

**NBP ACTIVE ALLOCATION RIBA FREE
SAVINGS FUND**



ANNUAL REPORT
JUNE 2020



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

Bank Al Habib Limited
United Bank Limited
Habib Bank Limited
Silk Bank Limited
Dubai Islamic Bank Pakistan Limited
Al Baraka Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
Soneri Bank Limited
Faysal Bank Limited



Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

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

Head Office:

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

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:

Khan Center, 1st Floor, Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2 & 4



Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

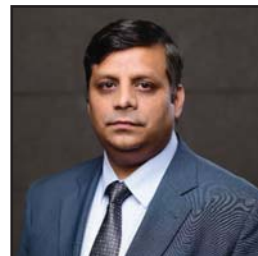
Senior Management



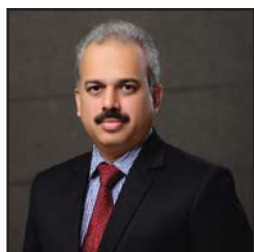
Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Fifth Annual Report of **NBP Active Allocation Riba Free Savings Fund (NAARFSF)** for the year ended June 30, 2020.

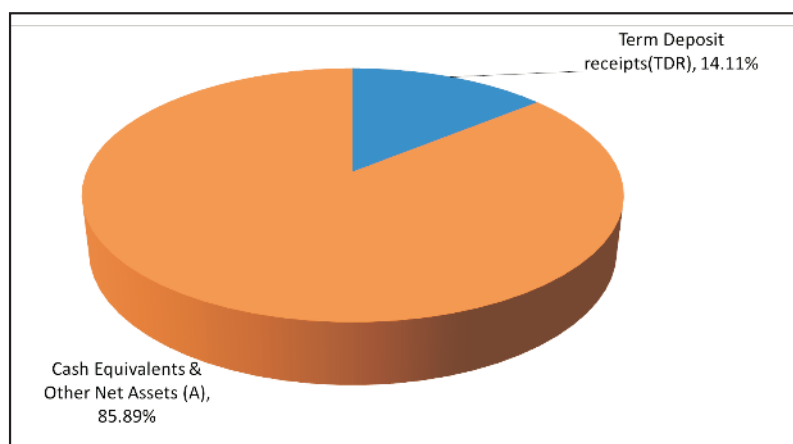
Fund's Performance

The size of NBP Active Allocation Riba Free Savings Fund has decreased from Rs. 892 million to Rs. 121 million during the period, i.e. a drop of 86%. During the said period, the unit price of the Fund has increased from Rs. 9.1028 (Ex-Div) on June 30, 2019 to Rs. 10.0370 on June 30, 2020 thus posting a return of 10.2% as compared to its Benchmark return of 6.3% for the same period. The return of the Fund is net of management fee and all other expenses.

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

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY 2020 compared to Rs. 12 billion in FY 2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on an aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time.

The Fund has earned a total income of Rs. 43.08 million during the year. After deducting total expenses of Rs. 8.98 million, the net income is Rs. 34.10 million. The asset allocation of NAARFSF as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 10.14% of the opening ex-NAV (10.16% of the par value) for the period ended June 30, 2020.



Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

Auditors

The present auditor Messrs A.F. Ferguson & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs Grant Thornton Anjum Rahman, Chartered Accountant, for the year ending June 30, 2021.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 29 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Mr. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar



Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and trust in the Management Company, and providing the opportunity to serve them. It also offers its sincere gratitude to the Securities & Exchange Commission of Pakistan and State Bank of Pakistan for their patronage and guidance.

The Board also wishes to place on record its appreciation for the hard work, dedication and commitment shown by the staff and the Trustee.

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **September 17, 2020**

Place: Karachi.

ڈائریکٹرز رپورٹ

این پی این فنڈ میجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP ایکٹو ایلوکیشن ریفاری سیونگ فنڈ (NAARFSF) کی پانچویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

NBP ایکٹو ایلوکیشن ریفاری سیونگ فنڈ (NAARFSF) کا ساؤتھ اسیا کے دوران خاطر خواہ کی بعد 892 ملین روپے سے کم ہو کر 121 ملین روپے ہو گیا۔ یعنی 86% کی خاطر خواہ کی ہوئی۔ زیر جائزہ مدت کے دوران، فنڈ کی یونٹ قیمت 30 جون 2019 کو 9.1028 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 10.0370 روپے ہو چکی ہے، لہذا فنڈ نے گزشتہ اسی مدت کے دوران 6.3% پیچ مارک منافع کے مقابلے میں 10.2% کا منافع دیا۔ فنڈ کی یہ کارکردگی میجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

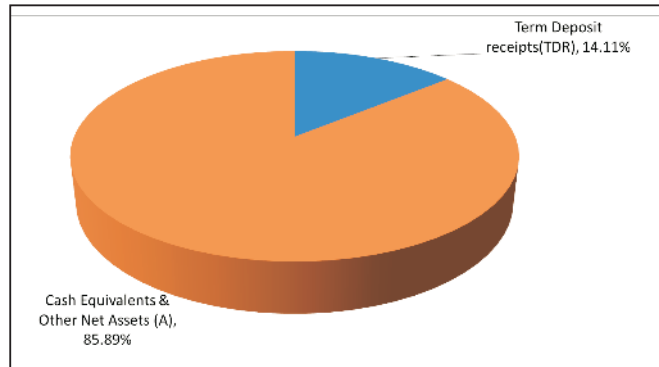
NAARFSF ایک اسلامک انکم اسکیم ہے، جس کا اسٹاک مارکیٹ سے کوئی براہ راست یا بالواسطہ تعلق نہیں ہے۔ فنڈ کا مقصد اسلامی بینکوں / کمرشل بینکوں کی اسلامک ونڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے میں بہتر منافع فراہم کرنا ہے، جب کہ اعلیٰ کوالٹی کے کریڈٹ پروفائل کے ساتھ آسان لیکویڈیٹی بھی مہیا کرنا ہے۔ کسی واحد انسٹرومنٹ کی میچورٹی، ماسوائے حکومت پاکستان کے اجارہ سلوک، 6 ماہ سے تجاوز نہیں کر سکتی ہے۔ یہ قیمتوں کے خطرات کو کم کرتی ہے۔

کارپوریٹ سلوک میں تجارتی سرگرمی مالی سال 2019 میں 12 بلین روپے کے مقابلے میں مالی سال 2020 میں تقریباً 27 بلین روپے کے مجموعی تجارتی قیمت کے ساتھ قابل ذکر 127% زیادہ رہی۔

نئے اجارہ سلوک کے ساتھ بجلی کے شعبہ کو حکومت کے گارنٹی شدہ سلوک اور شریعہ کمپلیٹ کمرشل پیپرز کے اجراء نے طویل مدتی اور قلیل مدتی شریعہ کمپلیٹ ڈیٹ آلات کے زیر اثر مارکیٹ کی مدد کی۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زرمبادلہ کی شرح گراوٹ، (ii) یوٹی لیسٹی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح کو 25bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مائیکرو پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔

فنڈ نے سال کے دوران 43.08 بلین روپے کی کل آمدنی کمائی ہے۔ 8.98 بلین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 34.10 بلین روپے ہے۔

NBP ایکٹو ایلوکیشن ریفاری سیونگ فنڈ کی ایسٹ ایلوکیشن 30 جون 2020 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

میجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اوپننگ ex-NAV کا 10.14% (بنیادی قدر کا 10.16%) نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔



آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے فنڈ کے آڈیٹ کی صلاحیت میں اپنی پانچ سالہ مدت مکمل کر لی ہے۔ نان بینکنگ فنانس کمپنیز کے ریگولیشن (i) 38 اور نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز 2008 کے تقاضے کے مطابق ان کی تبدیلی ضروری ہوگی۔ بورڈ نے 30 جون 2021 کو ختم ہونے والے سال میں میسرز Grant Thornton انٹرنیشنل ایمپلائز کو، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دی ہے۔

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

- 1 منجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیمبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 29 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 25 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، ای ای او، ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13 منجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی متارٹی انٹریسٹ نہیں رکھتی۔

30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کیٹگری
•1 جناب خالد منصور •2 جناب سعد امان اللہ خان •3 جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
•1 شیخ محمد عبدالواحد سیٹھی (چیئرمین) •2 جناب سعد الرحمان خان •3 سید حسن الرضوی کاظمی •4 جناب علی سیدگل •5 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز



اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے منجمنٹ 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 ڈسٹری بیوٹرز کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Active Allocation Riba Free Savings Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad

Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NBP Active Allocation Riba Free Savings Fund

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

Investment Objective of the Fund

To earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shari'ah compliant banks deposits and money market/debt securities.

Benchmark

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

Fund Performance Review

This is the Fifth Annual report since the launch of the Fund on January 18, 2016. The Fund size decreased by 86% and stands at Rs. 121 million as of June 30, 2020. Since its inception, the Fund posted an annualized return of 6.2% versus the benchmark return of 4.0%. This translates into outperformance of 2.2% p.a. During FY20, the Fund posted a 10.2% return versus the benchmark return of 6.3%, thus registering an outperformance of 3.9% p.a. This performance is net of management fee and all other expenses.

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

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY 2020 compared to Rs. 12 billion in FY 2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on an aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
GOP Ijara Sukuk	-	35.29%
Bank Placements	14.11%	-
Cash (Cash Equivalents) & Other Assets	85.89%	64.71%
Total	100%	100%



Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Jun-20	1.0163	11.0419	10.0256

Unit Holding Pattern of NBP Active Allocation Riba Free Savings Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
100001-500000	1
500001-1000000	1
1000001-5000000	6
Total	8

During the period under question

There has been no significant change in the state of affairs of the Fund, other than stated above. NBP Active Allocation Riba Free Savings Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 5,191 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.4323/4.74%. For details, investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Active Allocation Riba Free Savings Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 17, 2020**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer



REPORT OF THE SHARI'AH SUPERVISORY BOARD

August 31, 2020/Muharram 11, 1442

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Fourth year of the operations of NBP Active Allocation Riba Free Savings Fund (NAARFSF). This report is being issued in accordance with clause 3.7 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NAARFSF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NAARFSF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.

On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NAARFSF for the year ended June 30, 2020 are not in compliance with the Shari'ah principles.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Active Allocation Riba Free Savings Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NBP Active Allocation Riba Free Savings Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. Following is the key audit matter: Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Net Asset Value (Refer notes 4 and 5 to the annexed financial statements)</p> <p>The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2020 amounted to Rs. 107.573 million and Rs. 17 million respectively.</p> <p>The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • tested the design and operating effectiveness of the key controls for valuation of investments. • obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2020 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed. • re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies. • obtained bank reconciliation statements and tested reconciling items on a sample basis.



Other Information

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

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

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

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

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

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A.F. Ferguson & Co.
Chartered Accountants

Karachi
Date: September 29, 2020


STATEMENT OF ASSETS AND LIABILITIES
 AS AT JUNE 30, 2020

	2020	2019
Note	----- (Rupees in '000) -----	
Assets		
Bank balances	4 107,573	456,962
Investments	5 17,000	434,701
Profit receivable	6 997	8,735
Deposits, prepayments and other receivables	7 1,603	1,581
Preliminary expenses and floatation costs	8 110	310
Total assets	127,283	902,289
Liabilities		
Payable to NBP Fund Management Limited - the Management Company	9 907	3,878
Payable to Central Depository Company of Pakistan Limited - the Trustee	10 13	164
Payable to the Securities and Exchange Commission of Pakistan	11 68	1,184
Accrued expenses and other liabilities	12 5,776	5,189
Total liabilities	6,764	10,415
NET ASSETS	<u>120,519</u>	<u>891,874</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	<u>120,519</u>	<u>891,874</u>
CONTINGENCIES AND COMMITMENTS	13	
	----- Number of units -----	
NUMBER OF UNITS IN ISSUE	14 <u>12,007,476</u>	<u>88,959,816</u>
	----- Rupees -----	
NET ASSET VALUE PER UNIT	<u>10.0370</u>	<u>10.0256</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
------(Rupees in '000)-----			
Income			
Profit on bank balances		29,521	113,838
Income on sukuk certificates		2,069	5,084
Income on commercial papers		6,066	18,952
Income on term deposit receipts		6,407	6,748
(Loss) / gain on sale of investments - net		(981)	60
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.5	-	(1,854)
Total income		43,082	142,828
Expenses			
Remuneration of NBP Fund Management Limited - the Management Company	9.1	3,545	17,601
Sindh sales tax on remuneration of the Management Company	9.2	461	2,288
Allocated expenses	9.4	339	1,579
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	254	2,128
Sindh Sales Tax on remuneration of the trustee	10.2	33	277
Annual fees to the Securities and Exchange Commission of Pakistan	11.1	68	1,184
Amortisation of preliminary expenses and floatation costs	8	200	200
Settlement and bank charges		118	104
Auditors' remuneration	15	628	513
Annual rating fee		229	239
Shariah advisory fee		18	302
Selling and marketing expenses	9.5	2,291	4,300
Legal and professional charges		99	63
Total operating expenses		8,283	30,778
Net income from operating activities		34,799	112,050
Provision against Sindh Workers' Welfare Fund	12.1	(696)	(2,241)
Net profit for the year before taxation		34,103	109,809
Taxation	17	-	-
Net profit for the year after taxation		34,103	109,809
Earnings per unit			
18			
Allocation of net income for the year:			
Net income for the year after taxation		34,103	109,809
Income already paid on units redeemed		(30,461)	(87,989)
		3,642	21,820
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		3,642	21,820
		3,642	21,820

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	----- (Rupees in '000) -----	
Net profit for the year after taxation	34,103	109,809
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>34,103</u></u>	<u><u>109,809</u></u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED 30 JUNE 2020

	2020			2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	Rupees in '000			Rupees in '000		
Net assets at the beginning of the year	888,863	3,011	891,874	2,128,714	32,425	2,161,139
Issue of 27,758,093 units (2019: 191,038,973)						
- Capital value (at ex-net asset value per unit)	278,292	-	278,292	1,913,334	-	1,913,334
- Element of income	16,057	-	16,057	52,283	-	52,283
Total proceeds on issuance of units	294,349	-	294,349	1,965,617	-	1,965,617
Redemption of 104,710,433 units (2019: 309,417,462)						
- Capital value (at ex-net asset value per unit)	(1,049,785)	-	(1,049,785)	(3,098,940)	-	(3,098,940)
- Element of loss	(8,481)	(30,461)	(38,942)	(5,679)	(87,989)	(93,668)
Total payments on redemption of units	(1,058,266)	(30,461)	(1,088,727)	(3,104,619)	(87,989)	(3,192,608)
Total comprehensive income for the year	-	34,103	34,103	-	109,809	109,809
Interim cash distribution for the year ended June 30, 2020 @ Re.1.0163 per unit (date of declaration: June 24, 2020)	(7,573)	(3,507)	(11,080)	-	-	-
Final cash distribution for the year ended June 30, 2018 @ Re.0.4079 per unit (date of declaration: July 04, 2018)	-	-	-	(54,335)	(30,238)	(84,573)
Interim cash distribution for the year ended June 30, 2019 @ Re.0.7570 per unit (date of declaration: June 24, 2019)	-	-	-	(46,514)	(20,996)	(67,510)
Net assets at end of the year	117,373	3,146	120,519	888,863	3,011	891,874
Undistributed income brought forward						
- Realised		4,865			34,935	
- Unrealised		(1,854)			(2,510)	
		3,011			32,425	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		3,642			21,820	
		3,642			21,820	
Interim cash distribution @ Re.1.0163 per unit (date of declaration: June 24, 2020)		(3,507)			-	
Final cash distribution @ Re.0.4079 per unit (date of declaration: July 04, 2018)		-			(30,238)	
Interim cash distribution @ Re.0.7570 per unit (date of declaration: June 24, 2019)		-			(20,996)	
Undistributed income carried forward		3,146			3,011	
Undistributed income carried forward						
- Realised income		3,146			4,865	
- Unrealised loss		-			(1,854)	
		3,146			3,011	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			10.0256			10.4233
Net assets value per unit at end of the year			10.0370			10.0256

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 ------(Rupees in '000)-----	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		34,103	109,809
Adjustments for:			
Profit on bank balances		(29,521)	(113,838)
Income on sukuk certificates		(2,069)	(5,084)
Income on commercial papers		(6,066)	(18,952)
Income on term deposit receipts		(6,407)	(6,748)
Amortisation of preliminary expenses and floatation costs	8	200	200
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.5	-	1,854
		(43,863)	(142,568)
Decrease / (increase) in assets			
Deposits, prepayments and other receivables		(22)	(104)
Investments		314,701	(218,395)
		314,679	(218,499)
(Decrease) / increase in liabilities			
Payable to NBP Fund Management Limited - the Management company		(2,971)	396
Payable to Central Depository Company of Pakistan Limited - Trustee		(151)	(63)
Payable to the Securities and Exchange Commission of Pakistan		(1,116)	(24)
Accrued expenses and other liabilities		587	1,988
		(3,651)	2,297
		301,268	(248,961)
Profit received		51,801	147,847
Net cash generated from / (used in) operating activities		353,069	(101,114)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issuance of units - net of refund of element		286,776	1,864,768
Net payments against redemption of units		(1,088,727)	(3,192,608)
Distribution paid		(3,507)	(51,234)
Net cash used in financing activities		(805,458)	(1,379,074)
Net decrease in cash and cash equivalents		(452,389)	(1,480,188)
Cash and cash equivalents at the beginning of the year		576,962	2,057,150
Cash and cash equivalents at the end of the year	20	124,573	576,962

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Active Allocation Riba Free Savings Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on November 03, 2015 between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended 'Shariah Compliant Income Scheme' by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009, issued by the Securities Exchange Commission of Pakistan.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM1 to the Management Company on June 24, 2020, and stability rating of A-(f) to the Fund in its credit rating report dated April 17, 2020.

The 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 PRESENTATION

2.1 Statement of compliance

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

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

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

2.2 Standards, interpretations and amendments to the published accounting and reporting standards that are effective in the current year:

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.



2.3 Standards, interpretations and amendments to the published accounting and reporting standards that are not yet effective:

2.3.1 There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financials statements.

Standard, amendments and interpretations	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 01, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 01, 2020

The Management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

2.3.1 There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financials statements.

2.4 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.3 and 5), provision for Federal Excise Duty (note 9.3), provision for SWWF (note 12.1) and provision for taxation (notes 3.13 and 17).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments classified as 'at fair value through profit or loss' which are measured at fair value.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistan Rupee, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.



3.3 Financial assets

3.3.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

3.3.2 Classification and subsequent measurement

3.3.2.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVTPL)

based on the business model of the entity.

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognised at FVTPL. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPTL.

3.3.3 Impairment

The Fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

3.3.4 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

3.3.5 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.



3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

3.5 Offsetting of financial assets and financial liabilities

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

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company and distributors.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption applications during business hours on that date. The redemption price represents the NAV per unit as on the close of business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.9 Distributions to unit holders

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

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

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

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.



3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Profit on bank balances and term deposit receipts is recognised on an accrual basis.
- Income from investments in sukuk certificates, commercial papers and government securities is recognised on an accrual basis using effective interest rate method.

3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and the Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.13 Taxation

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

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

3.14 Earnings per unit

Earnings per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earnings per unit is not practicable as disclosed in note 18.

3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

4 BANK BALANCES

Note	2020	2019
	----- Rupees in '000 -----	
Balances with banks in:		
Savings accounts	107,573	456,962
	<u>107,573</u>	<u>456,962</u>

4.1 These include a balance of Rs. 0.474 million (2019: Rs. 129.006 million) maintained with BankIslami Pakistan Limited (a related party) that carry profit at 7% per annum (2019: 13.5% per annum). Other savings accounts of the Fund carry profit rates ranging from 7.25% to 8.75% per annum (2019: 7.5% to 13.5% per annum).

5 INVESTMENTS

Note	2020	2019
	----- Rupees in '000 -----	
Financial assets at 'fair value through profit or loss'		
GoP Ijarah Sukuk certificates	-	86,490
Commercial papers	-	228,211
Term deposit receipt	17,000	120,000
Sukuk certificates	-	-
	<u>17,000</u>	<u>434,701</u>



5.1 GoP Ijarah Sukuk certificates

Name of the security	Profit payments	Maturity date	Profit rate	As at July 1, 2019	Purchases during the year	Sales / redemptions during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (diminution)	Percentage in relation to	
											Number of certificates	(Rupees in '000)

GoP Ijarah Sukuk Certificates - XIX (note 5.1.1) Semi-annually April 30, 2020 Weighted average 6 months T-Bills

Total as at June 30, 2020

Total as at June 30, 2019

-	-	-	-	-
88,344	86,490	(1,854)	9.70%	19.90%

5.1.1 The nominal value of these sukuk certificates is Rs. 5,000 each.

5.2 Commercial papers

Name of Investee Companies	Face Value (Rupees in '000)				Rupees in '000		Market value as a percentage of	
	As at July 1, 2019	Purchased during the year	Disposed of / matured during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Net assets	Total investments

Hascol Petroleum Limited (A-1, VIS) 111,000 - 111,000 - - - - -

K-Electric Limited (A-1+, VIS) 120,000 55,000 175,000 - - - - -

Total as at June 30, 2020

Total as at June 30, 2019

-	-
228,211	228,211

5.2.1 These carry profit of Nil (2019: 11.75% to 12.26%) per annum.

5.3 Term deposit receipts

Name of the security	Issue date	Profit rate	As at July 1, 2019	Purchased during the period	Matured during the period	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments	Market value as a percentage of net assets
BankIslami Pakistan Limited (related party)	November 28, 2019	13.00%	-	30,000	30,000	-	-	-	-	-
BankIslami Pakistan Limited (related party)	October 28, 2019	13.50%	-	69,000	69,000	-	-	-	-	-
BankIslami Pakistan Limited (related party)	September 27, 2019	13.65%	-	78,000	78,000	-	-	-	-	-
BankIslami Pakistan Limited (related party)	August 29, 2019	13.60%	-	95,000	95,000	-	-	-	-	-
BankIslami Pakistan Limited (related party)	July 29, 2019	13.60%	-	110,000	110,000	-	-	-	-	-
BankIslami Pakistan Limited (related party)	July 1, 2019	13.60%	120,000	-	120,000	-	-	-	-	-
BankIslami Pakistan Limited (related party)	January 20, 2020	13.35%	-	31,000	31,000	-	-	-	-	-
BankIslami Pakistan Limited (related party)	February 20, 2020	12.75%	-	33,000	33,000	-	-	-	-	-
UBL Ameen Islamic Banking	June 5, 2020	7.35%	-	17,000	-	17,000	17,000	17,000	100.00%	14.11%
Total as at June 30, 2020							17,000	17,000	100.00%	14.11%
Total as at June 30, 2019							120,000	120,000	27.61%	13.45%



5.3.1 This carries profit at the rate of 7.35% per annum and is due to be matured by July 4, 2020.

5.4 Sukuk Certificates

Name of the security	Profit payments/ principal redemptions	Maturity date	Profit rate	As at July 1, 2019	Purchases during the year	Sales / redemptions during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (diminution)	Percentage in relation to	
				Number of certificates				(Rupees in '000)			Net assets of the Fund	Total market value of investment

Power generation and distribution

The Hub Power Company 1st Issue (related party) (Face value of 100,000 per certificate)

Semi-annually

May 21, 2020

6 months KIBOR plus base rate of 1.50%

Total as at June 30, 2020

Total as at June 30, 2019

Note

2020

2019

-----Rupees in '000-----

5.5 Net unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss'

Market value of investments	5.1, 5.2, 5.3 & 5.4	17,000	314,701
Carrying value of investments	5.1, 5.2, 5.3 & 5.4	17,000	316,555
		-	(1,854)

6 PROFIT RECEIVABLE

Profit receivable on:

Bank balances	908	6,236
GoP Ijarah Sukuk Certificates	-	2,365
Term deposit receipts	89	134
	997	8,735

7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance tax	7.1	1,377	1,377
Prepaid mutual fund rating fee		126	104
Security deposit with Central Depository Company of Pakistan Limited *		100	100
		1,603	1,581

* related party balance



7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on debt and profit on bank deposits paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. No. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on profit on debt and profit on bank deposits amounts to Rs. 1.377 million (2019: Rs. 1.377 million).

For this purpose, Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on debt securities and bank deposits has been shown as other receivable as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded to the Fund.

	Note	2020 -----Rupees in '000-----	2019
8 PRELIMINARY EXPENSES AND FLOATATION COSTS			
At the beginning of the year		310	510
Less: amortisation during the year		(200)	(200)
At the end of the year	8.1	<u>110</u>	<u>310</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

	Note	2020 -----Rupees in '000-----	2019
9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY			
Remuneration of the Management Company	9.1	57	913
Sindh sales tax payable on remuneration of the Management Company	9.2	7	119
Federal excise duty on remuneration of the Management Company	9.3	612	612
Allocated expenses payable	9.4	29	447
Selling and marketing expense payable	9.5	202	1,787
		<u>907</u>	<u>3,878</u>

9.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged remuneration under the following rates:

Rate applicable from July 1, 2019 to July 11, 2019	Rate applicable from July 12, 2019 to June 30, 2020	2019
12% of net income of the Fund subject to the minimum of 0.5% of average annual net assets and maximum of 1.25% of average annual net assets	9% of net income of the Fund subject to the minimum of 0.5% of average annual net assets and maximum of 1.25% of average annual net assets	12% of net income of the Fund subject to the minimum of 0.5% of average annual net assets and maximum of 1.25% of average annual net assets

The remuneration is payable to the Management Company in arrears



9.2 During the year, an amount of Rs. 0.461 million (2019: Rs 2.288 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 at the rate of 13% (2019: 13%).

9.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 0.612 million is being retained in the financial statements as the matter is pending before the Honourable Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value per unit of the Fund as at June 30, 2020 would have been higher by Re 0.051 (2019: Re 0.007) per unit.

9.4 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The Management Company has currently fixed a maximum capping of 0.1% of the average annual net assets of the scheme for allocation of such expenses to the Fund.

9.5 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from 1 January 2017 till 31 December 2019) subject to maximum cap of 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.

During the current year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to the Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the Management Company is required to set a maximum limit for charging of such expenses to the Fund and the same should be approved by the Board of Directors as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, the Management Company has currently determined a capping of 0.7% which is applied to average annual net assets of the Fund for allocation of such expenses to the Fund. This has also been approved by the Board of Directors of the Management Company.



	Note	2020	2019
-----Rupees in '000-----			
10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY			
Trustee fee payable	10.1	7	137
Sindh sales tax payable on trustee fee	10.2	1	18
Settlement charges payable		5	9
		<u>13</u>	<u>164</u>

10.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, Trustee has revised its tariff as follows:

2019		2020
Net assets (Rs.)	Fee	
- up to Rs. 1,000 million	0.17% per annum of net assets	0.075% per annum of net assets
- on an amount from Rs 1,000 million to Rs 5,000 million	Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs.1,000 million	
- exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs.5,000 million	

10.2 During the year, an amount of Rs 0.033 million (2019: Rs 0.277 million) was charged on account of sales tax on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

	Note	2020	2019
-----Rupees in '000-----			
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable	11.1	<u>68</u>	<u>1,184</u>

11.1 In accordance with the NBFC Regulations 2008, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to the income funds was 0.075%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

	Note	2020	2019
-----Rupees in '000-----			
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		420	357
Settlement and bank charges		26	27
Legal fee		85	8
Shariah advisor fee payable		49	298
Provision for Sindh Workers Welfare Fund	12.1	5,191	4,495
Withholding tax payable		5	4
		<u>5,776</u>	<u>5,189</u>



- 12.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from January 18, 2016 to June 30, 2020, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Re 0.432 (2019: Re 0.051) per unit.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

14 NUMBER OF UNITS IN ISSUE

	2020	2019
	-----Number of units-----	
Total units in issue at the beginning of the year	88,959,816	207,338,305
Units issued during the year	27,758,093	191,038,973
Less: units redeemed during the year	104,710,433	309,417,462
Total units in issue at the end of the year	<u>12,007,476</u>	<u>88,959,816</u>

15 AUDITORS' REMUNERATION

Annual audit fee	374	297
Other certification	81	38
Half yearly review	125	137
Out of pocket expenses	48	41
	<u>628</u>	<u>513</u>

16 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2020 is 2.67% (2019: 2.1%) which includes 0.37% (2019: 0.38%) representing government levies on the Fund such as sales taxes, Sindh Workers' Welfare Fund, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as 'Shariah compliant income scheme'.

**17 TAXATION**

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the period ended June 30, 2020 to the unit holders in the manner as explained above, therefore, no provision for taxation has been made in these financial statements during the year.

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.

18 EARNINGS PER UNIT

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

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

19.1 Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP), Baltoro Growth Fund being the sponsors, NAFA Pension Fund and NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, 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, directors and their close family members and key management personnel of the Management Company.

19.2 Transactions with connected persons / related parties are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons / related parties are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

19.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

19.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

19.5 Allocated expenses and selling and marketing charges are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

19.6 Details of transactions with related parties / connected persons are as follows:



19.6 Details of transactions with related parties / connected persons are as follows:

	2020	2019
	----- Rupees in '000 -----	
NBP Fund Management Limited - the Management Company		
Remuneration for the year	3,545	17,601
Sindh sales tax on remuneration of Management Company	461	2,288
Allocated expenses	339	1,579
Selling and marketing expenses	2,291	4,300
NAFA Islamic Active Allocation Fund- I (Plan I)		
Units issued during the year 1,414,199 (2019: 20,797,109)	14,248	204,484
Units redeemed during the year 6,227,019 (2019: 31,291,259)	64,497	322,189
NAFA Islamic Active Allocation Fund- I (Plan II)		
Units issued during the year 234,133 (2019: 17,272,141)	2,347	170,640
Units redeemed during the year 4,437,170 (2019: 31,317,476)	46,116	324,001
NAFA Islamic Active Allocation Fund- I (Plan III)		
Units issued during the year 3,423,486 (2019: 15,666,806)	34,863	142,023
Units redeemed during the year 14,135,833 (2019: 56,507,605)	147,310	582,251
NAFA Islamic Active Allocation Fund- I (Plan IV)		
Units issued during the year 3,823,609 (2019: 31,603,356)	39,500	309,786
Units redeemed during the year 9,257,800 (2019: 52,995,164)	97,212	543,745
NAFA Islamic Active Allocation Fund- I (Plan V)		
Units issued during the year 7,131,888 (2019: 35,199,073)	74,060	343,715
Units redeemed during the year 17,075,980 (2019: 59,335,428)	177,845	612,311
NAFA Islamic Active Allocation Fund- II (Plan VI)		
Units issued during the year 6,558,029 (2019: 16,686,038)	68,604	162,168
Units redeemed during the year 12,192,606 (2019: 28,726,100)	128,278	297,867
NAFA Islamic Active Allocation Fund- II (Plan VII)		
Units issued during the year 1,695,629 (2019: 7,339,444)	17,187	72,012
Units redeemed during the year 3,471,812 (2019: 13,620,272)	36,259	140,975
NAFA Islamic Active Allocation Fund- II (Plan VIII)		
Units issued during the year 3,477,121 (2019: 46,475,006)	35,966	459,882
Units redeemed during the year 37,912,215 (2019: 35,624,157)	391,211	369,212
NBP Islamic Daily Dividend Fund		
Sale of commercial paper (K-Electric Limited)	29,395	-
BankIslami Pakistan Limited - common directorship		
Profit on bank balances	9,498	7,222
Profit on term deposit receipts	6,318	6,748
Placement of term deposit receipts	446,000	980,000
Hub Power Company Limited - common directorship		
Purchases of sukuk certificates	18,000	-
Profit on sukuk certificates	2,069	-
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of the Trustee	254	2,128
Sindh sales tax on remuneration of the Trustee	33	277
Settlement charges	4	6



19.7	Amounts / balances outstanding as at year end:	2020	2019
		----- Rupees in '000 -----	
	NBP Fund Management Limited - the Management Company		
	Remuneration of the Management Company	57	913
	Sindh sales tax on remuneration of the Management Company	7	119
	Federal excise duty on remuneration of the Management Company	612	612
	Selling and marketing expenses	202	1,787
	Allocated expenses	29	447
	NAFA Islamic Active Allocation Fund- I (Plan I)		
	Units held 1,091,844 units (2019: 5,904,664 units)	10,959	59,198
	NAFA Islamic Active Allocation Fund- I (Plan II)		
	Units held 984,741 units (2019: 5,187,778 units)	9,884	52,011
	NAFA Islamic Active Allocation Fund- I (Plan III)		
	Units held 2,344,800 units (2019: 13,057,147 units)	23,535	130,906
	NAFA Islamic Active Allocation Fund- I (Plan IV)		
	Units held 1,875,436 units (2019: 7,309,627 units)	18,824	73,283
	NAFA Islamic Active Allocation Fund- I (Plan V)		
	Units held 1,759,252 units (2019: 11,703,344 units)	17,658	117,333
	NAFA Islamic Active Allocation Fund- II (Plan VI)		
	Units held 1,715,579 units (2019: 7,350,156 units)	17,219	73,690
	NAFA Islamic Active Allocation Fund- II (Plan VII)		
	Units held 466,453 units (2019: 2,242,636 units)	4,682	22,484
	NAFA Islamic Active Allocation Fund- II (Plan VIII)		
	Units held 1,769,371 units (2019: 36,204,465 units)	17,759	362,971
	Central Depository Company of Pakistan Limited - the Trustee		
	Remuneration payable	7	137
	Sindh sales tax on remuneration of the Trustee	1	18
	Security deposit	100	100
	Settlement charges payable	5	9
	BankIslami Pakistan Limited - common directorship		
	Bank balance	474	129,006
	Term deposit receipts	-	120,000
	Profit receivable	156	1,576
	Profit receivable on term deposit receipts	-	134
19.8	Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.		

20	CASH AND CASH EQUIVALENTS	Note	2020	2019
			----- Rupees in '000 -----	
	Cash and bank balances	4	107,573	456,962
	Term deposit receipts	5.3	17,000	120,000
			<u>124,573</u>	<u>576,962</u>



21 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Bank balances

Investments

Profit receivable

Deposits

2020		
At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----		
107,573	-	107,573
-	17,000	17,000
997	-	997
100	-	100
<u>108,670</u>	<u>17,000</u>	<u>125,670</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

Payable to Central Depository Company of Pakistan Limited - the Trustee

Accrued expenses and other liabilities

2020		
At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----		
-	907	907
-	13	13
-	580	580
-	<u>1,500</u>	<u>1,500</u>

Financial assets

Bank balances

Investments

Profit receivable

Deposits

2019		
At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----		
456,962	-	456,962
-	434,701	434,701
8,735	-	8,735
100	-	100
<u>465,797</u>	<u>434,701</u>	<u>900,498</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

Payable to Central Depository Company of Pakistan Limited - the Trustee

Accrued expenses and other liabilities

2019		
At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----		
-	3,878	3,878
-	164	164
-	690	690
-	<u>4,732</u>	<u>4,732</u>



22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

22.1 Market risk

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Yield / profit rate risk

Yield / profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2020, the Fund is exposed to such risk on its bank balances, investment in sukuk certificates, commercial papers and term deposit receipts. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds bank balances which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs. 1.076 million (2019: 4.570 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund does hold fixed rate term deposit receipts that may expose the Fund to fair value profit rate risk. However, the same is insignificant due to the short term value of the TDRs.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:



----- 2020 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees in '000 -----

Financial assets

Bank balances	7%-8.75%	107,573	-	-	-	107,573
Investments	7.35%	17,000	-	-	-	17,000
Profit receivable		-	-	-	997	997
Deposits		-	-	-	100	100
		124,573	-	-	1,097	125,670

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	907	907
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	13	13
Accrued expenses and other liabilities		-	-	-	580	580
		-	-	-	1,500	1,500

On-balance sheet gap

124,573 - - (403)

Total profit rate sensitivity gap

124,573 - -

Cumulative profit rate sensitivity gap

124,573 124,573 124,573

----- 2019 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees in '000 -----

Financial assets

Bank balances	7.5%-13.5%	456,962	-	-	-	456,962
Investments	5.24%-12.26%	348,211	86,490	-	-	434,701
Profit receivable		-	-	-	8,735	8,735
Deposits		-	-	-	100	100
		805,173	86,490	-	8,835	900,498

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	3,878	3,878
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	164	164
Accrued expenses and other liabilities		-	-	-	690	690
		-	-	-	4,732	4,732

On-balance sheet gap

805,173 86,490 - 4,103

Total profit rate sensitivity gap

805,173 86,490 -

Cumulative profit rate sensitivity gap

805,173 891,663 891,663

**(ii) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Price risk

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of June 30, 2020.

22.2 Liquidity risk

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

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations 2008, the Fund can borrow in the short-term to ensure settlement subject to the maximum limit which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the current year.

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

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:



----- 2020 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

----- Rupees in '000 -----

Financial assets

Bank balances	107,573	-	-	-	-	-	107,573
Investments	17,000	-	-	-	-	-	17,000
Profit receivable	997	-	-	-	-	-	997
Deposits	-	-	-	-	-	100	100
	125,570	-	-	-	-	100	125,670

Financial liabilities

Payable to NBP Fund Management Limited the Management Company	907	-	-	-	-	-	907
Payable to Central Depository Company of Pakistan Limited - the Trustee	13	-	-	-	-	-	13
Accrued expenses and other liabilities	160	420	-	-	-	-	580
	1,080	420	-	-	-	-	1,500

Net financial assets

	124,490	(420)	-	-	-	100	124,170
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----- 2019 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

----- Rupees in '000 -----

Financial assets

Bank balances	456,962	-	-	-	-	-	456,962
Investments	228,211	120,000	86,490	-	-	-	434,701
Profit receivable	8,735	-	-	-	-	-	8,735
Deposits	-	-	-	-	-	100	100
	693,908	120,000	86,490	-	-	100	900,498

Financial liabilities

Payable to NBP Fund Management Limited the Management Company	3,878	-	-	-	-	-	3,878
Payable to Central Depository Company of Pakistan Limited - the Trustee	164	-	-	-	-	-	164
Accrued expenses and other liabilities	333	357	-	-	-	-	690
	4,375	357	-	-	-	-	4,732

Net financial assets

	689,533	119,643	86,490	-	-	100	895,766
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22.3 Credit risk

22.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- Rupees in '000 -----				
Bank balances	107,573	107,573	456,962	370,472
Investments	17,000	17,000	434,701	434,701
Profit receivable	997	997	8,735	8,735
Deposits	100	100	100	100
	<u>125,670</u>	<u>125,670</u>	<u>900,498</u>	<u>814,008</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

22.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks, term deposit receipts, commercial papers, sukuk certificates, letters of placement, certificates of musharakah and accrued profit thereon. The credit rating profile of balances with banks and investments are as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
Bank balances		
AAA	1.18%	0.05%
AA+	0.09%	14.51%
AA-	49.82%	2.41%
A+	0.50%	-
A-	34.55%	34.45%
A	0.17%	0.02%
Term deposit receipts		
AAA	13.60%	-
A+	-	13.34%
Commercial papers		
A-1	-	0.01%
A-1+	-	0.01%
	<u>99.91%</u>	<u>64.80%</u>



23 FAIR VALUE MEASUREMENT

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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets 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:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2020, the Fund held the following financial instruments measured at fair values:

At fair value through profit or loss

GoP Ijarah sukuk certificates
Commercial papers*
Term deposit receipts**

----- 2020 -----		
Level 1	Level 2	Level 3
----- Rupees in '000 -----		
-	-	-
-	-	-
-	17,000	-
-	17,000	-
<u>-</u>	<u>17,000</u>	<u>-</u>

At fair value through profit or loss

GoP Ijarah sukuk certificates
Commercial papers*
Term deposit receipts**

----- 2019 -----		
Level 1	Level 2	Level 3
----- Rupees in '000 -----		
-	86,490	-
-	228,211	-
-	120,000	-
-	434,701	-
<u>-</u>	<u>434,701</u>	<u>-</u>

* The valuation of commercial papers has been done based on amortisation of commercial paper to its fair value as per the guidelines given in Circular 33 of 2012 since the residual maturity of this investment is less than six months and are placed with counterparties which have high credit rating.

** The carrying value of these securities approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.



24 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

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

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

In accordance with the risk management policies as stated in note 22, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

25 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Associated companies	8	120,519	100.00%	8	891,874	100.00%

26 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2020		2019	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Invest One Markets Limited	100.00%	-	-

26.1 The Fund has traded with only the above mentioned 1 broker / dealer during the year ended June 30, 2020 (2019: Nil brokers / dealers).

27 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	32
Mr. Sajjad Anwar	Chief Investment Officer	CFA / MBA	20
Mr. Asim Wahab Khan	Deputy Chief Investment Officer	CFA	14
Mr. Muhammad Ali Bhabha	Head of Fixed Income	CFA / MBA / FRM / MS	25
Mr. Hassan Raza	Head of Research	ACCA / BSC / CFA	9



28 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Muhammad Ali Bhabha	Fund Manager	CFA / FRM / MBA / MS	NIDDF, NFSIF, NGSFL, NGSSF, NGSP I, NIOF, NIMAF, NIMMF, NISF, NMAF, NMMF, NRF SF and NSF

29 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 72nd, 73rd, 74th, 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020, April 27, 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [note 29.1]	3	2	1	74th
Syed Hasan Irtiza Kazmi [note 29.2]	3	3	-	-
Mr. Nasir Husain [note 29.3]	1	-	1	72nd
Mr. Abdul Hadi Palekar [note 29.4]	1	-	1	72nd
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [note 29.5]	1	1	-	-
Mr. Khalid Mansoor [note 29.6]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [note 29.7]	1	1	-	-
Mr. Saad Amanullah Khan [note 29.8]	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

29.1 Mr. Saad ur Rahman Khan opted as Director on the Board with effect from October 04, 2019.

29.2 Syed Hasan Irtiza Kazmi opted as Director on the Board with effect from October 04, 2019.

29.3 Mr. Nasir Husain retired from the Board with effect from October 04, 2019.

29.4 Mr. Abdul Hadi Palekar retired from the Board with effect from October 04, 2019.

29.5 Mr. Kamal Amir Chinoy retired from the Board with effect from October 04, 2019.

29.6 Mr. Khalid Mansoor opted as Director on the Board with effect from October 04, 2019.

29.7 Mr. Shehryar Faruque retired from the Board with effect from October 04, 2019.

29.8 Mr. Saad Amanullah Khan opted as Director on the Board with effect from October 04, 2019.

30 CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 17, 2020.

**32 GENERAL****32.1 Rounding off**

Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

32.2 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- c) The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- d) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- e) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

32.3 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	For the year ended June 30, 2020	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016
Net assets at the year / period ended (Rs '000)	120,519	891,874	2,161,139	955,462	997,307
Net income for the year / period ended (Rs '000)	34,103	109,809	65,394	37,667	7,571
Net Asset Value per unit at the year / period ended (Rs)	10.0370	10.0256	10.4233	10.0154	10.0157
Offer Price per unit	-	-	-	-	-
Redemption Price per unit	10.037	10.0256	10.4233	10.0154	10.0157
Ex - Highest offer price per unit (Rs.)	-	-	-	-	-
Ex - Lowest offer price per unit (Rs.)	-	-	-	-	-
Ex - Highest redemption price per unit (Rs.)	10.0370	10.0256	10.4233	10.0154	10.0096
Ex - Lowest redemption price per unit (Rs.)	9.1050	9.3154	10.0154	9.6673	9.8229
Opening NAV (Since Inception January 18, 2016)		9.3116	10.0154	9.6456	9.8218
Total return of the fund		7.6%	4.07%	3.83%	1.97%
Capital growth		0.11%	0.00%	0.10%	-0.10%
Income distribution as % of Ex nav		7.56%	4.07%	3.73%	2.08%
Income distribution as % of Par nav		7.57%	4.08%	3.60%	2.04%
Distribution					
Interim distribution per unit	1.0163	0.7570		0.3602	0.1816
Final distribution per unit			0.4079	-	0.0226
Distribution Dates					
Interim	23-June-2020	24-June-2019			29-Jun-16
Final			4-Jul-18	19-Jun-17	23-Sep-16
Average annual return of the fund (launch date January 18, 2016)					
(Since inception to June 30, 2020)	6.22%				
(Since inception to June 30, 2019)		5.08%			
(Since inception to June 30, 2018)			4.04%		
(Since inception to June 30, 2017)				4.02%	
(Since inception to June 30, 2016)					4.39%
Portfolio Composition (Please see Fund Manager Report)					
Weighted average portfolio duration	1 Days	48 Days	31 Days	106 Days	1 Day
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>					

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