

**NAFA ISLAMIC PRINCIPAL
PROTECTED FUND-II**



**HALF YEARLY REPORT
DECEMBER 31, 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 Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

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.nbpffunds.com

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed condensed financial statements of NAFA Islamic Principal Protected Fund - II (NIPPF - II) for the half year ended December 31, 2019.

Fund's Performance

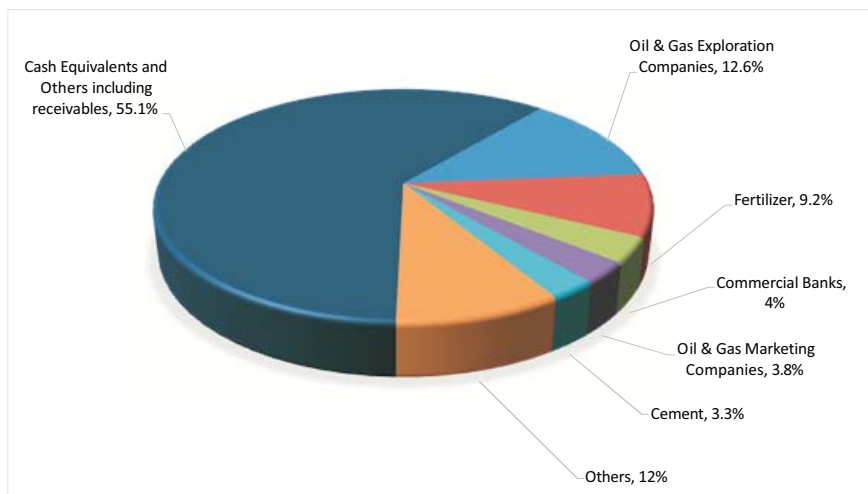
The size of NAFA Islamic Principal Protected Fund-II stood at Rs. 119 million at 31, December, 2019. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has increased from Rs. 100.2278 on June 30, 2019 to Rs. 115.7778 on December 31, 2019, thus showing an increase of 15.5%. The Benchmark during the same period increase by 13.8%. Thus, the Fund has outperformed its Benchmark by 1.7% during the period under review. Since inception (June 27, 2014), the unit price of the Fund has shown a growth of 81.0% as compared to 58.4% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 22.6%. This performance is net of management fee and all other expenses.

Reversing the negative trend of the last two years, the market staged a strong recovery as the benchmark KMI-30 Index surged by 22.0% during 1HFY2020, however the period was characterized with large swings. Despite flurry of positive developments that included accord of the IMF for USD 6 billion Extended Funds facility (EFF); commencement of Saudi oil facility worth USD 3.3 billion; and USD 500 million flow of funds from Qatar; the market started off the period under review on a frail note. The benchmark KMI-30 Index declined by around 17% by mid-August as investors remained concerned over slowdown in economic activity. The deteriorating Pakistan-India relations over repealing of article 370 in Kashmir by the latter triggered panic selling with the Index hitting multi-year low of 44,929 points on August 16, 2019. Consequently, the attractive valuations prompted value buying and the shift in investors' mood was also supported by improving macroeconomic indicators, mainly on external account front, as the current account deficit declined massively by 74% to USD 2.2 billion during 1HFY2020, from USD 8.6 billion in same period last year. Resumption of foreign currency inflows from multilateral donor agencies and portfolio inflows in government securities boosted the SBP's FX reserves to USD 11.3 billion, the highest level since April 2018. Sharply falling yields on the longer tenure government securities (PIBs), a harbinger to reversal of monetary tightening cycle, also buoyed market sentiment. As a result, the market staged robust rally, surging by 41.6% from the bottom in mid-August, taking 1HFY2020 return to 22.0%.

In terms of sectoral performance, Engineering, Pharmaceuticals, Paper & Board, Chemicals and Transport out-performed the market, while Automobile, Commercial Banks, Power Generation & Distribution lagged behind. On the participant-wise activity, Individuals remained major buyers with net inflows of USD 140 million, along with Other Organizations that accumulated positions worth USD 14 million. On the other hand, Banks/DFIs, Mutual Funds, and Insurance were net sellers with net outflows to the tune of USD 91 million, USD 53 million, and USD 20 million, respectively.

During 1HFY20, the State Bank of Pakistan (SBP) held three bi-monthly Monetary Policy Committee (MPC) meetings. To contain inflationary pressures, the SBP in its Monetary Policy Meeting in July 2019, increased the policy rate by 100bps to 13.25%. In the later two Monetary Policy Statements, the SBP left the Policy Rate unchanged despite inflation. The market saw an increase in the issuance of debt securities in the primary market, although it remained under-supplied against the large and growing demand. In the secondary market, the trading activity in the Corporate Sukuks remained skewed towards high quality debt issues with cumulative traded value of around Rs. 3.9 billion compared to Rs. 4.8 billion in the same period last year.

The Fund has earned total income of Rs. 18.018 million during the period. After accounting for expenses of Rs. 1.956 million, the net income is Rs. 16.062 million. The asset allocation of the Fund as on December 31, 2019 is as follows:



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: February 27, 2020
Place: Karachi.



ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II- (NIPPF-II) کے جائزہ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

31 دسمبر 2019 کو NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II- (NIPPF-II) کا فنڈ سائز 119 ملین روپے رہا۔ اس مدت کے دوران، اسلامک پرنسپل پروٹیکٹڈ فنڈ II- کی یونٹ کی قیمت 30 جون 2019 کو 100.2278 روپے (Ex-Div) سے بڑھ کر 31 دسمبر 2019 کو 115.7778 روپے ہو گئی، لہذا 15.5% کا اضافہ ظاہر کر رہی ہے۔ اسی مدت کے دوران بیچ مارک میں اضافہ 13.8% ہوا۔ چنانچہ زیر جائزہ مدت کے دوران فنڈ نے اپنے بیچ مارک سے 1.7% کی بہتر کارکردگی کا مظاہرہ کیا۔ اپنے قیام (27 جون 2014) کے وقت سے فنڈ کی یونٹ قیمت نے اپنے بیچ مارک میں 58.4% اضافہ کے مقابلے 81.0% کی نمود دکھائی۔ لہذا فنڈ نے اپنے بیچ مارک سے 22.6% کی بہتر کارکردگی دکھائی۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

گذشتہ دو برسوں کے منفی رجحان کو ختم کرتے ہوئے مالی سال 2020 کی پہلی ششماہی میں مارکیٹ مستحکم ہوئی اور KMI-30 انڈیکس میں 22 فی صد اضافہ ہوا تاہم اس دوران مارکیٹ میں اتار چڑھاؤ آتے رہے۔ آئی ایم ایف سے 6 بلین ڈالر کے توسیعی قرضہ (EFF) کی منظوری، سعودی عرب سے 3.3 بلین ڈالر مالیت کی پٹرولیم مصنوعات کی فراہمی اور قطر سے 500 بلین ڈالر جیسی پُر جوش مثبت پیش رفت کے باوجود زیر جائزہ مدت کا آغاز سست روی کا شکار رہا۔ سرمایہ کاروں کا سست معاشی سرگرمیوں کے تحفظات کے باعث وسط اگست تک KMI-30 انڈیکس میں 17 فی صد کمی واقع ہوئی۔ کشمیر میں آریٹیکل 370 کے نفاذ پر پاک بھارت کشیدگی کی وجہ سے 16 اگست 2019ء کو انڈیکس گذشتہ برسوں کی کم ترین سطح 44,929 پوائنٹس تک پہنچ گیا۔ نتیجتاً، پُر کشش قیمتوں نے خریداری کی حوصلہ افزائی کی اور بہتر معاشی اشاروں نے سرمایہ کاروں کے مزاج میں تبدیلی کی جسکی بنیادی وجہ بیرونی کاؤنٹ میں بہتری تھی جیسا کہ بڑے پیمانے پر کرنٹ اکاؤنٹ خسارہ مالی سال 2020 کی پہلی ششماہی کے دوران 74 فی صد کم ہوا یعنی 2.2 بلین ڈالر ہو گیا جو گذشتہ برس کی اسی مدت میں 8.6 بلین ڈالر تھا۔ کثیر طرفہ ڈونراؤنچمنٹوں سے غیر ملکی ترسیلات زر کا آغاز اور حکومتی سیکورٹیز کے پورٹ فولیو میں اضافہ کی وجہ سے اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر میں 11.3 بلین ڈالر تک اضافہ ہوا جو اپریل 2018ء سے بلند ترین سطح ہے۔ طویل مدتی حکومتی سیکورٹیز (PIB) میں تیزی سے کمی معاشی تناؤ کو ختم کرنے کا پیش خیمہ ثابت ہوا جس کی وجہ سے مارکیٹ میں استحکام آیا۔ نتیجتاً، وسط اگست میں مارکیٹ میں کم ترین سطح سے 41.6 فی صد کا مضبوط اضافہ دیکھا گیا اور مالی سال 2020 کی پہلی ششماہی میں مارکیٹ میں 22 فی صد اضافہ رہا۔

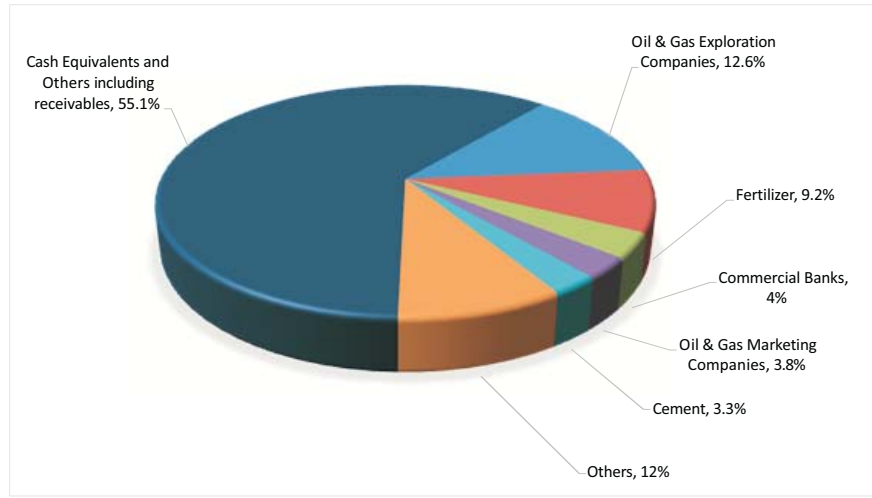
شعبہ جاتی کارکردگی کے تناظر میں انجینئرنگ، فارماسیوٹیکلز، کاغذ اور بورڈ، کیمیکلز اور ٹرانسپورٹ نے مارکیٹ میں بہتر کارکردگی کا مظاہرہ کیا جبکہ آٹوموبائل، کمرشل بینک، پاور جنریشن اور ڈسٹری بیوشن نے ان کی بیرونی کی۔ شریک دار سرگرمیوں کے تناظر میں انفرادی شرکت دار 140 ملین ڈالر کے مجموعی ان فلو کے ساتھ بڑے خریدار رہے جب کہ دیگر اداروں نے 14 ملین ڈالر کے ساتھ پوزیشن مستحکم کی۔ دوسری جانب، بینک/DFI، میوچل فنڈز اور انشورنس بالترتیب 91 ملین ڈالر، 53 ملین ڈالر اور 20 ملین ڈالر کے مجموعی آؤٹ فلو کے ساتھ بڑے فروخت کنندگان رہے۔

مالی سال 2020 کی پہلی ششماہی میں اسٹیٹ بینک آف پاکستان نے تین دو ماہی معاشی پالیسی کمیٹی (MPC) کے اجلاس طلب کئے۔ افراط زر کو قابو کرنے کے لئے SBP نے جولائی 2019ء میں منعقدہ مانیٹری پالیسی کے اجلاس میں پالیسی ریٹ کو 100bps کے اضافہ کے ساتھ 13.25 فی صد تک بڑھا دیا۔ دیگر دو مانیٹری پالیسی



بیانات میں افراط زر میں اضافہ کے باوجود SBP نے پالیسی ریٹ کو مستحکم رکھا۔ بنیادی مارکیٹ میں debt سیکورٹیز کے اجراء میں اضافہ ہوا اگرچہ بڑھتی ہوئی طلب کے مقابلہ میں اس کی رسد کم رہی۔ ثانوی مارکیٹ میں کارپوریٹ سٹاک کی تجارتی سرگرمیوں کا رجحان بہتر معیار کے debt اجراء کی طرف رہا اور تجارتی حجم گزشتہ سال 4.8 بلین روپے کے مقابلہ میں 3.9 بلین روپے رہا۔

NAFA اسلاک پرنسپل پروٹیکٹڈ فنڈ II کو موجودہ مدت کے دوران 18.018 بلین روپے کی مجموعی آمدنی ہوئی ہے۔ 1.956 بلین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 16.062 بلین روپے ہے۔
31 دسمبر 2019 کے مطابق فنڈ کی ایٹ ایکویٹیشن حسب ذیل ہے:



اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 27 فروری 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) 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 for the period ended December 31, 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, February 26, 2020



INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Principal Protected Fund - II** ("the Fund") as at 31 December 2019 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' interim cash flow statement and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting.

Other matter

The figures for the three months period ended 31 December 2019 in the interim financial information have not been reviewed and we do not express a conclusion on them.

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

Date: February 28, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants


CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

As at 31 December 2019

	Note	31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
Assets			
Bank balances	6	78,497	95,050
Investments	7	53,482	23,688
Dividend and profit receivables		1,058	1,264
Security Deposits		2,600	2,600
Prepayment		11	-
Total assets		135,648	122,602
Liabilities			
Payable to NBP Fund Management Limited - Management Company	8	498	597
Payable to Central Depository Company of Pakistan Limited - Trustee	9	15	13
Payable to Securities and Exchange Commission of Pakistan	10	11	88
Accrued expenses and other liabilities	11	16,038	15,579
Total liabilities		16,562	16,277
Net assets		119,086	106,325
Unit holders' fund (as per statement attached)		119,086	106,325
Contingency and commitment	12		
		(Number of units)	
Number of units in issue		1,028,576	1,060,828
		(Rupees)	
Net assets value per unit		115.7778	100.2278

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

 For NBP Fund Management Limited
 (Management Company)

Chief Financial Officer

Chief Executive Officer

Director


CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
 FOR THE SIX AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2019

	Note	Six months period ended		Three months period ended	
		2019	2018	2019	2018
(Rupees in '000)					
Income					
Dividend income		1,521	773	1,129	429
(Loss) / gain on sale of investments - net		(167)	(1,602)	94	(976)
Profit on bank deposits		5,375	4,286	2,300	2,301
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.2	11,289	(3,161)	12,293	(2,891)
Total income / (loss)		18,018	296	15,816	(1,137)
Expenses					
Remuneration of NBP Fund Management Limited - Management Company	8.1	726	650	406	360
Sindh Sales Tax on remuneration of the Management Company	8.2	94	85	52	47
Remuneration to Central Depository Company of Pakistan Limited - Trustee		71	80	37	39
Sindh Sales Tax on remuneration of Trustee	9.1	9	10	4	5
Annual fee - Securities and Exchange Commission of Pakistan		11	46	6	22
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	55	61	29	30
Selling and marketing expenses	8.4	219	154	114	120
Charity expense	11.3	35	-	35	-
Auditors' remuneration		143	143	72	103
Securities transaction cost		33	31	5	23
Settlement and bank charges		211	237	106	2
Listing fee		11	11	5	5
Shariah Advisor Fee		10	10	5	-
Printing and other charges		-	-	-	5
Total expenses		1,628	1,518	876	761
Net income / (loss) from operating activities		16,390	(1,222)	14,940	(1,898)
Provision for Sindh Workers' Welfare Fund	11.1	(328)	-	(299)	-
Net income / (loss) for the period before taxation		16,062	(1,222)	14,641	(1,898)
Taxation	14	-	-	-	-
Net income / (loss) for the period		16,062	(1,222)	14,641	(1,898)
Allocation of net income for the period					
Net income for the period		16,062	-	14,641	-
Income already paid on units redeemed		(90)	-	(90)	-
		15,972	-	14,551	-
Accounting income available for distribution:					
-Relating to capital gains		11,241	-	11,241	-
-Excluding capital gains		4,731	-	3,310	-
		15,972	-	14,551	-

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director


CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE SIX AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2019

	Six months period ended		Three months period ended	
	2019	2018	2019	2018
	----- (Rupees in '000) -----			
Net income / (loss) for the period	16,062	(1,222)	14,641	(1,898)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	16,062	(1,222)	14,641	(1,898)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
 (Management Company)

 Chief Financial Officer

 Chief Executive Officer

 Director


**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED)
 FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019**

	Six months period ended					
	2019			2018		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the period	(16,864)	123,189	106,325	1,034	125,671	126,705
Issue of Nil units (2018: 4,332 units)						
- Capital value	-	-	-	440	-	440
- Element of loss	-	-	-	(1)	-	(1)
Total proceeds on issuance of units	-	-	-	439	-	439
Redemption of 32,252 units (2018: 95,466 units)						
- Capital value	(3,233)	-	(3,233)	(9,696)	-	(9,696)
- Element of income	22	(90)	(68)	(38)	-	(38)
Total payments on redemption of units	(3,211)	(90)	(3,301)	(9,734)	-	(9,734)
Total comprehensive income / (loss) for the period	-	16,062	16,062	-	(1,222)	(1,222)
Distribution during the period	-	-	-	-	(1,001)	(1,001)
Net assets at end of the period	(20,075)	139,161	119,086	(8,261)	123,448	115,187
Undistributed income brought forward						
- Realised		128,256			127,620	
- Unrealised		(5,067)			(1,949)	
		<u>123,189</u>			<u>125,671</u>	
Accounting income available for distribution:						
- Relating to capital gains		11,241			-	
- Excluding capital gains		4,731			-	
		<u>15,972</u>			<u>-</u>	
Total comprehensive loss for the period		-			(1,222)	
Distribution during the period		-			(1,001)	
Undistributed income carried forward		<u>139,161</u>			<u>123,448</u>	
Undistributed income carried forward						
- Realised		127,872			126,609	
- Unrealised		11,289			(3,161)	
		<u>139,161</u>			<u>123,448</u>	
----- (Rupees) -----						
Net assets value per unit at beginning of the period			<u>100.2278</u>			<u>102.3781</u>
Net assets value per unit at end of the period			<u>115.7778</u>			<u>100.4693</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

 Chief Financial Officer

 Chief Executive Officer

 Director


CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
 FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019

	31 December	
	2019	2018
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period before taxation	16,062	(1,222)
Adjustments for:		
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(11,289)	3,161
	4,773	1,939
(Increase) / decrease in assets		
Investments - net	(18,505)	4,483
Dividend and profit receivables	206	(259)
Advances, deposit and prepayment	(11)	(11)
	(18,310)	4,213
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - Management Company	(99)	165
Payable to Central Depository Company of Pakistan Limited - Trustee	2	13
Payable to Securities and Exchange Commission of Pakistan	(77)	(54)
Accrued expenses and other liabilities	459	(584)
	285	(460)
Net cash (used in) / generated from operating activities	(13,252)	5,692
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payment against redemption of units	(3,301)	(9,684)
Cash distribution	-	(562)
Net cash (used in) financing activities	(3,301)	(10,246)
Net decrease in cash and cash equivalents during the period	(16,553)	(4,554)
Cash and cash equivalents at beginning of the period	95,050	108,910
Cash and cash equivalents at end of the period	6 78,497	104,356

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THIS CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 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 "Shariah 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 shariah 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. The Fund is closed for new subscriptions after the close of the Initial Offering Period. The Fund may be re-opened from time to time as and when determined by the Management Company with prior approval of the Commission and after providing notice to the Trustee and investors in order to protect the interests of the Unit Holders of the Fund.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned and maintained an asset manager rating of AM1 of 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

The condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).



In case where requirements differ, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, and the NBFC Regulations have been followed.

2.1.1 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last annual financial statements.

2.1.2 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2) (f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

2.2 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore these are not stated in this condensed interim financial information.

2.3 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 January 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- 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 companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate



benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. The Fund shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the condensed interim financial information of the Fund.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on the Fund's condensed interim financial information.

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand of rupees except otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund as at and for the year ended 30 June 2019.

4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed interim financial information, 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 condensed interim financial information to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment are the same as those that applied to annual financial statements as at and for the year ended 30 June 2019.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2019.

6 BANK BALANCES

		31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
	Note		
In current accounts		113	255
In savings accounts	6.1	<u>78,384</u>	<u>94,795</u>
		<u>78,497</u>	<u>95,050</u>

- 6.1 These carry a rate of return ranging from 6.30% to 14.45% (30 June 2019: 2.40% to 13%) per annum.



7 INVESTMENTS

		31 December 2019 Unaudited	30 June 2019 Audited
Financial assets at fair value through profit or loss			
	Note	(Rupees in '000)	
Listed equity securities	7.1	53,482	23,688

7.1 Investment in listed equity securities

All shares have a nominal face value of Rs.10 each except for the shares of K-Electric Limited which has a face value of Rs. 3.5.

Name of the Investee Company	As at 01 July 2019	Purchases during the period	Bonus Shares issued during the period	Right shares purchased/ subscribed during the period	Sales during the period	As at 31 December 2019	Market value /carrying value as at 31 December 2019	Market value as a percentage of net assets	Market value as a percentage of total investment	*Market value as a percentage of the paid up capital of the investee company held
	(Number of shares)						(Rupees in '000)	(%)		
Pharma and Bio Tech										
Abbott Laboratories (Pakistan) Limited	200	-	-	-	-	200	89	0.07	0.17	-
The Searle Company Limited	343	-	-	-	-	343	65	0.05	0.12	-
AGP Limited NC	-	3,000	-	-	-	3,000	298	0.25	0.56	-
	543	3,000	-	-	-	3,543	452	0.37	0.85	
Commercial Banks										
Meezan Bank Limited	16,187	34,500	-	-	-	50,687	4,822	4.05	9.02	-
	16,187	34,500	-	-	-	50,687	4,822	4.05	9.02	
Cement										
Lucky Cement Limited	2,000	5,300	-	-	1,000	6,300	2,699	2.25	5.05	-
Kohat Cement Co. Ltd.	3,330	12,500	-	-	-	15,830	1,225	1.03	2.29	-
	5,330	17,800	-	-	1,000	22,130	3,924	3.28	7.34	
Fertilizer										
Engro Corporation Limited	10,890	11,500	-	-	1,600	20,790	7,178	6.03	13.42	-
Engro Fertilizers Limited	43,500	14,500	-	-	6,500	51,500	3,782	3.18	7.07	-
	54,390	26,000	-	-	8,100	72,290	10,960	9.21	20.49	
Power Generation & Distribution										
The Hub Power Company Limited	43,157	3,500	-	-	7,000	39,657	3,702	3.11	6.92	-
K-Electric Limited	29,000	-	-	-	29,000	-	-	-	-	-
	72,157	3,500	-	-	36,000	39,657	3,702	3.11	6.92	
Textile Composite										
Nishat Mills Limited	14,000	8,900	-	-	2,400	20,500	2,176	1.83	4.07	-
Kohinoor Textile Mills Limited	4,737	-	-	-	-	4,737	185	0.16	0.35	-
	18,737	8,900	-	-	2,400	25,237	2,361	1.99	4.42	
Oil & Gas Marketing Companies										
Pakistan State Oil Company Limited	3,600	7,400	1,920	-	1,400	11,520	2,208	1.85	4.13	-
Sui Northern Gas Pipelines	7,500	25,000	-	-	3,000	29,500	2,247	1.89	4.20	-
Hascol Petroleum Limited	1,147	-	-	-	26	1,121	30	0.03	0.06	-
	12,247	32,400	1,920	-	4,426	42,141	4,485	3.77	8.39	
Engineering										
Mughal Iron and Steel Industries Limited	2,226	36,000	-	-	-	38,226	1,566	1.32	2.93	-
International Steels Ltd	100	-	-	-	-	100	6	0.01	0.01	-
	2,326	36,000	-	-	-	38,326	1,572	1.33	2.94	
Glass & Ceramics										
Tariq Glass industries Limited	4,500	5,000	-	-	-	9,500	1,017	0.85	1.90	-
	4,500	5,000	-	-	-	9,500	1,017	0.85	1.90	
Technology & Communication										
Systems Limited	5,900	-	-	-	-	5,900	733	0.62	1.37	-
	5,900	-	-	-	-	5,900	733	0.62	1.37	



Name of the Investee Company	As at 01 July 2019	Purchases during the period	Bonus Shares issued during the period	Right shares purchased/ subscribed during the period	Sales during the period	As at 31 December 2019	Market value /carrying value as at 31 December 2019	Market value as a percentage of net assets	Market value as a percentage of total investment	*Market value as a percentage of the paid up capital of the investee company held
	(Number of shares)						(Rupees in '000)	(%)		
Refinery										
National Refinery Limited	200	-	-	-	-	200	28	0.02	0.05	-
	200	-	-	-	-	200	28	0.02	0.05	
Chemical										
Engro Polymer & Chemicals	18,029	66,500	-	-	-	84,529	2,807	2.36	5.23	-
	18,029	66,500	-	-	-	84,529	2,807	2.36	5.23	
Oil & Gas Exploration Companies										
Oil & Gas Development Company Limited	18,400	16,200	-	-	10,700	23,900	3,401	2.86	6.36	-
Pakistan Oilfields Limited	3,500	5,400	-	-	1,400	7,500	3,350	2.81	6.26	-
Pakistan Petroleum Limited	17,340	15,800	6,088	-	11,700	27,528	3,775	3.17	7.06	-
Mari Petroleum Limited	1,520	1,600	312	-	-	3,432	4,496	3.78	8.41	-
	40,760	39,000	6,400	-	23,800	62,360	15,022	12.62	28.09	
Transport										
P. N. S. C. NC	-	17,000	-	-	-	17,000	1,597	1.34	2.99	-
	-	17,000	-	-	-	17,000	1,597	1.34	2.99	
Total - 31 December 2019	251,305	289,600	8,320	-	75,726	473,499	53,482	44.92	100.00	
Carrying value before fair value adjustment as at 31 December 2019							42,193			

* Nil value due to rounding off difference.

7.1.1 Investments include shares with market value of Rs. 5.072 million (30 June 2019: Rs. 4.436 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 October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

7.1.2 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. 0.334 million (30 June 2019: 0.279 million) and not deposited in CDC account of department of Income Tax.

7.2 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		31 December 2019	31 December 2018
		Unaudited	
		(Rupees in '000)	
	Note		
Market value of investments	7.1	53,482	23,247
Less: carrying value of investments	7.1	(42,193)	(26,408)
		11,289	(3,161)



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

**31 December
2019
Unaudited
(Rupees in '000)**

**30 June
2019
Audited**

Management remuneration	8.1	141	107
Sindh sales tax on management remuneration	8.2	18	14
Sales Tax Payable on sales and transfer load		196	196
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	29	56
Selling and marketing expenses	8.4	114	224
		498	597

8.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets. The Management Company charged 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 net assets and maximum of 1% of net assets of the Fund.

8.2 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 period, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on management remuneration and sales load.

8.3 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.

8.4 As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme upto 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived capping for charging selling and marketing expense. However, the management company has continued to charge selling and marketing expenses at the rate of 0.4 % per annum of average net assets of the Fund or actual expenses whichever is lower.

**31 December
2019
Unaudited
(Rupees in '000)**

**30 June
2019
Audited**

**9 PAYABLE TO CENTRAL DEPOSITORY
COMPANY OF PAKISTAN LIMITED - TRUSTEE**

Trustee Remuneration		13	12
Sindh Sales Tax on Trustee remuneration	9.1	2	1
		15	13

9.1 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 2019: 13%) was charged on trustee remuneration.

10 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 at an amount equal to 0.075 percent per annum of the average net assets of the Fund till 30 June 2019 and with effective from 1 July 2019 SECP has revised its fee rate to 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears.



		31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
11	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Provision for Sindh Workers' Welfare Fund	11.1 3,940	3,612
	Federal Excise Duty on management remuneration	11.2 8,151	8,151
	Federal Excise Duty on sales load	11.2 2,703	2,703
	Sales Tax Payable to sales and transfer load		
	Auditors' remuneration	349	206
	Charity payable	11.3 580	545
	Brokerage fee	3	13
	Settlement and Bank charges	93	76
	Withholding tax and capital gain tax	1	-
	Printing charges	66	111
	Legal fees	130	150
	Shariah advisor fee	22	12
		16,038	15,579

11.1 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. 3.8305 per unit (June 2019: Rs 3.405 per unit).

11.2 The status of Federal Excise Duty (FED) is same as disclosed in annual financial statements for the year ended 30 June 2019. 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 (30 June 2019: 8.151 million) . Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by 7.925 (30 June 2019: Rs. 7.684) per unit.

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

12 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 31 December 2019 (30 June 2019: Nil).

13 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 3.50% per annum. Total expense ratio (excluding government levies) is 2.70% per annum.

14 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company intends to distribute its accounting income as per its distribution policy for the year ending 30 June 2020 if require to ensure the compliance of this clause. Accordingly, no provision for taxation has been made in these condensed interim financial information.

15 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

15.1 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.

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

15.3 Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

15.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:


15.5 Transactions during the period:

	Unaudited	
	Six months period ended	
	2019	2018
	(Rupees in '000)	
NBP Fund Management Limited		
- Management Company		
Remuneration of NBP Fund Management Limited - Management Company	726	650
Sindh Sales Tax on remuneration to Management Company	94	85
Allocation of expenses related to registrar services, accounting, operation and valuation services	55	61
Selling and marketing expenses	219	154
Employees of the Management Company		
Dividend reinvested: nil units (2018:16 units)	-	2
Central Depository Company of Pakistan Limited - Trustee		
Trustee Remuneration	71	80
Sales tax on remuneration to Trustee	9	10
National Clearing Company of Pakistan Limited (Common Directorship)		
NCCPL charges	184	184
Pakistan Stock Exchange Limited (Common Directorship)		
Listing fee	20	-
Taurus Securities Limited (Common Directorship)		
Brokerage expense	4	2
Mehreen Dawood		
Dividend Reinvestment: nil units (2018: 1455 units)	-	147

15.6 Amounts outstanding as at period / year end:

	31 December	30 June
	2019	2019
	Unaudited	Audited
	(Rupees in '000)	
NBP Fund Management Limited (Management Company)		
Remuneration of the Management Company	141	107
Sindh Sales Tax on remuneration of the Management Company	18	14
Allocation of expenses related to registrar services, accounting, operation and valuation services	29	56
Selling and marketing expense	114	224
Sales tax payable on sales and transfer load	196	196
Central Depository Company of Pakistan Limited - Trustee		
Remuneration Payable	13	12
Sindh Sales Tax on Trustee remuneration	2	1
Security deposit	100	100
Employees of the Management Company		
Units held: 2,303 (2019: 2,303 units)	267	231
Mehreen Dawood		
Units held: 209,748 (2019: 209,748 units)	24,284	21,023



15.6 Amounts outstanding as at period / year end:	31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
City School Provident Fund Trust Units held: 458,218 (2019: 458,218 units)	53,051	45,926
Novartis Pharma (Pakistan) Limited - Provident Fund Trust Units held: 107,206 (2019: 107,206 units)	12,412	10,745
National Clearing Company of Pakistan Limited (Common Directorship) NCCPL charges payable	44	35
Security Deposit	2,500	2,500
Taurus Securities Limited (Common Directorship) Brokerage payable	2	-
Taimur Dawood Units held: 107,967 (2019: 107,967 units)	12,500	10,821

16 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.



(Unaudited)							
31 December 2019							
Carrying amount			Fair value				
At fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Listed equity securities							
53,482	-	53,482	53,482	-	-	53,482	
53,482	-	53,482	53,482	-	-	53,482	
Financial assets not measured at fair value							
16.1 Bank balances							
-	78,497	78,497	-	-	-	-	
Dividend and profit receivable							
-	1,058	1,058	-	-	-	-	
Security deposits							
-	2,600	2,600	-	-	-	-	
-	82,155	82,155	-	-	-	-	
Financial liabilities not measured at fair value							
16.1 Payable to NBP Fund Management Limited - Management Company							
-	498	498	-	-	-	-	
Payable to Central Depository Company of Pakistan							
-	15	15	-	-	-	-	
Accrued expenses and other liabilities							
-	1,243	1,243	-	-	-	-	
-	1,756	1,756	-	-	-	-	

(Audited)							
30 June 2019							
Carrying amount			Fair value				
At fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investment							
- Listed equity securities							
23,688	-	23,688	23,688	-	-	23,688	
23,688	-	23,688	23,688	-	-	23,688	
Financial assets not measured at fair value							
Bank balances							
-	95,050	95,050	-	-	-	-	
Dividend and profit receivable							
-	1,264	1,264	-	-	-	-	
Security deposits							
-	2,600	2,600	-	-	-	-	
-	98,914	98,914	-	-	-	-	
Financial liabilities not measured at fair value							
Payable to NBP Fund Management Limited - Management Company							
-	597	597	-	-	-	-	
Payable to Central Depository Company of Pakistan							
-	13	13	-	-	-	-	
Accrued expenses and other liabilities							
-	1,113	1,113	-	-	-	-	
-	1,723	1,723	-	-	-	-	

16.1 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.

16.2 Net assets attributable to unitholders. The Fund routinely redeems 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 condensed interim financial information. 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.



17 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on **February 27, 2020** by the Board of Directors of the Management Company.

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

Chief Financial Officer

Chief Executive Officer

Director

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