



NBP FUNDS
Managing Your Savings

AM1
Rated by PACRA

NBP FINANCIAL SECTOR INCOME FUND



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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NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



NBP FUNDS
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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 Shahr-e-Faisal, Karachi.

Bankers to the Fund

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

NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



Samba Bank Limited
Zarai Taraqati Bank Limited
MCB Islamic Bank Limited
Faysal Bank Limited
The Bank of Punjab
Albaraka Bank of Pakistan
Bank Islami Pakistan Limited
U Microfinance Bank Limited
Telenor Microfinance Bank Limited
Khushali Microfinance Bank Limited
The First Microfinance Bank Limited

Auditors

KPMG Taseer Hadi & Co.
Sheikh Sultan Trust Buildings,
Ground No. 2 Shaheed Chaudary Aslam Rd,
Civil Lines, Karachi, 75530

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed financial statements of **NBP Financial Sector Income Fund (NFSIF)** for the half year ended December 31, 2019.

Fund's Performance

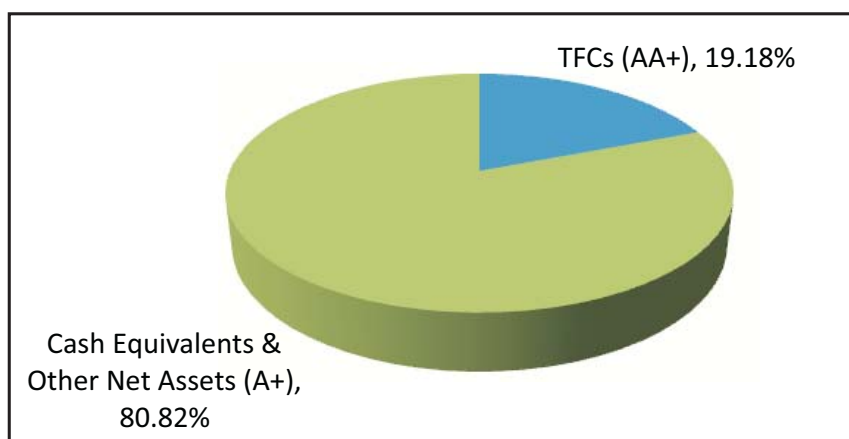
The size of NBP Financial Sector Income Fund has increased from Rs. 4,179 million to Rs. 7,881 million during the period, a significant growth of 89%. During the period, the unit price of the Fund has increased from Rs. 10.5124 on June 30, 2019 to Rs. 11.2067 on December 31, 2019, thus showing a return of 13.1% p.a. as compared to its Benchmark return of 13.7% p.a. for the same period. The performance of the Fund is net of management fee and other expenses.

The Fund is unique as it invests a minimum 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity / instrument rating of debt securities is 'AA-'. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund. The Fund has been assigned 'A+ (f)' fund stability rating by PACRA.

The trading in corporate debt securities was subdued with cumulative traded value of around Rs. 4.8 billion versus Rs. 6.3 billion in the same period last year. We have seen a plenty of fresh issuance of corporate bonds, notably from the Power sector for long-term financing. 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 uptick in inflation. The SBP held fourteen (14) T-Bill auctions during the period, realizing a total of Rs. 9,934 billion. T-Bills also started reflecting the market's expectation of peaking interest rate cycle and beginning of monetary easing cycle down the road as the cut-off yields in the last auction during the period under review for 3-month, 6-month and 12-month tenures were noted at 13.49%, 13.29%, and 13.13%, respectively.

Six (6) PIB auctions were also held where SBP realized a total of Rs. 1,375 billion. The (last) cut-off yields for 3, 5 and 10 years were 11.75%, 11.19% and 11.00% respectively. Owing to the decreasing interest rate expectations, the sovereign yields witnessed a decline in longer term securities whereas investors' preference remained tilted towards medium-to-short term government securities.

The Fund has earned a total income of Rs 511.23 million during the period. After deducting total expenses of Rs 74.48 million, the net income is Rs. 436.75 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NFSIF.



NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



NBP FUNDS
Managing Your Savings

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 میجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے NBP فنڈ (سابقہ: NAFA) فنڈ کی رپورٹ پیش کرتے ہیں۔

فنڈ کی کارکردگی

NBP فنڈ کی کارکردگی کے دوران 4,179 ملین روپے سے بڑھ کر 7,881 ملین روپے ہو گیا یعنی 89% کا خاطر خواہ اضافہ۔ اس مدت کے دوران، فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 10.5124 روپے سے بڑھ کر 31 دسمبر 2019 کو 11.2067 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لئے اپنے بیچ مارک منافع 13.7% کے مقابلے میں 13.1% کا منافع درج کرایا۔ یہ کارکردگی میجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

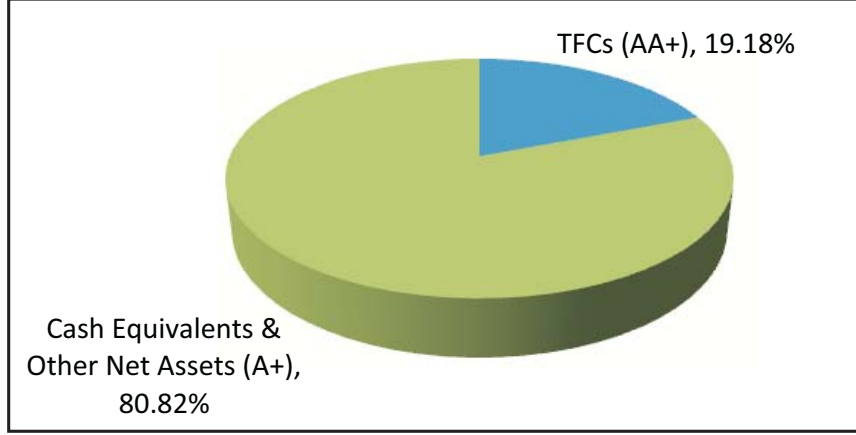
فنڈ اس حوالے سے منفرد ہے کہ یہ اپنے اثاثوں کا کم از کم 70% فنڈ کی بنیادی طور پر بینکنگ (Debt) سیکورٹیز، انسٹرومنٹ یا ڈیپازٹس میں سرمایہ کاری کرتا ہے۔ Debt سیکورٹیز کی کم از کم انتہائی / انسٹرومنٹ ریٹنگ "AA-" ہیں۔ اس سے کریڈٹ رسک میں کمی اور اس کے ساتھ ساتھ فنڈ کی لیکویڈیٹی میں اضافہ ہوتا ہے۔ فنڈ کی میعاد ایک سال سے زائد نہیں ہو سکتی۔ یہ شرح سود یا پرائنگ رسک کو کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 25% فیصد، 90 دن سے کم مدت کے T-Bills، بلز میں یا بینکنگ کے ساتھ سیونگ اکاؤنٹس میں سرمایہ کاری کرتا ہے جس سے فنڈ کے لیکویڈیٹی پروفائل میں مزید اضافہ ہو جاتا ہے۔ فنڈ کو PACRA کی طرف سے 'A+ (F)' کی مستحکم ریٹنگ دی گئی ہے۔

کارپوریٹ ڈیٹ سیکورٹیز میں تجارت 4.8 بلین ڈالر مجموعی قدر کے ساتھ غالب رہی جو گذشتہ برس اسی مدت میں 6.3 بلین روپے تھی۔ ہم نے طویل مدتی سرمایہ کاری کے لئے خصوصاً توانائی کے شعبہ سے نئے کارپوریٹ بانڈز کے اجراء کا رجحان دیکھا ہے۔ مالی سال 2020 کی پہلی ششماہی میں سٹیٹ بینک آف پاکستان نے تین ماہانہ 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 بحساب 13.25، 100bps فی صد تک بڑھا دیا۔ دیگر مانیٹری پالیسی بیانات میں افراط زر میں اضافہ کے باوجود SBP نے پالیسی ریٹ کو مستحکم رکھا۔ اس مدت میں SBP نے چودہ (14) ٹی بل نیلامیوں سے 9,934 ملین روپے حاصل کئے۔ ٹی بلز کی وجہ سے شرح سود میں اضافہ کی منڈی کی توقعات پر اثر پڑا اور زیر جائزہ سہ ماہی، ششماہی اور سالانہ مدتوں کے دوران آخری نیلامی میں کٹ آف ییلڈ بالترتیب 13.49 فی صد، 13.29 فی صد اور 13.13 فی صد رہی۔

PIB کی چھ (6) نیلامیوں کا بھی اہتمام کیا گیا جہاں SBP نے 1,375 بلین روپے حاصل کئے۔ 3، 5 اور 10 سالوں کے لئے (آخری) کٹ آف ییلڈ بالترتیب 11.75 فی صد، 11.19 فی صد اور 11.00 فی صد تھی۔ شرح سود میں کمی کی توقعات کے پیش نظر طویل مدتی سیکورٹیز میں غیر ملکی ییلڈز میں کمی دیکھی گئی۔ جب کہ سرمایہ کاروں کی ترجیح اوسط یا قلیل مدتی حکومتی سیکورٹیز میں رہی۔

فنڈ نے موجودہ مدت کے دوران 511.23 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 74.48 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 436.75 ملین روپے ہے۔

درج ذیل چارٹ NFSIF کی ایسٹ ایبلویشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے پیئمنٹ 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 سٹریٹیجی 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 پیئمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: فروری 27، 2020

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 NBP Financial Sector Income Fund [formerly NAFA Financial Sector Income Fund] (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund 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 **NBP Financial Sector Income Fund (Formerly; NAFA Financial Sector Income Fund)** ("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' fund, condensed 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

	31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
Assets		
Bank balances	6 6,193,340	3,303,901
Investments	7 1,511,626	889,708
Profit receivables	8 109,025	60,850
Receivable against conversion of units	139,851	-
Advances, deposits and prepayment	382	570
Total assets	7,954,224	4,255,029
Liabilities		
Payable to NBP Fund Management Limited - Management Company	9 22,575	17,699
Payable to Central Depository Company of Pakistan Limited - Trustee	10 546	460
Payable to Securities and Exchange Commission of Pakistan	11 692	2,722
Payable against redemption of units	10,188	80
Accrued expenses and other liabilities	12 39,074	55,135
Total liabilities	73,075	76,096
Net assets	7,881,149	4,178,933
Unit holders' fund (as per statement attached)	7,881,149	4,178,933
Contingency and commitment	13	
	(Number of units)	
Number of units in issue	703,255,861	397,524,703
	(Rupees)	
Net assets value per unit	11.2067	10.5124

The annexed notes 1 to 18 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				
Loss on sale of investments - net	(509)	-	(509)	-
Income from term deposit receipts	-	20,778	-	12,533
Income from term finance certificates and commercial paper	112,040	28,603	71,746	15,917
Income from Treasury bill	10,091	-	10,091	-
Profit on bank deposits	389,843	98,707	182,172	64,312
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.6 (240)	(3,439)	747	(1,331)
Total income	511,225	144,649	264,247	91,431
Expenses				
Remuneration to NBP Fund Management Limited - Management Company	9.1 29,054	10,855	14,980	6,005
Sindh Sales Tax on remuneration of the Management Company	9.2 3,777	1,411	1,947	781
Selling and marketing expenses	9.4 23,812	4,374	12,374	3,655
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1 2,595	1,766	1,326	991
Sindh Sales Tax on remuneration of the Trustee	10.2 337	230	172	129
Annual fee - Securities and Exchange Commission of Pakistan	692	1,180	354	685
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 3,460	1,574	1,768	914
Securities transaction costs	100	50	100	-
Settlement and bank charges	993	312	655	306
Annual listing fee	14	14	7	7
Auditors' remuneration	463	383	232	235
Legal and Professional charges	43	23	30	11
Mutual fund rating fee	201	187	111	101
Printing charges	21	18	9	9
Total expenses	65,562	22,377	34,065	13,829
Net income from operating activities	445,663	122,272	230,182	77,602
Provision for Sindh Workers' Welfare Fund	12.1 (8,913)	(2,445)	(4,603)	(1,552)
Net income for the period before taxation	436,750	119,827	225,579	76,050
Taxation	14 -	-	-	-
Net income for the period after taxation	436,750	119,827	225,579	76,050
Allocation of net income for the period				
Net income for the period	436,750	119,827	225,579	76,050
Income already paid on units redeemed	(130,215)	(30,069)	(99,503)	(22,632)
	306,535	89,758	126,076	53,418
Accounting income available for distribution:				
-Relating to capital gains	-	-	-	-
-Excluding capital gains	306,535	89,758	126,076	53,418
	306,535	89,758	126,076	53,418

The annexed notes 1 to 18 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 for the period	436,750	119,827	225,579	76,050
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	436,750	119,827	225,579	76,050

The annexed notes 1 to 18 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

	Note	Six months period ended	
		2019	2018
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		436,750	119,827
Adjustments for:			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		240	3,439
		<u>436,990</u>	<u>123,266</u>
(Increase) / decrease in assets			
Investments - net		<u>(622,158)</u>	299,976
Advance, prepayments and other receivables		188	(14)
Profit receivables		<u>(48,175)</u>	<u>(14,706)</u>
		<u>(670,145)</u>	285,256
Decrease in liabilities			
Payable to NBP Fund Management Limited - Management Company		<u>4,876</u>	7,462
Payable to Central Depository Company of Pakistan Limited - Trustee		86	99
Payable to Securities and Exchange Commission of Pakistan		<u>(2,030)</u>	(314)
Payable against purchase of investments		-	(223,657)
Accrued expenses and other liabilities		<u>(16,061)</u>	14,195
		<u>(13,129)</u>	<u>(202,215)</u>
Net cash (used in) / generated from operating activities		<u>(246,284)</u>	206,307
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received on issuance of units		<u>12,320,960</u>	3,459,882
Payments against redemption of units		<u>(9,185,237)</u>	(2,622,544)
Distributions paid		-	(158,725)
Net cash from financing activities		<u>3,135,723</u>	678,613
Net increase in cash and cash equivalents during the period		<u>2,889,439</u>	884,920
Cash and cash equivalents at beginning of the period		<u>3,303,901</u>	1,601,764
Cash and cash equivalents at end of the period	6	<u><u>6,193,340</u></u>	<u><u>2,486,684</u></u>

The annexed notes 1 to 18 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 THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019**

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** NBP Financial Sector Income Fund (formerly; NAFA Financial Sector Income Fund) (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 July 28, 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 16, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The effective date of change of name of the Fund is 29 May 2019.
- 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 Mutual Funds Association of Pakistan (MUFAP).
- 1.3** The Fund is an open-ended mutual fund classified as an "income scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned and maintained an asset manager rating of AM1' of Management Company and has assigned stability rating of 'A+(f)' to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited 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 VIIIA 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 annual financial statements as at and for the year ended 30 June 2019.

6 BANK BALANCES

		31 December 2019 Unaudited	30 June 2019 Audited
(Rupees in '000)			
In current accounts		3,386	2,771
In saving accounts	6.1, 6.2 & 6.3	<u>6,189,954</u>	<u>3,301,130</u>
		<u>6,193,340</u>	<u>3,303,901</u>

6.1 These accounts carry profit at the rates ranging from 7.05% to 15.5% (30 June 2019: 3.75% to 14%) per annum.

6.2 This includes cheques amounting to Rs. 1.083 million (30 June 2019: Rs. 21.958 million) issued on account of redemption of units and cheques amounting to Rs. 9.010 million (30 June 2019: Rs. 29.932 million) received on account of issuance of units as at period / year end.

6.3 These includes cheques amounting to Rs. 0.671 million and Rs. 7.014 million issued and received on account of conversion / switching of units between funds managed by the Management Company as per the instructions of units holders of the respective funds as at period end.

7 INVESTMENTS

		31 December 2019 Unaudited	30 June 2019 Audited
(Rupees in '000)			
Investments by category			
Financial assets 'at fair value through profit or loss'			
Term finance certificates - listed	7.1	100,290	100,804
Term finance certificates - unlisted	7.2	1,411,336	441,272
Commercial Paper	7.4	-	347,632
		<u>1,511,626</u>	<u>889,708</u>

NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



7.1 Term finance certificates - listed

Name of the investee company	As at 01 July 2019	Purchases during the period	Sales / matured during the period	As at 31 December 2019	Market value/ carrying value as at 31 December 2019	Market value / carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	----- Number of certificates -----				(Rupees in '000)	----- (%) -----	
Bank Al Falah V	501	-	-	501	2,498	0.03	0.17
Habib Bank Limited	1,000	-	-	1,000	97,792	1.24	6.47
	1,501	-	-	1,501	100,290	1.27	6.63

Carrying value before fair value adjustments as at 31 December 2019.

100,783

7.2 Term finance certificates - unlisted

	As at 01 July 2019	Purchases during the period	Sales / matured during the period	As at 31 December 2019	Market value/ carrying value as at 31 December 2019	Market value / carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	----- Number of certificates -----				(Rupees in '000)	----- (%) -----	
JS Bank Limited	23,400	-	-	23,400	111,015	1.41	7.34
JS Bank Limited	-	1,150	-	1,150	103,405	1.31	6.84
Jahangir Siddiqui and Company Limited	4,000	8,000	-	12,000	22,500	0.29	1.49
Jahangir Siddiqui and Company Limited	23,340	4,660	-	28,000	104,685	1.33	6.93
Jahangir Siddiqui and Company Limited	32,800	-	-	32,800	162,690	2.06	10.76
Bank of Punjab	500	-	-	500	48,612	0.62	3.22
Askari Commercial Bank Limited	-	7,400	-	7,400	36,094	0.46	2.39
HUBCO Sukuk	-	8,150	-	8,150	822,335	10.43	54.40
	84,040	29,360	-	113,400	1,411,336	17.91	93.37

Carrying value before fair value adjustments as at 31 December 2019

1,411,083

7.3 Significant terms and conditions of term finance certificates outstanding at the period end are as follows:

Name of securities	Number of certificates	Repayment frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Listed term finance certificates							
Bank Al Falah V	501	Semi Annually	4,987	6-months KIBOR + 1.25%	20 February 2013	20 February 2021	AA
Habib Bank Limited	1,000	Semi Annually	99,860	6-months KIBOR + 0.5%	19 February 2016	19 February 2026	AAA
Unlisted term finance certificates							
JS Bank Limited	23,400	Semi Annually	4,994	6-months KIBOR + 1.40%	14 December 2016	14 December 2023	A+
JS Bank Limited	1,150	Semi Annually	99,920	6-months KIBOR + 1.40%	29 December 2017	29 December 2024	A+
Jahangir Siddiqui and Company Limited	12,000	Semi Annually	1,875	6-months KIBOR + 1.65%	24 June 2016	24 June 2021	AA+
Jahangir Siddiqui and Company Limited	28,000	Semi Annually	3,750	6-months KIBOR + 1.40%	18 July 2017	18 July 2022	AA+
Jahangir Siddiqui and Company Limited	32,800	Semi Annually	5,000	6-months KIBOR + 1.40%	05 March 2018	05 March 2023	AA+
Bank of Punjab Limited	500	Semi Annually	99,940	6-months KIBOR + 1.25%	23 April 2018	23 April 2028	AA-
Askari Commercial Bank Limited	7,400	Semi Annually	4,990	6-months KIBOR + 1.20%	30 September 2014	30 September 2024	AA-
HUBCO Sukuk	8,150	Quarterly	100,000	3-months KIBOR + 1.90%	22 August 2019	22 August 2023	AA+

7.4 Investment in Commercial Paper

Name of Issuer	Maturity Date	Face value			Market Value/carrying value as at 31 December 2019	Market value as percentage of net assets	Market value as percentage of total investments
		As at 1 July 2019	Purchases during the period	Sales/ matured during the period			
The HUB Power Company Ltd.	22 July 2019	339,852	-	339,852	-	-	-
K Electric Limited	28 February 2020	-	500,000	500,000	-	-	-
Total		339,852	500,000	839,852	-	-	-

7.5 Market Treasury Bills

Issue date	Tenor	Face value			Market Value/carrying value as at 31 December 2019	Market value as percentage of net assets	Market value as percentage of total investments
		As at 1 July 2019	Purchases during the period	Sales during the period			
10 October 2019	1 Year	-	500,000	500,000	-	-	-
07 November 2019	1 Year	-	500,000	500,000	-	-	-
Total		-	1,000,000	1,000,000	-	-	-

NBP FINANCIAL SECTOR INCOME FUND

(FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



7.6 Net unrealised diminution on remeasurement of investments classified as 'financial assets at fair value through profit or loss'

	Note	31 December 2019 Unaudited (Rupees in '000)	31 December 2018 Audited
Market value / Carrying value of investments	7.1 & 7.2	1,511,626	692,191
Less: Carrying cost of investments	7.1 & 7.2	(1,511,866)	(695,630)
		<u>(240)</u>	<u>(3,439)</u>

8 PROFIT RECEIVABLES

	Note	31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
Profit receivables on savings accounts		70,411	41,274
Accrued markup on Term deposit receipts		-	1,424
Accrued markup on Term finance certificates		38,614	18,152
		<u>109,025</u>	<u>60,850</u>

9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

	Note	31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
Management remuneration	9.1	5,377	3,465
Sindh Sales Tax on Management remuneration	9.2	699	450
Sales load and transfer load		1,937	2,954
Sindh Sales Tax on sales load		252	384
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	1,768	2,055
Selling and marketing expenses	9.4	12,373	8,222
Other Payable		169	169
		<u>22,575</u>	<u>17,699</u>

9.1 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 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 7% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets of the Fund till 11 July 2019 and with effective from 12 July 2019, the Management Company has revised its remuneration to the rate of 6% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets.

9.2 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.

9.3 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.

9.4 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. Subsequently, the Management Company has revised selling and marketing expenses rate from 0.4 % per annum of average net assets of the Fund to 0.7% per annum of average net assets of the Fund or actual expenses whichever is lower and accordingly selling and marketing expense has been charged from 12 July 2019 at the rate of 0.7% per annum of average net assets of the Fund or actual whichever is lower.

10	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	31 December	30 June
			2019	2019
			Unaudited	Audited
			(Rupees in '000)	
	Trustee remuneration	10.1	483	407
	Sindh Sales Tax on Trustee remuneration	10.2	63	53
			546	460

10.1 Upto 30 June 2019, the Trustee was entitled to a monthly remuneration for services rendered to the Fund as stated below under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund.

Net assets	Tariff per annum
Upto Rs 1,000 million	Rs. 0.6 million or 0.17% p.a of net assets whichever is higher
Rs 1,000 million to 5,000 million	Rs.1.7 million plus 0.085% p.a. of net assets exceeding Rs. 1,000 million
Over Rs 5,000 million	Rs.5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5,000 million

However, with effective from 1 July 2019 the Trustee has revised its remuneration and charged remuneration at the rate of 0.075% per annum of net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

10.2 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 2019: 13%) was charged on trustee remuneration.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

NBP FINANCIAL SECTOR INCOME FUND

(FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	31 December	30 June
		2019	2019
		Unaudited	Audited
		(Rupees in '000)	
Provision for Sindh Workers' Welfare Fund	12.1	19,975	11,062
Federal Excise Duty on remuneration to Management Company	12.2	14,947	14,947
Federal Excise Duty on sales and transfer load		467	467
Auditors' remuneration		444	516
Printing charges		19	65
Bank charges		51	27
Withholding tax		127	16,867
Capital gain tax		1,973	10,136
Rating fee		-	-
Legal and professional charges		42	20
CDC Charges		29	23
Brokerage		-	5
Other Payable		1,000	1,000
		39,074	55,135

12.1 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. 17.975 million and a provision for SWWF of Rs. 1.542 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. 0.0284 (30 June 2019: Rs. 0.0278)

12.2 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. 16.443 million out of which Rs. 1.496 million have been paid to the Management Company. Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0234 (30 June 2019: Rs. 0.0414) per unit.

13 CONTINGENCY AND COMMITMENT

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

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. 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 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 2.14% per annum. Total expense ratio (excluding government levies) is 1.74% per annum.

16 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

16.1 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, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

16.3 Remuneration and sales load payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

16.5 Details of the transactions with connected persons are as follows:

	Unaudited	
	Six months period ended	
	2019	2018
	(Rupees in '000)	
NBP fund Management Limited - Management Company		
Issue / transfer in of 17,367,912 units (2018: Nil units)	188,467	-
Redemption / transfer out of 22,973,788 units (2018: Nil units)	250,000	-
Management remuneration	29,054	10,855
Sindh Sales Tax on remuneration of Management Company	3,777	1,411
Sales load	3,666	2,305
Transfer load	287	31
Allocation of expenses related to registrar services, accounting, operation and valuation services	3,460	1,574
selling and marketing expense	23,812	4,374
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	2,595	1,766
Sindh Sales Tax on remuneration of Trustee	337	230
CDC charges	161	119

NBP FINANCIAL SECTOR INCOME FUND

(FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



	Unaudited	
	Six months period ended	
	2019	2018
	(Rupees in '000)	
Employees of the Management Company		
Dividend Re-invest units issued Nil units (2018: 9,988 units)	-	105
Issue / transfer in of 7,674,511 units (2018: 2,095,347 units)	83,737	22,078
Redemption / transfer out of 6,250,528 units (2018: 1,249,128 units)	68,208	13,395
Aftab Hussain and Rakshan Hussain		
Issue / transfer in of 349 units (2018: Nil units)	4	-
Askari Commercial Bank*		
Markup on bank balance	-	35
National Bank of Pakistan - Sponsor		
Markup on bank balance	64	73
Bank Islami Pakistan Limited		
Markup on bank balance	13	42
Muhammad Murtaza Ali - Company Secretary/COO		
Issue / transfer in of 474 units (2018: Nil units)	5	-
Redemption / transfer out of 190,806 units (2018: Nil units)	2,053	-
Fauji Fertilizer Company Limited		
Issue / transfer in of 277,177,109 units (2018: Nil units)	2,968,251	-
Redemption / transfer out of 237,902,553 units (2018: Nil units)	2,556,143	-
Pak American Fertilizers Ltd. Provident Fund Trust		
Issue / transfer in of 591,375 units (2018: Nil units)	6,241	-
Redemption / transfer out of 649,005 units (2018: Nil units)	6,997	-
Potential Engineers Staff Provident Fund Trust		
Redemption / transfer out of 1,557,627 units (2018: Nil units)	16,688	-
Murree Brewery Company Limited		
Refund of Capital units issued Nil units (2018: 1,637,131 units)	-	-
Dividend Re-invest units issued Nil units (2018: 1,450,564 units)	-	15,223
Pakistan Electronic Media Regulatory Authority		
Dividend Re-invest units issued units (2018: 265,270 units)	-	2,783
Barret Hudgson Pakistan Private Limited *		
Dividend Re-invest units issued Nil units (2018: 2,577,690 units)	-	27,045
The Hub Power Company Limited		
Investment in Sukuk : 8,150 Units	815,000	-
Income on Sukuk	42,928	-
Income on Commerical Paper	2,376	-

NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



16.6 Amounts outstanding as at period / year end:

	31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
NBP Fund Management Limited - Management Company		
1,203,886 units held (2019: 6,809,762 units)	13,492	71,587
Sales load and transfer load payable to Management Company	1,937	2,954
Other Payable	169	169
Management remuneration payable	5,377	3,465
Sindh sales tax payable on management remuneration	699	450
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,768	2,055
Sindh sales tax on sales load and transfer load	252	384
Selling and marketing expenses	12,373	8,222
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	483	460
Sindh Sales Tax on Trustee remuneration	63	-
Security deposit	100	100
CDC Charges	29	23
Employees of the Management Company		
3,199,417 units held (2019: 1,775,434 units)	35,855	18,664
National Bank of Pakistan - Sponsor		
Balance in current account	325	325
Balance in savings account	10,512	10,760
Profit receivable on bank deposit	10	85
Fauji Fertilizer Company Limited		
39,274,556 units held (2019: Nil units)	440,138	-
Barret Hudgson Pakistan Private Limited*		
Units held: Nil units (2019: 47,471,284 units)	-	499,037
Askari Commercial Bank Limited*		
Balance in savings account	-	179
Profit receivable on bank deposit	-	109
The Hub Power Company Limited		
Units held of Sukuk : 8,150 units	822,335	-
Profit receivable on Sukuk	13,853	-
Summit Bank Limited*		
Balance in current account	-	2,446
Pak American Fertilizers Ltd. Provident Fund Trust		
Nil units held (2019: 57,630 units)	-	606
Muhammad Murtaza Ali - Company Secretary/COO		
1,933 units held (2019: 192,265 units)	22	2,021
National Clearing Company of Pakistan		
4,807,740 units held (2019: 4,807,740 units)	53,879	50,541
Interloop Holdings Private Limited (more than 10%)		
Units held : 77,078,525 (2019: Nil units)	863,796	-
Aftab Hussain and Rakshan Hussain		
197,678 units held (2019: Nil units)	2,215	-
Bank Islami Pakistan Limited		
Bank balance	633	105
Profit receivable on bank deposit	3	350

* Current balance with this party has not been disclosed as it did not remain connected person and related party as at the period end.

17 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.

		31 December 2019						
		Carrying amount			Fair Value			
		At fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		(Unaudited)						
Note		(Rupees in '000)						
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
-Term finance certificates - unlisted		1,411,336	-	1,411,336	-	1,411,336	-	1,411,336
-Term finance certificates - listed		100,290	-	100,290	-	100,290	-	100,290
		<u>1,511,626</u>	<u>-</u>	<u>1,511,626</u>	<u>-</u>	<u>1,511,626</u>	<u>-</u>	<u>1,511,626</u>
Financial assets not measured at fair value		17.1						
Bank balances		-	6,193,340	6,193,340	-	-	-	-
Receivable against conversion of units		-	139,851	139,851	-	-	-	-
Profit receivables		-	109,025	109,025	-	-	-	-
Security deposit		-	100	100	-	-	-	-
		<u>-</u>	<u>6,442,316</u>	<u>6,442,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value		17.1						
Payable to NBP Fund Management Limited - Management Company		-	22,575	22,575	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	546	546	-	-	-	-
Payable against redemption of units		-	10,188	10,188	-	-	-	-
Accrued expenses and other liabilities		-	1,585	1,585	-	-	-	-
		<u>-</u>	<u>34,894</u>	<u>34,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NBP FINANCIAL SECTOR INCOME FUND (FORMERLY ; NAFA FINANCIAL SECTOR INCOME FUND)



30 June 2019

	Carrying amount			Fair Value			
	At fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
----- (Audited) -----							
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
-Term finance certificates - listed	100,804	-	100,804	-	100,804	-	100,804
-Term finance certificates - unlisted	441,272	-	441,272	-	441,272	-	441,272
Commercial Paper	347,632	-	347,632	-	347,632	-	347,632
	<u>889,708</u>	<u>-</u>	<u>889,708</u>	<u>-</u>	<u>889,708</u>	<u>-</u>	<u>889,708</u>
Financial assets not measured at fair value							
Bank balances	-	3,303,901	3,303,901	-	-	-	-
Profit receivables	-	60,850	60,850	-	-	-	-
Security deposit	-	100	100	-	-	-	-
	<u>-</u>	<u>3,364,851</u>	<u>3,364,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value							
Payable to NBP Fund Management Limited - Management Company							
	-	17,699	17,699	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee							
	-	460	460	-	-	-	-
Payable against redemption of units							
	-	80	80	-	-	-	-
Accrued expenses and other liabilities							
	-	1,656	1,656	-	-	-	-
	<u>-</u>	<u>19,895</u>	<u>19,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

17.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically.

Therefore, their carrying amounts are reasonable approximation of fair value.

17.2 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 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.

18 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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