b><u>108,910</u></b>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2019 is the carrying amount of the financial assets.

#### **Concentration of the credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government sector and deposits held with commercial banks.

### 27.3 Liquidity risk

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



settled in a manner disadvantageous to the Fund.

### Management of liquidity risk

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

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

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

### Maturity analysis for financial liabilities

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

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

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



	30 June 2018			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
<b>Financial liabilities</b>				
Payable to NBP Fund Management Limited - Management Company	380	380	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	16	16	-	-
Accrued expenses and other liabilities	1,686	1,686	-	-
	<u>2,082</u>	<u>2,082</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>126,705</u>	<u>126,705</u>	<u>-</u>	<u>-</u>

## 28 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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





		30 June 2019						
		Carrying value			Fair value			
		At fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investment								
- Listed equity securities		23,688	-	23,688	23,688	-	-	23,688
<b>Financial assets not measured at fair value</b>								
28.1	Bank balances	-	95,050	95,050	-	-	-	-
	Dividend and profit receivable	-	1,264	1,264	-	-	-	-
	Security Deposits	-	2,600	2,600	-	-	-	-
		-	98,914	98,914	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
28.1	Payable to NBP Fund Management Limited - Management Company	-	597	597	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	13	13	-	-	-	-
	Accrued expenses and other liabilities	-	1,113	1,113	-	-	-	-
		-	1,723	1,723	-	-	-	-
		----- (Rupees in '000) -----						
		Carrying value			Fair value			
		At fair value through profit and loss	Loans and receivables	Total	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investment								
- Listed equity securities		30,891	-	30,891	30,891	-	-	30,891
<b>Financial assets not measured at fair value</b>								
	Bank balances	-	108,910	108,910	-	-	-	-
	Dividend and profit receivable	-	965	965	-	-	-	-
	Security Deposits	-	2,600	2,600	-	-	-	-
		-	112,475	112,475	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
	Payable to NBP Fund Management Limited - Management Company	-	380	380	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	16	16	-	-	-	-
	Accrued expenses and other liabilities	-	1,686	1,686	-	-	-	-
		-	2,082	2,082	-	-	-	-



**28.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**28.2** Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements.

Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

## **29 UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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

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

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

In accordance with the risk management policies stated in note 27, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## **30 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.

**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 period from June 28, 2014 to June 30, 2014
Net assets at the year / period ended (Rs '000)	106,325	126,705	142,033	1,083,504	1,308,075	792,371
Net (Loss) / income for the year / period ended (Rs '000)	-1,481	979	71,121	35,924	247,532	876
Net Asset Value per unit at the year / period ended (Rs)	100.2278	102.3781	101.5691	112.1953	119.0069	100.1223
Offer Price per unit at year end	N/A	N/A	N/A	N/A	N/A	104.164
Redemption Price per unit at year end	100.2278	102.3781	101.5691	112.1953	119.0069	100.1223
Ex - Highest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	102.3029	104.164
Ex - Lowest offer price per unit (Rs.)	N/A	N/A	N/A	N/A	101.9044	104.0630
Ex - Highest redemption price per unit (Rs.)	104.1181	102.2684	102.2684	114.1762	120.8775	100.1223
Ex - Lowest redemption price per unit (Rs.)	98.8456	81.1320	81.1320	101.7554	95.6336	100.0252
Ex- Fiscal Year Opening Nav	102.3781	80.7235	80.7235	108.5848	98.1398	-
Total return of the fund	-1.32%	25.82%	25.82%	3.33%	21.05%	0.12%
Capital growth	-1.32%	25.82%	-22.56%	-5.81%	18.66%	0.12%
Income distribution % of Ex NAV	-	0.00%	48.38%	9.13%	2.44%	0.00%
Income distribution % of Par Value	-	0.00%	39.06%	10.32%	2.39%	0.00%
<b>Distribution</b>						
Interim distribution per unit	0	0	39.0554	10.3205	2.1727	0.0000
Final distribution per unit	0	0.8090	-	-	0.2192	-
<b>Distribution Dates</b>						
Interim	-	0	20-Jan-17	28-Apr-16 & 30-Jun-16	30-Jun-15	-
Final	N/A	04-Jul-18	-	-	16-Jul-15	-
<b>Average annual return of the fund (launch date June 28, 2014)</b>						
(Since inception to June 30, 2019)	9.38%	-	-	-	-	-
(Since inception to June 30, 2018)	-	12.22%	-	-	-	-
(Since inception to June 30, 2017)	-	-	16.30%	-	-	-
(Since inception to June 30, 2016)	-	-	-	25.22%	-	-
(Since inception to June 30, 2015)	-	-	-	-	21.00%	-
(Since inception to June 30, 2014)	-	-	-	-	-	0.12%
Portfolio Composition ( Please see Fund Manager Report)						

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

**PROXY ISSUED BY THE FUND**

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

The details of summarized proxies voted are as follows:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Number</b>	<b>6</b>	<b>6</b>	Nil	N/A
<b>(%)</b>	<b>100%</b>	<b>100%</b>	-	-

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