



# NBP FUNDS

*Managing Your Savings*

**AM1**  
Rated by PACRA

**NBP BALANCED 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

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Bank Islami Pakistan Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan



Sindh Bank Limited  
Soneri Bank Limited  
Summit Bank Limited  
The Bank of Punjab  
United Bank Limited  
Zarai Taraqiati Bank Limited

#### **Auditors**

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

#### **Legal Advisor**

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

#### **Head Office:**

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

#### **Lahore Office:**

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

#### **Islamabad Office:**

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

#### **Peshawar Office:**

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

#### **Multan Office:**

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 Fourteen Annual Report of NBP Balanced Fund for the year ended June 30, 2020.

### Fund's Performance

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meagre 1.5% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 28,765 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 37% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.5% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) the exchange rate depreciation; (ii) increase in utility prices; and (iii) 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 aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

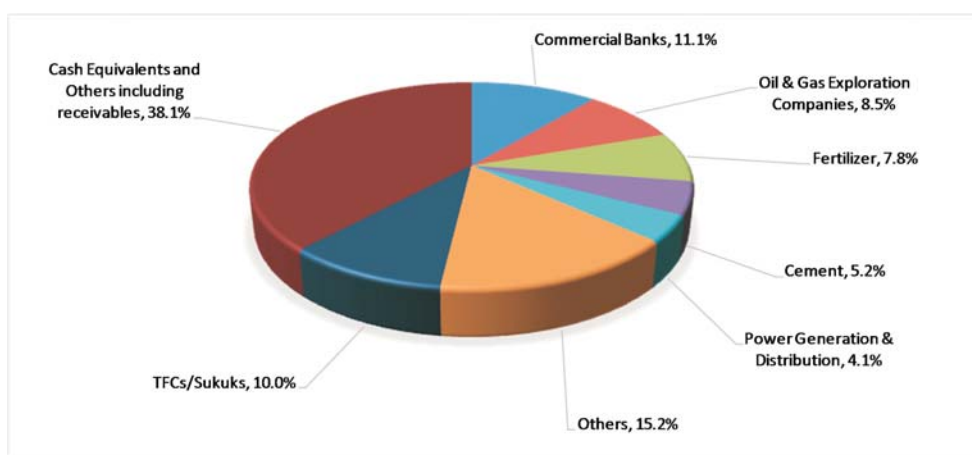




During the fiscal year, NBP Balanced Fund increased by 7.4% versus the benchmark increased by 10.7% translating into an underperformance of 3.3% during the year. The drag on the Fund performance was on account of lagged performance of some of its key holdings belonging to defensive sectors that continued to trade at steep valuation discount compared to the market, during the period under review. We expect these stocks to exhibit strong performance going ahead given their undemanding valuations. Since its launch (January 19, 2007), the Fund has risen by 369.4%, versus the benchmark return of 176.3%, thus to date outperformance is 193.1%. This outperformance is net of management fee and all other expenses. The Fund size is 1,382 million as of June 30, 2020.

NBP Balanced Fund has earned a total income of Rs 150.632 million during the year. After deducting total expenses of Rs.51.589 million, the net income is Rs 99.043 million. During the year, the unit price of NBP Balanced Fund has increased from Rs.16.4866 (Ex-Div) on June 30, 2019 to Rs.16.6917 on June 30, 2020. The resultant per unit gain is Rs.0.2051 (1.24%).

The asset allocation of NBP Balanced Fund as on June 30, 2020 is as follows:



## Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 6.20% of the opening ex-NAV (10.21% 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 auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retired and, Messrs Grant Thornton Anjum Rahman., Chartered Accountants, offer for appointment 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 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 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 21 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, 2020, the Board included:

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

## Acknowledgement

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

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

On behalf of the Board of  
**NBP Fund Management Limited**

Chief Executive

Director

Date: **September 17, 2020**  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP بیلنسڈ فنڈ کی چودہویں سالانہ رپورٹ برائے اختتامہ سال 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

مالی سال 2019-20ء، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KSE-100 انڈیکس میں سالانہ بنیادوں پر 1.5% کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 بلین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 بلین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 بلین امریکی ڈالر کی آمد جیسی مثبت خبروں کے باوجود مارکیٹ کا آغاز منفی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرمیکل 370 کی منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح 28,765 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں نقص کی مالیت کو واضح کر دیا۔ پرکشش مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلنس اکتوبر 2019ء میں سرپلس میں تبدیل ہوا اور مالی سال 20 کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 3 ارب ڈالر رہ گیا، جو سالانہ بنیادوں پر 78 فیصد کم ہوا۔ اسی طرح، کثیرالجہتی ایجنسیوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KSE-100 انڈیکس میں 16 اگست، 2019ء سے خطیر 50 فیصد اضافے کے ساتھ سے 13 جنوری 2020ء کی بلند ترین سطح پر پہنچا۔

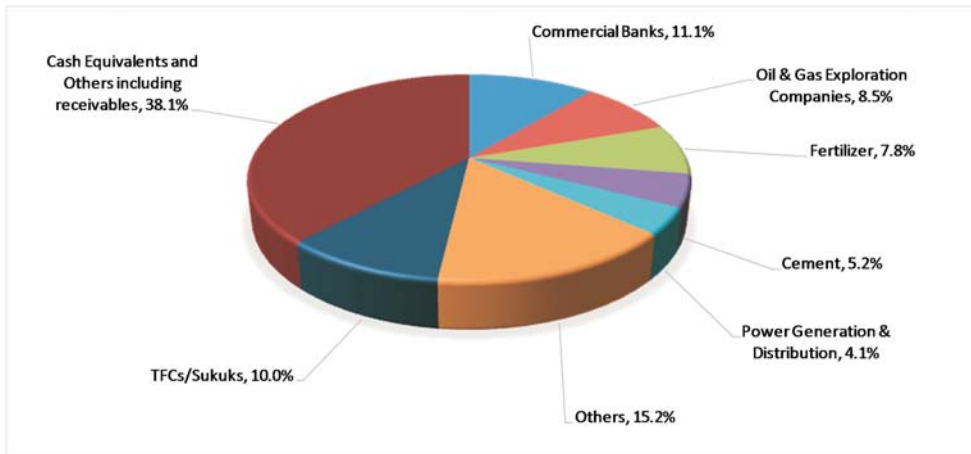
اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے معنی جٹ کے اندیشہ اور T-Bills سے ہاٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن/شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 37 فیصد گر گئی۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، پالیسی سازوں نے غیر معمولی مالی اور مالیاتی پالیسی اقدامات اٹھائے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو مجموعی طور پر 6.25 فیصد تک کم کیا اور کاروباری اداروں کی مدد اور قرضہ جاری رکھنے کے لئے، قرضوں کی ادائیگی سے متعلق کارپوریٹس/تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امدادی پیکج دینے کا اعلان کیا، جو جی ڈی پی کے 2.8 فیصد کے برابر ہے، جس میں معاشرے کے تمام طبقوں کے لئے ریلیف شامل ہے، جن میں غیر مراعات یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپڈ فنانسنگ انسٹرومنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود نسبتاً کم اموات کی شرح اور صحت یابی کی اعلیٰ شرحوں نے امیدوں کو بڑھایا کہ پاکستان کو بدترین خطرہ سے بچایا جاسکتا ہے جس کا پہلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھائی اور تقریباً تمام نقصان والے شعبوں کا احاطہ کیا اور سالانہ بنیاد پر 1.5 فیصد کی معمولی اضافے کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

زیر جائزہ مالی سال کے دوران شعبہ دارکارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسیریز، سینٹ، کیمیکلز، انجینئرنگ، کھاد، دوا سازی، کاغذ اور بورڈ، بیکنگ اور گلاس اینڈ سرامکس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوشن، اور ٹیکسٹائل کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 بلین امریکی ڈالر کے خالص ان فلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 بلین امریکی ڈالر کے ساتھ پوزیشن مستحکم کی دوسری جانب غیر ملکی سرمایہ کار 285 بلین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک/DFIs اور میوچل فنڈز بھی بالترتیب 55 بلین امریکی ڈالر اور 50 بلین امریکی ڈالر کے خالص آؤٹ فلو کے ساتھ نمایاں فروخت کنندہ رہے۔

مالی سال 2020ء کے دوران، TFCs/سٹاک میں تجارتی سرگرمی مالی سال 2019ء میں 16 بلین روپے کے مقابلے میں مالی سال 2020ء کے دوران 87 فیصد اضافے کے ساتھ تقریباً 29 بلین روپے کی مجموعی تجارتی قیمت رہی۔ طویل مدتی کرڈٹ کی طلب خاص طور پر پاور سیکٹور کے شعبے میں قابل ذکر حد تک بڑھ گئی جیسا کہ بنیادی اجراء میں اضافہ دیکھا گیا۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زر مبادلہ کی شرح گراؤ، (ii) یوٹی لٹیٹی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کئے گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019ء میں پالیسی کی شرح 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020ء کو منصفانہ 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 مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب 566bps، 580bps اور 608bps کی کمی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹائپس (27) T-Bills نیلامیاں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

زیر جائزہ مالی سال کے دوران، NBP ہیلنسڈ فنڈ 10.7% سٹاک مارکٹ اضافہ کے مقابلے میں 7.4% تک زیادہ ہوا جس کے نتیجے میں سال کے دوران 3.3% کی بہتر کارکردگی ظاہر کی۔ زیر جائزہ مدت کے دوران چند دفعتی شعبوں سے متعلقہ کلیدی ہولڈنگز جس نے مارکیٹ کے موازنہ میں کم قیمت پر تجارت جاری رکھی کی کارکردگی کی وجہ سے فنڈ کی کارکردگی میں اضافہ ہوا۔ ہم توقع کرتے ہیں کہ ان ذخائر کی وجہ سے مارکیٹ جذبات کی بہتری کے ساتھ کھوئے ہوئے مقام کو دوبارہ حاصل کریں گے جبکہ ان کی غیر متزلزل قیمتوں کا اندازہ ہوگا۔ اپنے آغاز (19 جنوری 2007) سے، فنڈ میں 176.3 فیصد سٹاک مارکیٹ ریٹرن کے مقابلے میں 369.4 فیصد اضافہ ہوا ہے، چنانچہ آج تک بہتر کارکردگی 193.1 فیصد ہے۔ یہ بہتر کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے علاوہ خالص ہے۔ فنڈ کا سائز 30 جون 2020 کو 1,382 ملین ہے۔

NBP ہیلنسڈ فنڈ کو سال کے دوران 150.632 ملین روپے کی کل آمدنی ہوئی ہے۔ 51.589 ملین روپے کے اخراجات کے شمار کے بعد، خالص آمدنی 99.043 ملین روپے ہے۔ 30 جون 2020 کے مطابق NBP ہیلنسڈ فنڈ کی ایٹ ایلوکیشن حسب ذیل ہے:



## آمدنی کی تقسیم

میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اوپننگ ex-NAV کا 6.20% (بنیادی قدر کا 10.21%) عبوری 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 آئٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

## آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے فنڈ کے آڈیٹ کی صلاحیت سے ریٹائرڈ ہو گئے۔ میسرز Grant Thornton انٹرمیڈیٹ، چارٹرڈ اکاؤنٹنٹس نے تقرری کے لئے اپنے آپ کو پیش کیا اور بورڈ نے 30 جون 2021 کو ختم ہونے والے سال میں میسرز Grant Thornton انٹرمیڈیٹ، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دی ہے۔

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

1. میٹجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلواور اینڈ 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 موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔



- 6\* فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7\* کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8\* پرفارمنس ٹیمیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9\* ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10\* اس مدت کے دوران بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 25 میں کی گئی ہے۔
- 11\* یونٹ ہولڈنگ کا تفصیلی پیرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12\* ڈائریکٹرز، ای ای او، ای 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 21 میں ظاہر کی گئی ہے۔
- 13\* 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 منارٹی انٹریسٹ نہیں رکھتی۔
- 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

نام	کلیگری
1* جناب خالد منصور	غیر جانبدار ڈائریکٹرز
2* جناب سعد امان اللہ خان	
3* جناب ہمایوں بشیر	
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
1* شیخ محمد عبدالواحد سیٹھی (چیئر مین)	نان ایگزیکٹو ڈائریکٹرز
2* جناب سعد الرحمان خان	
3* جناب سید حسن ارتضیٰ کاظمی	
4* جناب علی سید گل	
5* جناب عمران ظفر	

## اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

**NBP فنڈ بینجمنٹ 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 Balanced 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 Balanced Fund (NBF) is an Open-ended Balanced Fund.

### Investment Objective of the Fund

Objective of NBF is to provide investors with a combination of capital growth and income. NBF aims to achieve attractive returns at moderate levels of risk by investing in a variety of asset classes such as stocks, bonds, money market instruments, CFS etc.

### Benchmark

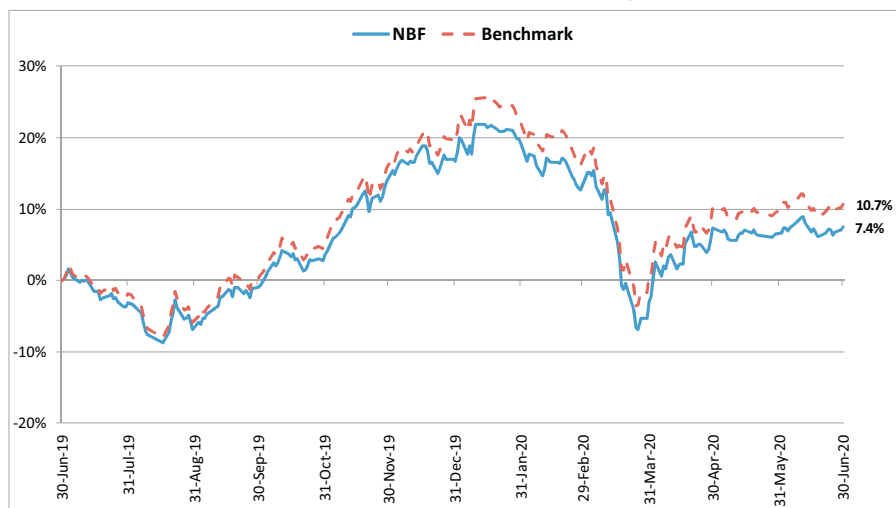
Daily weighted return of KSE-30 Total Return Index & 6-month KIBOR based on Fund's actual allocation, effective from September 01, 2016. Previously 50% KSE-30 Total Return Index & 50% 3-Month KIBOR.

### Fund Performance Review

This is the fourteenth annual report of the Fund. During the fiscal year, NBP Balanced Fund increased by 7.4% versus the benchmark increased by 10.7% translating into an underperformance of 3.3% during the year. Since its launch (January 19, 2007), the Fund has risen by 369.4%, versus the benchmark return of 176.3%, thus to date outperformance is 193.1%. This outperformance is net of management fee and all other expenses. Thus, NBF has met its investment objective. During the year, the fund size of NMF decreased by 2% to Rs. 1,382mn.

NBF underperformed during the year as the Fund was overweight in key stocks in Commercial Banks, Chemical, and Textile Composite sectors that underperformed the market and underweight in key stocks in Fertilizer, Cement, and Pharmaceutical sectors that outperformed the market, thereby contributing to the underperformance. The chart below shows the performance of NMF against the Benchmark for the year.

**NBF Performance vs. Benchmark during FY20**



At the start of the year, NBF was around 54.9% invested in equities. During the year, we altered the allocation of the Fund based on the expected performance of different asset classes. Towards the end of the year, the allocation in equities was around 51.9%.

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meagre 1.5% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 28,765 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 2020.



Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 37% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.5% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) the exchange rate depreciation; (ii) increase in utility prices; and (iii) 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 aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

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

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	51.9%	54.9%
TFCs / Sukuks	10.0%	6.7%
Placement with Banks	-	6.8%
Cash Equivalents	40.13%	33.0%
Other Net Liabilities	(2.03%)	(1.4%)
<b>Total</b>	<b>100%</b>	<b>100%</b>





## 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	10.21%	17.6851	16.6637

## Unit Holding Pattern of as on June 30, 2019:

Size of Unit Holding (Units)	# of Unit Holders
1-1000	145
1001-5000	119
5001-10000	37
10001-50000	82
50001-100000	18
100001-500000	28
500001-1000000	1
1000001-5000000	1
5000001-10000000	1
100000001-1000000000	2
<b>Total</b>	<b>434</b>

## During the period under question:

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

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 14.234 Million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.172 For details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.

## Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
Saudi Pak Leasing	TFC	27,547,410	27,547,410	-	-	-
Eden Housing (Sukuk II)	SUKUK	9,843,750	9,843,750	-	-	-
New Allied Electronics (Sukuk I)	SUKUK	10,000,000	10,000,000	-	-	-
<b>Total</b>		<b>47,391,160</b>	<b>47,391,160</b>	<b>-</b>	<b>-</b>	<b>-</b>



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

**To the Unit holders of NBP Balanced Fund**

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

### **Opinion**

We have audited the financial statements of the **NBP Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2020, but does not include the financial statements and our auditors' report thereon.

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

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

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

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



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

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

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

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

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

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

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

**Date: September 30, 2020**

**Karachi**

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



## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
<b>Assets</b>			
Bank Balances	5	554,469	464,789
Investments	6	855,228	960,831
Dividend and profit receivables	7	6,040	9,173
Advance, deposits and prepayment	8	3,853	3,842
Receivable against sale of investment		2,132	-
<b>Total assets</b>		<b>1,421,722</b>	<b>1,438,635</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	9	7,334	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee	10	225	230
Payable to Securities and Exchange Commission of Pakistan	11	285	1,352
Accrued expenses and other liabilities	12	32,159	26,409
<b>Total liabilities</b>		<b>40,003</b>	<b>34,501</b>
<b>Net assets</b>		<b>1,381,719</b>	<b>1,404,134</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,381,719</b>	<b>1,404,134</b>
<b>Contingency and commitment</b>	13		
		(Number of units)	
<b>Number of units in issue</b>	14	<b>82,778,864</b>	<b>85,168,283</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>16.6917</b>	<b>16.4866</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
<b>Income</b>			
Income From Term Finance Certificates And Sukuks		19,887	11,290
Income From Term Deposit Receipt		3,236	
Discount Income On Treasury Bills		12,845	8,862
Profit on bank deposits		39,581	58,574
Dividend Income		49,069	41,410
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - Net		23,824	(52,355)
Net unrealised appreciation / (diminution) on re-measurement of investments at FVTPL		2,190	(150,515)
<b>Total income / (loss)</b>		<b>150,632</b>	<b>(82,734)</b>
<b>Expenses</b>			
Remuneration To NBP Fund Management Limited - Management Company	9.1	21,553	31,809
Sindh Sales Tax on remuneration to Management Company	9.2	2,802	4,135
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1	2,423	2,590
Sindh Sales Tax on remuneration to Trustee	10.2	315	337
Selling and marketing expenses	9.3	17,913	5,455
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	1,423	1,590
Annual fee - Securities and Exchange Commission of Pakistan	11	285	1,352
Securities transaction cost		1,016	1,926
Auditors' remuneration	15	688	717
Settlement and bank charges		737	646
Mutual fund rating fee		232	212
Legal And Professional Charges		112	76
Printing Charges		41	40
Annual listing fee		28	28
<b>Total expenses</b>		<b>49,568</b>	<b>50,913</b>
<b>Net income / (loss) from operating activities</b>		<b>101,064</b>	<b>(133,647)</b>
Provision for Sindh Workers' Welfare Fund	12.1	(2,021)	-
<b>Net income / (loss) for the year before taxation</b>		<b>99,043</b>	<b>(133,647)</b>
Taxation	16	-	-
<b>Net Income / (loss) for the year</b>		<b>99,043</b>	<b>(133,647)</b>
<b>Allocation of net income for the year</b>			
Net income for the year		99,043	-
Income already paid on units redeemed		(311)	-
		<b>98,732</b>	<b>-</b>
<b>Accounting income available for distribution:</b>			
Relating to capital gains		25,947	-
Excluding capital gains		72,785	-
		<b>98,732</b>	<b>-</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
Net Income / (loss) for the year		99,043	(133,647)
Other comprehensive income		-	-
<b>Total comprehensive income / (loss) for the year</b>		<b>99,043</b>	<b>(133,647)</b>

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



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

	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	894,200	509,934	1,404,134	1,010,443	643,581	1,654,024
Issue of 4,551,136 units (2019: 4,517,756 units)						
- Capital value	75,212	-	75,212	81,358	-	81,358
- Element of income	3,559	-	3,559	(653)	-	(653)
Total proceeds on issuance of units	78,771	-	78,771	80,705	-	80,705
Redemption of 6,940,555 units (2019: 11,197,078 units)						
- Capital value	(114,426)	-	(114,426)	(201,642)	-	(201,642)
- Element of loss	(3,677)	(311)	(3,988)	4,694	-	4,694
Total payments on redemption of units	(118,103)	(311)	(118,414)	(196,948)	-	(196,948)
Total comprehensive Income / (loss) for the year	-	99,043	99,043	-	(133,647)	(133,647)
Interim Distribution for the year ended 30 June 2020	14.2					
- Cash distribution	-	(81,636)	(81,636)	-	-	-
- Refund of capital	(179)	-	(179)	-	-	-
	(179)	(81,636)	(81,815)	-	-	-
<b>Net assets at end of the year</b>	<b>854,689</b>	<b>527,030</b>	<b>1,381,719</b>	<b>894,200</b>	<b>509,934</b>	<b>1,404,134</b>
Undistributed income brought forward						
- Realised		660,449			730,114	
- Unrealised		(150,515)			(86,533)	
		509,934			643,581	
Accounting income available for distribution: Relating to capital gains Excluding capital gains		25,947 72,785 98,732			- - -	
Total comprehensive loss for the year		-			(133,647)	
Interim Distribution for the year ended 30 June 2020	14.2					
- Cash distribution		(81,636)			-	
Undistributed income carried forward		527,030			509,934	
Undistributed income carried forward						
- Realised		524,840			660,449	
- Unrealised		2,190			(150,515)	
		527,030			509,934	
			(Rupees)		(Rupees)	
Net assets value per unit at beginning of the year			16.4866			18.0084
Net assets value per unit at end of the year			16.6917			16.4866

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

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

Chief Financial Officer

Chief Executive Officer

Director





## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
<b>CASH FLOWS FOR THE YEAR FROM OPERATING ACTIVITIES</b>			
Net Income / (loss) for the year		99,043	(133,647)
<b>Adjustments:</b>			
Net unrealised (appreciation) / diminution on re-measurement of investments at FVTPL		(2,190)	150,515
		96,853	16,868
<b>Decrease / (increase) in assets</b>			
Investments		107,793	(164,097)
Dividend and profit receivables		3,133	(3,166)
Advance, deposits and prepayment		(11)	(110)
Receivable against sale of investment		(2,132)	-
		108,783	(167,373)
<b>Decrease / (increase) in liabilities</b>			
Payable to NBP Fund Management Limited - Management Company		824	1,975
Payable to Central Depository Company of Pakistan Limited - Trustee		(5)	(83)
Payable to Securities and Exchange Commission of Pakistan		(1,067)	(124)
Accrued expenses and other liabilities		5,750	15
		5,502	1,783
<b>Net cash generated / (used in) from operating activities</b>		211,138	(148,722)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	18		
Amounts received against issuance of units		78,592	80,705
Payment against redemption of units		(118,414)	(196,948)
Distributions paid		(81,636)	-
<b>Net cash used in financing activities</b>		(121,458)	(116,243)
<b>Net increase / (decrease) in cash and cash equivalents</b>		89,680	(264,965)
Cash and cash equivalents at beginning of the year		464,789	729,754
<b>Cash and cash equivalents at end of the year</b>	5	554,469	464,789

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The NBP Balanced Fund 'the Fund' was established under a Trust Deed executed between the NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Trust Deed was executed on 06 December 2006 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) on 01 December 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund classified as a "balanced scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The core objective of the Fund is to provide its investors with a combination of capital growth and income. The Fund aims to achieve attractive returns at moderate levels of risk by investing in a variety of asset classes such as stocks, bonds, money market instruments etc.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company, long term and short term performance ranking of '4 star' to the Fund.
- 1.6 Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

#### 2.2 Accounting convention

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



## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgments

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

- (a) Valuation of investment (Note 4.2.4)
- (b) Provisions (Note 4.4)
- (c) Element of income (Note 4.7)
- (d) Classification and impairment of financial assets (Note 4.2.1 and 4.2.5)

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The application of amendments are not likely to have an impact on the Fund's financial statements.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The application of amendments are not likely to have an impact on the Fund's financial statements.



- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021 and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are



recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendment retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The application of amendments are not likely to have an impact on the Fund's financial statements.

#### **Annual Improvements to IFRS standards 2018-2020:**

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The application of above amendments are not likely to have an impact on the Fund's financial statements.

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

### **4.1 New, Amended and Revised Standards and Interpretations of IFRSs**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

### **4.2 Financial Assets**

#### **4.2.1 Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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



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

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

## **Business model assessment**

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

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

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

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

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

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

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

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes only cash and cash equivalents and receivables, if any. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt and equity securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.



## Reclassifications

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

### 4.2.2 Regular way contracts

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

### 4.2.3 Initial recognition and measurement

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

### 4.2.4 Subsequent measurement

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

#### Financial assets at FVTPL

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

#### Financial assets at amortised cost

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

The fair value of financial assets are determined as follows:

#### a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### b) Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

#### c) Basis of valuation of equity securities

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

### 4.2.5 Impairment of financial assets

#### Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs,



the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Funds' historical experience and informed credit assessment and including forward-looking information.

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

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

#### **4.2.6 Derecognition**

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

#### **4.2.7 Offsetting of financial assets and liabilities**

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

#### **4.2.8 Cash and cash equivalents**

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

#### **4.2.9 Securities purchased under repurchased agreement**

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo transaction.

All reverse repo transactions are accounted for on the settlement date.

#### **4.2.10 Derivatives**

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

#### **4.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

#### **4.4 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.





## 4.5 Taxation

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

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

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

## 4.6 Issue and redemption of units

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

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

## 4.7 Element of Income

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

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

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

## 4.8 Earnings per unit

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

## 4.9 Net assets value per unit

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



## 4.10 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

## 4.11 Distributions

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

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

## 5 BANK BALANCES

	Note	2020 (Rupees in '000)	2019
In current accounts		6,592	6,163
In savings accounts	5.1 & 5.2	547,877	458,626
		<u>554,469</u>	<u>464,789</u>

5.1 These carry a rate of return ranging from 6.50%% to 13.30% (2019: 3.75% to 13.85%) per annum.

5.2 This includes cheques amounting to Rs. 0.23 million (2019: Rs. 0.55 million) issued on account of redemption of units and the cheques amounting to Rs. 0.54 million (2019: Rs. Nil) received on account of issuance of units as at year end.

## 6 INVESTMENTS

	Note	2020 (Rupees in '000)	2019
<b>Investments by category</b>			
<b>Financial assets 'at fair value through profit or loss'</b>			
- Listed equity securities	6.1	716,571	770,498
- Term finance certificates - listed	6.2	-	-
- Term finance certificates - unlisted	6.3	62,085	94,588
- Sukuk bonds	6.5	76,572	-
- Term deposit receipt	6.6	-	95,745
		<u>855,228</u>	<u>960,831</u>



## 6.1 Equity securities - Listed - at fair value through profit or loss

All shares have a nominal face value of Rs 10 each, except for shares of Thal Limited and Shabbir Tiles and Ceramics Limited which have a face value of Rs 5 and K Electric Limited which has a face value of Rs 3.5.

Name of the investee company	As at 1 July 2019	Purchases during the year	Bonus issue during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value / carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
	----- (Number of Shares) -----						(Rupees in '000)	----- (%) -----		
<b>Oil &amp; Gas Exploration Companies</b>										
Oil and Gas Development Company Limited (Refer 6.1.1)	413,396	225,500	-	-	296,800	342,096	37,288	2.70	5.20	0.01
Pakistan Oilfields Limited	61,623	33,900	-	-	82,000	13,523	4,742	0.34	0.66	-
Pakistan Petroleum Limited (Refer 6.1.1)	304,452	238,500	78,890	-	269,500	352,342	30,576	2.21	4.27	0.01
Mari Petroleum Limited	26,376	7,300	3,368	-	480	36,564	45,216	3.27	6.31	0.03
	<b>805,847</b>	<b>505,200</b>	<b>82,258</b>	<b>-</b>	<b>648,780</b>	<b>744,525</b>	<b>117,822</b>	<b>8.52</b>	<b>16.44</b>	
<b>Oil &amp; Gas Marketing Companies</b>										
Attock Petroleum Limited	16,261	-	-	-	-	16,261	4,963	0.36	0.69	0.02
Hascol Petroleum Limited (Refer 6.1.2)	2,152	-	-	-	1,375	777	11	-	-	-
Pakistan State Oil Company Limited (Refer 6.1.2)	95,319	54,300	25,924	-	61,700	113,843	18,005	1.30	2.51	0.02
Sui Northern Gas Pipelines Limited	161,000	241,500	-	-	306,500	96,000	5,242	0.38	0.73	0.02
	<b>274,732</b>	<b>295,800</b>	<b>25,924</b>	<b>-</b>	<b>369,575</b>	<b>226,881</b>	<b>28,221</b>	<b>2.04</b>	<b>3.93</b>	
<b>Fertilizer</b>										
Engro Fertilizers Limited	449,001	394,500	-	-	572,000	271,501	16,366	1.18	2.28	0.02
Engro Corporation Limited	156,220	52,500	-	-	65,101	143,619	42,069	3.04	5.87	0.02
Fauji Fertilizer Bin Qasim Limited	-	330,000	-	-	215,500	114,500	1,827	0.13	0.25	0.01
Fauji Fertilizer Company Limited	475,501	204,000	-	-	242,600	436,901	48,055	3.48	6.71	0.03
	<b>1,080,722</b>	<b>981,000</b>	<b>-</b>	<b>-</b>	<b>1,095,201</b>	<b>966,521</b>	<b>108,317</b>	<b>7.83</b>	<b>15.11</b>	
<b>Chemical</b>										
Engro Polymer & Chemicals Limited	453,623	644,500	-	-	175,000	923,123	23,060	1.67	3.22	0.10
Lotte Chemical Pakistan Limited	425,000	-	-	-	425,000	-	-	-	-	-
	<b>878,623</b>	<b>644,500</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>923,123</b>	<b>23,060</b>	<b>1.67</b>	<b>3.22</b>	
<b>Cement</b>										
Cherat Cement Co. Limited	48,800	-	-	-	48,800	-	-	-	-	-
D.G. Khan Cement Co. Limited	-	199,000	-	-	102,500	96,500	8,234	0.60	1.15	0.02
Fauji Cement Co. Limited	-	699,000	-	-	245,000	454,000	7,664	0.55	1.07	0.03
Kohat Cement Co. Limited	102,250	21,500	-	-	49,000	74,750	10,274	0.74	1.43	0.04
Lucky Cement Limited (Refer 6.1.1)	41,364	56,300	-	-	-	97,664	45,080	3.26	6.29	0.03
Maple Leaf Cement Factory	45,000	-	-	-	45,000	-	-	-	-	-
	<b>237,414</b>	<b>975,800</b>	<b>-</b>	<b>-</b>	<b>490,300</b>	<b>722,914</b>	<b>71,252</b>	<b>5.15</b>	<b>9.94</b>	
<b>Automobile Assembler</b>										
Honda Atlas Cars (Pakistan) Limited	-	38,700	-	-	-	38,700	7,495	0.54	1.05	0.03
Indus Motor Company Limited	1,220	-	-	-	-	1,220	1,214	0.09	0.17	-
Millat Tractors Limited	-	13,500	-	-	1,300	12,200	8,615	0.62	1.20	0.02
	<b>1,220</b>	<b>52,200</b>	<b>-</b>	<b>-</b>	<b>1,300</b>	<b>52,120</b>	<b>17,324</b>	<b>1</b>	<b>2</b>	
<b>Automobile Parts &amp; Accessories</b>										
Thal Limited	11	-	-	-	-	11	4	-	-	-
	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>4</b>	<b>-</b>	<b>-</b>	
<b>Engineering</b>										
Aisha Steel Limited	-	177,000	-	-	177,000	-	-	-	-	-
International Industries Limited	32,000	-	3,200	-	35,200	-	-	-	-	-
International Steels Limited	105,100	124,000	-	-	131,000	98,100	5,067	0.37	0.71	0.02
Mughal Iron & Steel Industries	381,000	211,000	-	-	-	592,000	23,609	1.71	3.29	0.24
	<b>518,100</b>	<b>512,000</b>	<b>3,200</b>	<b>-</b>	<b>343,200</b>	<b>690,100</b>	<b>28,676</b>	<b>2.08</b>	<b>4.00</b>	



Name of the investee company	As at 1 July 2019	Purchases during the year	Bonus issue during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value / carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
	(Number of Shares)						(Rupees in '000)	(%)		
<b>Food &amp; Personal Care Products</b>										
Fauji Foods Limited	10,500	-	-	-	10,500	-	-	-	-	-
Matco Foods Limited	131,000	-	-	-	-	131,000	2,497	0.18	0.35	0.11
	<b>141,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,500</b>	<b>131,000</b>	<b>2,497</b>	<b>0</b>	<b>0</b>	
<b>Glass &amp; Ceramics</b>										
Shabbir Tiles & Ceramics Limited	100,000	-	-	-	-	100,000	798	0.06	0.11	0.06
Tariq Glass Industries Limited	119,500	2,500	61,000	-	-	183,000	11,807	0.85	1.65	0.17
	<b>219,500</b>	<b>2,500</b>	<b>61,000</b>	<b>-</b>	<b>-</b>	<b>283,000</b>	<b>12,605</b>	<b>0.91</b>	<b>1.76</b>	
<b>Insurance</b>										
Adamjee Insurance Co. Limited	90,500	-	-	-	-	90,500	2,996	0.22	0.42	0.03
	<b>90,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,500</b>	<b>2,996</b>	<b>0</b>	<b>0</b>	
<b>Paper &amp; Board</b>										
Century Paper & Board Mills	145,400	-	-	-	55,000	90,400	6,470	0.47	0.90	0.06
Cherat Packaging Limited	79,100	-	7,910	-	-	87,010	10,193	0.74	1.42	0.20
Packages Limited	-	13,500	-	-	-	13,500	4,687	0.34	0.65	0.02
	<b>224,500</b>	<b>13,500</b>	<b>7,910</b>	<b>-</b>	<b>55,000</b>	<b>190,910</b>	<b>21,350</b>	<b>1.55</b>	<b>2.97</b>	
<b>Pharmaceuticals</b>										
AGP Limited	-	20,000	-	-	20,000	-	-	-	-	-
Highnoon Laboratories Limited	1,140	-	-	-	-	1,140	629	0.05	0.09	-
The Searle Company Limited	-	9,000	-	-	-	9,000	1,793	0.13	0.25	-
	<b>1,140</b>	<b>29,000</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>10,140</b>	<b>2,422</b>	<b>0.18</b>	<b>0</b>	
<b>Power Generation &amp; Distribution</b>										
Hub Power Company Limited	573,916	213,500	-	-	198,500	588,916	42,697	3.09	5.95	0.05
K- Electric Limited	900,000	-	-	-	545,000	355,000	1,069	0.08	0.15	-
Lalpir Power Limited	644,000	-	-	-	100,000	544,000	6,348	0.46	0.89	0.14
Pakgen Power Limited	373,000	-	-	-	-	373,000	4,480	0.32	0.63	0.10
Saif Power Limited	130,000	-	-	-	-	130,000	2,089	0.15	0.29	0.03
	<b>2,620,916</b>	<b>213,500</b>	<b>-</b>	<b>-</b>	<b>843,500</b>	<b>1,990,916</b>	<b>56,683</b>	<b>4.10</b>	<b>7.91</b>	
<b>Technology &amp; Communication</b>										
Avaeon Limited	23,200	-	-	-	23,200	-	-	-	-	-
NetSol Technologies Limited	185,800	-	-	-	40,000	145,800	7,248	0.52	1.01	0.16
P.T.C.L. "A"	480,000	-	-	-	480,000	-	-	-	-	-
Systems Limited	83,550	-	-	-	-	83,550	15,346	1.11	2.14	0.07
	<b>772,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>543,200</b>	<b>229,350</b>	<b>22,594</b>	<b>2</b>	<b>3</b>	
<b>Textile Composite</b>										
Azgard Nine ( Non- Voting)	807,000	-	-	-	-	807,000	5,649	0.41	0.78	13.53
Gul Ahmed Textile Mills Limited	579,500	-	88,300	-	176,000	491,800	14,080	1.02	1.96	0.11
Interloop Limited	105,918	-	-	-	-	105,918	4,652	0.34	0.65	0.01
Kohinoor Textile Mills Limited (Refer 6.1.2)	179,113	-	-	-	-	179,113	6,360	0.46	0.89	0.06
Nishat ( Chunian) Limited	194,000	-	-	-	126,000	68,000	2,207	0.16	0.31	0.03
Nishat Mills Limited (Refer 6.1.1)	134,700	80,500	-	-	30,000	185,200	14,447	1.05	2.02	0.05
	<b>2,000,231</b>	<b>80,500</b>	<b>88,300</b>	<b>-</b>	<b>332,000</b>	<b>1,837,031</b>	<b>47,395</b>	<b>3</b>	<b>7</b>	
<b>Vanaspati and Allied Industries</b>										
Unity Foods Limited - Right	14	-	-	-	14	-	-	-	-	-
	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	



Name of the investee company	As at 1 July 2019	Purchases during the year	Bonus issue during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value / carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of investments	Percentage of paid-up capital of the investee company held
	----- (Number of Shares) -----						(Rupees in '000)	----- (%) -----		
<b>Commercial Banks</b>										
Allied Bank Limited	254,300	-	-	-	196,500	57,800	4,426	0.32	0.62	0.01
Askari Bank Limited	130,000	-	-	-	130,000	-	-	-	-	-
Bank Alfalah Limited	1,042,050	127,000	-	-	226,474	942,576	31,642	2.29	4.42	0.05
Bank Al Habib Limited (Refer 6.1.1)	433,400	82,000	-	-	55,000	460,400	24,079	1.74	3.36	0.04
Bank of Punjab	737,500	-	-	-	327,000	410,500	3,448	0.25	0.48	0.02
Faysal Bank Limited (Refer 6.1.2)	228,097	-	-	-	200,770	27,327	381	0.03	0.05	-
Habib Bank Limited	349,680	70,500	-	-	38,000	382,180	37,022	2.68	5.17	0.03
MCB Bank Limited	91,600	65,000	-	-	16,500	140,100	22,706	1.64	3.17	0.01
Meezan Bank Limited	17,793	33,500	-	-	-	51,293	3,532	0.26	0.49	-
National Bank of Pakistan	70,000	62,500	-	-	-	132,500	3,664	0.27	0.51	0.01
United Bank Limited	383,091	-	-	-	166,700	216,391	22,366	1.62	3.12	0.02
	<b>3,737,511</b>	<b>440,500</b>	<b>-</b>	<b>-</b>	<b>1,356,944</b>	<b>2,821,067</b>	<b>153,266</b>	<b>11</b>	<b>21</b>	
<b>MISCELLANEOUS</b>										
Synthetic Products Limited	2,000	-	80	-	-	2,080	87	0.01	0.01	-
	<b>2,000</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>2,080</b>	<b>87</b>	<b>0.01</b>	<b>0.01</b>	
<b>Total - 30 June 2020</b>	<b>13,607,031</b>	<b>4,746,000</b>	<b>268,672</b>	<b>-</b>	<b>6,709,500</b>	<b>11,912,189</b>	<b>716,571</b>	<b>52</b>	<b>100</b>	

**6.1.1** Investments include shares with market value of Rs. 40.06 million (30 June 2019: Rs. 33.86 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no.11 dated 23 October 2007 issued by the SECP.

**6.1.2** The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the Company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case.

During the year ended 30 June 2018, the Honourable Supreme Court of Pakistan (HSC) passed a judgement on 27 June 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended 30 June 2019. After that, the CISs have filed a fresh constitutional petition via CP 4653 dated 11 July 2019. In this regard, on 15 July 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from 1 July 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

Accordingly, the investee company(s) has withheld the shares equivalent to 5% of bonus announcement amounting to Rs. 2.89 million (30 June 2019: Rs. 0.92 million) and not yet deposited in CDC account of department of Income Tax.



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

All term finance certificates have a face value of Rs 5,000 each unless stated otherwise

Name of the investee company	Number of certificates			As at 30 June 2020	As at 30 June 2020 Market value / carrying value  (Rupees in '000)	Market value as a percentage of net assets ----- (%)	Market value as a percentage of total investments ----- (%)
	As at 01 July 2019	Purchases during the year	Disposals during the year				
Saudi Pak Leasing Company Limited (note 6.2.1)	10,000	-	-	10,000	-	-	-

**6.2.1** This represents investment in term finance certificates with original term of nine years. On 13 October 2011 the investee company defaulted on its obligation on account of principal and profit payment. The investee company rescheduled its term on 26 December 2011 with a new maturity in March 2017. The said TFCs complied with repayment terms since it was rescheduled and had been reclassified as performing as per criteria defined in circular no. 1 of 2009. However, the investee company again defaulted on its obligation on account of principal and profit payment for the month of April 2014 and was therefore declared as Non Performing Asset (NPA) since 30 April 2014. The amount of provision of Rs. 27.547 million as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular.

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

All term finance certificates have a face value of Rs 5,000 each unless stated otherwise

Name of the investee company	Number of certificates			As at 30 June 2020	Market value /carrying value as at 30 June 2020  (Rupees in '000)	Market value as a percentage of net assets ----- (%)	Market value as a percentage of total investments ----- (%)
	As at 01 July 2019	Purchases during the year	Disposals during the year				
Jahangir Siddiqui and Company Limited	8,000	-	-	8,000	9,848	0.71	1.15
Jahangir Siddiqui and Company Limited	17,100	-	-	17,100	52,237	3.78	6.11
					<u>62,085</u>		

## 6.4 Significant terms and conditions of term finance certificates and sukuks outstanding at the year end are as follows:

	Number of certificates	Repayment Frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
<b>Unsecured</b>							
<b>Listed term finance certificates</b>							
Saudi Pak Leasing Company Limited	10,000	Monthly	2,755	6.87% Fixed rate	13 March 2008	13 March 2017	Unrated
<b>Unlisted term finance certificates</b>							
Jahangir Siddiqui and Company Limited	8,000	Semi Annually	1,250	6 Month KIBOR offer rate plus 1.65%	24 June 2016	24 June 2021	AA+
Jahangir Siddiqui and Company Limited	17,100	Semi Annually	3,125	6 Month KIBOR offer rate plus 1.4%	18 July 2017	18 July 2022	AA+



## 6.5 Sukuk bonds - unlisted - at fair value through profit or loss

All sukuks have a face value of Rs. 5,000

Name of the investee company	Number of certificates				Market value /carrying value as at 30 June 2020 (Rupees in '000)	Market value as a percentage of net assets (%)	Market value as a percentage of total investments
	As at 01 July 2019	Purchases during the year	Disposals during the year	As at 30 June 2020			
Hub Power Company Limited	-	500	-	500	51,072	3.70	0.00
Shakarganj Food Products Limited	-	30	-	30	25,500	1.85	0.00
New Allied Electronics Industries (Private) Limited (note 6.5.1)	32,000	-	-	32,000	-	-	-
Eden Housing Limited (note 6.5.2)	10,000	-	-	10,000	-	-	-
<b>Total as at 30 June 2020</b>	<b>42,000</b>	<b>530</b>	<b>-</b>	<b>42,530</b>	<b>76,572</b>	<b>5.54</b>	<b>0.00</b>

6.5.1 This represents investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as NPA by MUFAP since 9 January 2009. The amount of provision of Rs. 19,844 as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. This has been classified as 'fair value through profit and loss' as per IFRS 09 from this year.

6.5.2 This represents investment in privately placed sukuk bonds with a term of five years. On 06 May 2011, the issuer has defaulted its scheduled principal and profit payment and therefore it was classified as NPA by MUFAP. The amount of provision of Rs. 19.844 million as per circular no. 1 of 2009 and circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circular. This has been classified as 'fair value through profit and loss' as per IFRS 09 from this year.

6.5.3 The sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

6.5.4 Significant terms and conditions of sukuks bonds outstanding at the year end are as follows:

	Number of certificates	Repayment Frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
<b>Secured</b>							
<b>Unlisted sukuk</b>							
New Allied Electronics Industries (Private) Limited	32,000	Quarterly	313	3 Month KIBOR offer rate plus 2.6%	27 July 2007	25 July 2016	Unrated
Eden Housing Limited	10,000	Quarterly	984	3 Month KIBOR offer rate plus 3%	31 March 2008	29 September 2016	Unrated

6.6 This represents TDR placed with JS Bank Limited carrying mark-up at the rate of 13.20% per annum (2019: 13.20% per annum) and matures on 27 September 2019.

## 7 DIVIDEND AND PROFIT RECEIVABLES

	2020 (Rupees in '000)	2019
Profit receivables on savings accounts	1,153	4,758
Dividend receivables	-	132
Profit receivable on term deposit receipts	-	139
Accrued Markup on Term finance certificates and sukuks	14,075	13,332
Less: Income suspended over non-performing term financ certificates and sukuks	(9,188)	(9,188)
	6.2.1 & 6.5.2	
	4,887	4,144
	6,040	9,173



8	<b>ADVANCE, DEPOSITS AND PREPAYMENT</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
			<b>(Rupees in '000)</b>	
	Advance tax	8.1	<b>882</b>	882
	Security deposits with:			
	- Central Depository Company of Pakistan Limited		<b>100</b>	100
	- National Clearing Company of Pakistan Limited		<b>2,750</b>	2,750
	Prepaid Mutual Fund Rating fee		<b>121</b>	110
			<b>3,853</b>	<b>3,842</b>

- 8.1** 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 dividend and profit on bank deposit and investment paid to the Fund has been 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 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on dividends and profit on bank deposits as at 30 June 2020 amounts to Rs. 0.882 million (2019: Rs. 0.882 million).

For this purpose, the 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 High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by HCS in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court (HSC) through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the HSC by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the HSC granted the petitioners leave to appeal from the initial judgement of HCS. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as Advance tax as at 30 June 2020 as in the opinion of the management, the amount of tax deducted at source will be refunded.

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

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>(Rupees in '000)</b>	
Management remuneration	9.1	<b>1,729</b>	2,381
Sindh Sales Tax on management remuneration	9.2	<b>225</b>	310
Sales and transfer load		<b>51</b>	8
Sindh Sales Tax on sales load		<b>7</b>	1
Selling and marketing expense	9.3	<b>4,975</b>	3,048
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	<b>347</b>	762
		<b>7,334</b>	<b>6,510</b>

- 9.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets of the fund till 11 July 2019 and with effect from 12 July 2019 the Management Company has revised its remuneration rate and charged it at the rate of 1.5% of the average net assets of the fund.





**9.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on management remuneration and sales load.

**9.3** As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme upto 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived capping for charging selling and marketing expense. Subsequently, the Management Company has revised selling and marketing expenses rate during the year and charged accordingly as follows:

Period	Rate per annum
1 July 2019 to 11 July 2019	0.4% of net assets or actual expense whichever is lower.
12 July 2019 to 16 December 2019	1.15% of net assets or actual expense whichever is lower.
17 July 2019 to 10 May 2020	1.35% of net assets or actual expense whichever is lower.
11 May 2019 to 30 June 2020	1.5% of net assets or actual expense whichever is lower.

**9.4** In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. On 20 June 2019 SECP vide S.R.O. 639 (I)/2019, has substituted clause (s) of sub regulation 3 of regulation 60 and accordingly has removed cap of charging 0.1% per annum of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services. However, the Management Company is charging 0.1% of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services.

<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<b>Note</b>	<b>2020</b> <b>(Rupees in '000)</b>	<b>2019</b>
Trustee remuneration	10.1	<b>199</b>	204
Sindh Sales Tax on Trustee remuneration	10.2	<b>26</b>	26
		<b>225</b>	<b>230</b>

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

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.7 million or 0.20% per annum of net asset value whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net asset value exceeding Rs. 1,000 million.

With effective from 1 July 2019 the Trustee has revised its remuneration which is as follows:

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.20% per annum of net asset value
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net asset value exceeding Rs. 1,000 million.

The remuneration is paid to Trustee monthly in arrears.



- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on trustee remuneration.

## 11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as a balanced scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan. An amount equal to 0.085 percent of the average annual net assets of the Fund has been charged till 30 June 2019 and with effective from 1 July 2019 SECP has revised its fee rate to 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears. The fee is paid annually in arrears.

## 12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 (Rupees in '000)	2019
Provision for Sindh Workers' Welfare Fund	12.1	14,235	12,213
Federal Excise Duty on management remuneration	12.2	11,587	11,587
Federal Excise Duty on sales load		818	818
Dividend payable		493	493
Auditors' remuneration		540	531
Brokerage fee		176	176
Settlement charges		233	85
Withholding tax		3,591	215
Legal fee		95	20
Others		303	271
CGT Payable		88	-
		<b>32,159</b>	<b>26,409</b>

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

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

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

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



The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 20.023 million and a provision for SWWF of Rs. 11.619 million upto 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.1721 per unit (2019: Rs 0.1434).

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

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

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

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 11.942 million out of which Rs. 0.355 million have been paid to the Management Company (30 June 2019: Rs. 11.942 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.1499 (30 June 2019: Rs. 0.14) per unit.

## 13 CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 30 June 2020 (2019: Nil).

## 14 NUMBER OF UNITS IN ISSUE

	Note	2020 (Number of units)	2019
Total units in issue at beginning of the year		85,168,283	91,847,605
Add: units issued against			
- Sale	14.1	4,540,411	4,517,756
- Refund of capital at zero value	14.2	10,725	-
Less: units redeemed		(6,940,555)	(11,197,078)
Total units in issue at end of the year		82,778,864	85,168,283

- 14.1** This includes 2,548,340 units issued against Dividend Reinvestment Plan amounting to Rs. 42,380,683, net of taxation.

- 14.2** The Management Company on 24 June 2020 declared interim distribution amounted to Rs. 1.0214 per unit (for full period) for the year ended 30 June 2020. The aggregate cash distribution is Rs. 81.636 million was in addition to refund of capital / element of income by issuing 10,725 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.



## 15 AUDITORS' REMUNERATION

2020 2019  
(Rupees in '000)

Audit fee	355	390
Half yearly review	164	191
	169	136
	<b>688</b>	<b>717</b>

## 16 TAXATION

The Fund's income is exempt from Income Tax as per 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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.11 and 14.2), no provision for taxation has been made in these financial statements.

## 17 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA OF ASSIGNED CATEGORY

The Securities and Exchange Commission of Pakistan (SECP) vide circular no. 7 of 2009 dated 06 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Balanced Fund'.

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

The following are the details of non-compliant investments:

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Value as a percentage of net assets	Value as a percentage of gross assets
			(Rupees in '000)			(%)	
New Allied Electronic Industries (Private) Limited	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates	10,000	(10,000)	-	-	-
Saudi Pak Leasing Company	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Term finance certificates (17.1)	27,547	(27,547)	-	-	-
Eden Housing Limited	Rating is below A- (A minus) as prescribed in clause (iv) of circular 7 of 2009	Sukuks	9,844	(9,844)	-	-	-

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

17.2 The management is taking steps to ensure compliance with the above requirements.



## 18 RECONCILIATION OF RECEIVABLE AND LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend payable	Total
----- (Rupees in '000) -----				
Balance as at 1 July 2019	-	-	-	-
Receivable against issuance of units	78,592	-	-	(78,592)
Payable against redemption of units	-	118,414	-	118,414
Dividend Payable	-	-	81,636	81,636
	78,592	118,414	81,636	121,458
Amount received on issuance of units	(36,211)	-	-	36,211
Amount paid on redemption of units	-	(118,414)	-	(118,414)
Dividend reinvested	(42,381)	-	(45,795)	(3,414)
Dividend paid	-	-	(35,841)	(35,841)
	(78,592)	(118,414)	(81,636)	(121,458)
<b>Balance as at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 19 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 3.63% per annum. Total expense ratio (excluding government levies) is 3.25% per annum.

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020		
	At Amortised Cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----			
<b>Assets</b>			
Bank balances	554,469	-	554,469
Investments	-	855,228	855,228
Dividend and profit receivables	6,040	-	6,040
Deposits	2,850	-	2,850
Receivable against sale of investment	2,132	-	2,132
	<b>565,491</b>	<b>855,228</b>	<b>1,420,719</b>



30 June 2020

	At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----			
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	-	7,334	7,334
Payable to Central Depository Company of Pakistan Limited - Trustee	-	225	225
Accrued expenses and other liabilities	-	1,840	1,840
	<u>-</u>	<u>9,399</u>	<u>9,399</u>

30 June 2019

	At Amortised Cost	At fair value through profit or loss	Mandatorily at fair value through profit or loss	Total
----- (Rupees in '000) -----				
<b>Assets</b>				
Bank balances	464,789	-	-	464,789
Investments	-	95,745	865,086	960,831
Profit receivables	9,173	-	-	9,173
Deposits	2,850	-	-	2,850
	<u>476,812</u>	<u>95,745</u>	<u>865,086</u>	<u>1,437,643</u>

30 June 2019

	Mandatorily at fair value through profit or loss	At fair value through profit or loss	At Amortised Cost	Total
----- (Rupees in '000) -----				
<b>Liabilities</b>				
Payable to NBP Fund Management Limited - Management Company	-	-	6,510	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	270	270
Accrued expenses and other liabilities	-	-	1,536	1,536
	<u>-</u>	<u>-</u>	<u>8,316</u>	<u>8,316</u>

## 21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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



21.5 Transactions during the year:	2020	2019
	(Rupees in '000)	
<b>NBP Fund Management Limited Management Company</b>		
Management remuneration	21,553	31,809
Sindh Sales Tax on remuneration of Management Company	2,802	4,135
Selling and Marketing Expense	17,913	5,455
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,423	1,590
Sales Load	288	1,135
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	2,423	2,590
Sindh Sales Tax on remuneration of Trustee	315	337
CDS charges	121	31
<b>Employees of the Management Company</b>		
Units issued: 5,548 units (2019: Nil units)	95	-
Dividend Re-invest Units Issued: 191 (2019: Nil)	3	-
Units redeemed: 18,731 units (2019: Nil units)	311	-
<b>Pakistan Stock Exchange**</b>		
Listing Fee	25	-
<b>Hub Power Company Limited**</b>		
Shares purchased: 213,500 units (2019: 528,168 shares)	14,633	-
Shares Sold: 198,500 (2019: 224,000 shares)	18,599	-
Sukuk purchased: 500 units	50,000	-
Sukuk Income	6,677	-
<b>NBP Employees Pension Fund</b>		
Dividend Re-invest Units Issued: 1,625,383 (2019: Nil)	27,031	-
<b>National Clearing Company Limited (NCCPL)</b>		
NCCPL Charges	429	477
<b>CCL Employees Provident Fund Trust</b>		
Units redeemed: 1,047,940 Units (2019: Nil)	17,695	-
<b>Ronak Iqbal Lakhani**</b>		
Dividend Re-invest Units Issued: 420,686	6,996	-
<b>Aftab Hussain</b>		
Units redeemed: 122,056 units (2019: Nil)	1,962	-
<b>Bayer Pakistan (Private) Limited Employees Gratuity Fund</b>		
Units redeemed: 41,513 units (2019: Nil)	674	-
<b>National Bank of Pakistan</b>		
Shares purchased: 62,500 (2019: 137,000 shares)	1,908	6,242
<b>International Industries Limited*</b>		
Shares purchased: Nil (2019: 54,300 shares)	-	8,920
Shares sold: Nil (2019: 83,300 shares)	-	14,230



	2020	2019
	(Rupees in '000)	
<b>International Steel Limited</b>		
Shares purchased: 124,000 shares (2019: 182,600 shares)	4,605	12,620
Shares sold: 131,000 shares (2019: 221,000 shares)	5,363	16,074
Dividend Income	239	
<b>Fauji Fertilizer Company Limited**</b>		
Shares purchased: 204,000 (2019: Nil)	19,462	-
Shares sold: 242,600 (2019: Nil)	24,031	-
<b>Gul Ahmed Textile Mills Limited**</b>		
Shares sold: 176,000 (2019: Nil)	7,598	-
Dividend Income	1,104	-
<b>Taurus Securities Limited</b>		
Brokerage Charges	55	105
<b>Askari Bank Limited*</b>		
Markup on balance	-	-
Shares purchased: Nil (2019: 2,500 shares)	-	59
Shares sold: Nil (2019: 435,000 shares)	-	9,679
<b>NBP Islamic Income Fund</b>		
Purchase of Term Finance Certificate	26,012	-
<b>NBP Money Market Fund</b>		
Purchase of Treasury bills	-	69,553
Sale of Treasury bills	98,526	499,769
<b>CDC Trustee NBP Stock Fund</b>		
Sale of equity securities : 400,700 shares (2019: Nil)	20,500	-
<b>CDC Trustee NBP Islamic Stock Fund</b>		
Sale of equity securities : 278,000 shares (2019: Nil)	32,684	-
<b>21.6 Amounts outstanding as at year end:</b>	<b>2020</b>	<b>2019</b>
	(Rupees in '000)	
<b>NBP Fund Management Limited - Management Company</b>		
Management remuneration payable	1,729	2,381
Sindh Sales Tax payable	225	310
Selling and marketing expense	4,975	3,048
Allocation of expenses related to registrar services, accounting, operation and valuation services	347	762
Sales load and Sindh Sales Tax payable	58	9
<b>Employees of the Management Company</b>		
Units held: 5,260 units (2019: 18,252 units)	88	301





	2020	2019
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	199	204
Sindh Sales Tax payable	26	26
Settlement charges payable	116	40
Security deposit	100	100
<b>Gul Ahmed Textile Mills Limited**</b>		
Ordinary shares held: 491,800 Shares (2019: Nil)	14,080	-
<b>Fauji Fertilizer Company Limited**</b>		
Ordinary shares held: 436,900 (2019: Nil)	48,055	-
<b>Ronak Iqbal Lakhani**</b>		
Units held: 8,479,177 units	141,532	-
<b>Askari Bank Limited*</b>		
Bank Balance in savings account	-	6,895
Ordinary shares held: Nil (2019: 130,000 )	-	2,458
<b>National Bank of Pakistan</b>		
Bank Balance in current account	3,700	3,113
Ordinary shares held: 132,500 shares (2019: 70,000 shares)	3,664	2,356
<b>NBP Employees Pension Fund</b>		
Units held: 28,090,285 units (2019: 26,464,902 units)	468,875	436,316
<b>Karachi Electric Provident Fund</b>		
Units held: 34,224,720 units (2019: 34,224,720 units)	571,269	564,249
<b>Summit Bank*</b>		
Bank Balance in current account	-	3,094
<b>Bank Islami Pakistan Limited</b>		
Bank Balance in savings account	4	6
<b>Taurus Securities Limited</b>		
Brokerage Payable	2,335	-
<b>Hub Power Company Limited**</b>		
Ordinary shares held: 588,922 shares (2019: Nil)	42,697	-
Sukuk: 500 units (2019 : Nil)	51,072	-
<b>International Steel Limited</b>		
Ordinary shares held: 98,100 (2019: 105,100 shares)	5,067	4,174
<b>National Clearing Company of Pakistan Limited (NCCPL)</b>		
NCCPL Charges Payable	117	40
Security Deposits	2,750	2,750
<b>International Industries Limited*</b>		
Ordinary shares held: Nil (2019: 32,000 shares)	-	2,466

\* Current balances with these parties have not been disclosed as they did not remain connected persons and related parties as at the year end.

\*\* Comparative balances with these parties have not been disclosed as these parties were not related parties in the last year.



## 22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S. No	Name	Qualifications	Experience in year
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA and CFA	32
2	Mr. Sajjad Anwar	CFA / MBA Finance	20
3	Mr. Hassan Raza	ACCA / CFA / BSC	9
4	Mr. Muhammad Ali Bhabha	MBA / MS (CS) / CFA / FRM	25
5	Asim Wahab Khan*	CFA	14

\*Mr. Asim Wahab Khan is the Manager of the Fund. He is also managing NBP Sarmaya Izafa Fund , NBP Islamic Sarmaya Izafa Fund, NBP Stock Fund , NBP Financial Sector Income Fund, NBP Islamic Energy Fund, NBP Islamic Active Allocation Equity Fund and NBP Islamic Regular Income Fund.

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

List of brokers by percentage of commission paid during the year ended 30 June 2020:

Particulars	Percentage (%)
1 Sherman Securities (Pvt) Limited	10.34%
2 Alfalah Securities (Pvt) Limited	7.53%
3 Taurus Securities Ltd.	6.36%
4 Intermarket Securities	5.75%
5 Al Habib Capital Markets (Pvt) Limited	5.52%
6 Arif Habib Securities Limited	5.47%
7 Next Capital Limited	5.17%
8 Efg Hermes Pakistan Ltd	4.62%
9 Bipl Securities Limited	4.56%
10 Foundation Securities	4.48%

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

Particulars	Percentage (%)
1 Taurus Securities Limited	6.64%
2 Arif Habib Securities Limited	5.83%
3 Alfalah Securities (Pvt) Limited	4.68%
4 Efg Hermes Pakistan Ltd. (Formerly Invest & Finance Securities Limited)	4.24%
5 Elixir Securities Pakistan (Pvt) Limited	4.21%
6 Optimus Capital Management Limited	4.16%
7 Foundation Securities	3.99%
8 Bma Capital Management Limited	3.85%
9 Aqeel Karim Dehdi Securities ( Pvt) Limited	3.84%
10 Next Capital Limited	3.84%

## 24 PATTERN OF UNIT HOLDING

Category	As at 30 June 2020		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
Individuals	416	291,757	21%
Associated Companies and Directors	1	468,875	34%
Insurance Companies	1	178	0%
Retirement Funds	10	596,277	43%
Others	6	24,632	2%
	<b>434</b>	<b>1,381,719</b>	<b>100%</b>



Category	As at 30 June 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
	Individuals	465	336,544
Associated company and directors	1	436,316	31%
Insurance company	1	167	0%
Retirement funds	13	606,656	43%
Others	9	24,451	2%
	<b>545</b>	<b>1,404,134</b>	<b>100%</b>

## 25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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 (Refer Note 25.2)	3	2	1	74th Meeting
Syed Hasan Irtiza Kazmi (Refer Note 25.2)	3	3	-	
Mr. Nasir Husain (Refer Note 25.1)	1	-	1	72nd Meeting
Mr. Abdul Hadi Palekar (Refer Note 25.1)	1	-	1	72nd Meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy (Refer Note 25.1)	1	1	-	-
Mr. Khalid Mansoor (Refer Note 25.2)	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque (Refer Note 25.1)	1	1	-	-
Mr. Saad Amanullah Khan (Refer Note 25.2)	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

**25.1** Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque retired from the Board with effect from 04 October 2019.

**25.2** Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Khan, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan opted as director on the Board with effect from 04 October 2019.

## 26 FINANCIAL RISK MANAGEMENT

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



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

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

The Fund primarily invests in a portfolio of listed equity securities, money market investments such as government securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

## 26.1 Market risk

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

### Management of market risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

### 26.1.1 Currency risk

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

### 26.1.2 Interest rate risk

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

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

As at 30 June 2020, the Fund holds KIBOR based interest bearing term finance certificates and bank balances exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2020, 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. 1.373 million (30 June 2019: Rs. 0.937 million).

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

Presently, the Fund holds no fixed rate instruments.

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



30 June 2020						
Yield / interest rate	Exposed to yield / interest rate risk				Total	
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3.75 % - 13.85%	547,877	-	-	6,592	554,469
Investments	7.32 % - 17.54%	-	86,420	52,237	716,571	855,228
Dividend and profit receivables		-	-	-	6,040	6,040
Receivable against sale of investment		-	-	-	2,132	2,132
Deposits		-	-	-	2,850	2,850
		<u>547,877</u>	<u>86,420</u>	<u>52,237</u>	<u>734,185</u>	<u>1,420,719</u>
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - Management Company		-	-	-	7,334	7,334
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	225	225
Accrued expenses and other liabilities		-	-	-	1,840	1,840
		-	-	-	9,399	9,399
<b>On-balance sheet gap</b>		<u>547,877</u>	<u>86,420</u>	<u>52,237</u>	<u>724,786</u>	<u>1,411,320</u>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		<u>547,877</u>	<u>86,420</u>	<u>52,237</u>	<u>724,786</u>	<u>1,411,320</u>
<b>Cumulative interest rate sensitivity gap</b>		<u>547,877</u>	<u>634,297</u>	<u>686,534</u>		

30 June 2019						
Yield / interest rate	Exposed to yield / interest rate risk				Total	
	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk		
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3.75 % - 13.85%	458,626	-	-	6,163	464,789
Investments	7.40%	95,745	-	94,588	770,498	960,831
Dividend and profit receivables		-	-	-	9,173	9,173
Deposits		-	-	-	2,850	2,850
		<u>554,371</u>	<u>-</u>	<u>94,588</u>	<u>788,684</u>	<u>1,437,643</u>
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - Management Company		-	-	-	6,510	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	270	270
Accrued expenses and other liabilities		-	-	-	1,536	1,536
		-	-	-	8,316	8,316
<b>On-balance sheet gap</b>		<u>554,371</u>	<u>-</u>	<u>94,588</u>	<u>780,368</u>	<u>1,429,327</u>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		<u>554,371</u>	<u>-</u>	<u>94,588</u>	<u>780,368</u>	<u>1,429,327</u>
<b>Cumulative interest rate sensitivity gap</b>		<u>554,371</u>	<u>554,371</u>	<u>648,959</u>		



## 26.1.3 Price risk

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

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

The Fund manages the risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund or weight of that company in KSE 30 index, whichever is higher, with overall limit of 25% to a single industry sector of the net assets of the Fund or weight of that sector in KSE 30 index, whichever is higher (the limit set by offering documents). The Fund also manages its exposure to price risk by diversifying its portfolio within the eligible stocks prescribed in the constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. (Refer note 6.1 for exposure limits).

In case of 5% increase / decrease in KSE 30 index on 30 June 2020, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 35.829 million (2019: Rs. 38.524 million) as a result of gains / (losses) on equity securities classified at fair value through profit and loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 30 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 30 index.

## 26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment and bank balances. Risks attributable to investments in Term Finance Certificates is limited as the counter parties are financial institutions with reasonably high credit ratings. While bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances. The bank ratings are based on The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited as at 30 June 2020 and 30 June 2019.

Bank Balances	2020	2019
	(Rupees in '000)	
AAA	421,266	409,178
AA+	14,810	21,446
AA	1,780	996
AA-	113,630	30,042
A+	33	34
A-	-	3,093
A	13	-
Suspended	2,937	-
	<b>554,469</b>	<b>464,789</b>



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

### Concentration of credit risk

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

## 26.3 Liquidity risk

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

### Management of liquidity risk

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

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

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

### Maturity analysis for financial liabilities

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

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

	30 June 2020			Total
	Upto three months	Over three months and upto one year	Over one year	
<b>Financial liabilities</b>	----- (Rupees in '000) -----			
Payable to NBP Fund Management Limited - Management Company	7,334	-	-	7,334
Payable to Central Depository Company of Pakistan Limited - Trustee	225	-	-	225
Accrued expenses and other liabilities	1,840	-	-	1,840
	<u>9,399</u>	<u>-</u>	<u>-</u>	<u>9,399</u>
Unit holders' fund	<u>1,381,719</u>	<u>-</u>	<u>-</u>	<u>1,381,719</u>



	30 June 2019			Total
	Upto three months	Over three months and upto one year	Over one year	
----- (Rupees in '000) -----				
Financial liabilities				
Payable to NBP Fund Management Limited - Management Company	6,510	-	-	6,510
Payable to Central Depository Company of Pakistan Limited - Trustee	270	-	-	270
Accrued expenses and other liabilities	1,536	-	-	1,536
	<u>8,316</u>	<u>-</u>	<u>-</u>	<u>8,316</u>
Unit holders' fund	<u>1,404,134</u>	<u>-</u>	<u>-</u>	<u>1,404,134</u>

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

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

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

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





		30 June 2020						
		Carrying value			Fair value			
		At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments								
	- Listed equity securities	716,571	-	716,571	716,571	-	-	716,571
	- Term finance certificate	62,085	-	62,085	-	62,085	-	62,085
	- Sukkuks	76,572	-	76,572	-	76,572	-	76,572
	- Term deposit receipt	-	-	-	-	-	-	-
27.1		855,228	-	855,228	716,571	138,657	-	855,228
<b>Financial assets not measured at fair value</b>								
27.1	Bank balances	-	554,469	554,469				
	Dividend and profit receivables	-	6,040	6,040				
	Deposits	-	2,850	2,850				
	Receivable against sale of investment	-	2,132	2,132				
		-	565,491	565,491				
<b>Financial liabilities not measured at fair value</b>								
27.1	Payable to National Investment Trust Limited - Management Company	-	7,334	7,334				
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	225	225				
	Accrued expenses and other liabilities	-	1,840	1,840				
		-	9,399	9,399				
		30 June 2019						
		Carrying value			Fair value			
		At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments								
	- Listed equity securities	770,498	-	770,498	770,498	-	-	770,498
	- Term finance certificate	94,588	-	94,588	-	94,588	-	94,588
	- Term deposit receipt	95,745	-	95,745	-	95,745	-	95,745
		960,831	-	960,831	770,498	190,333	-	960,831
<b>Financial assets not measured at fair value</b>								
	Bank balances	-	464,789	464,789				
	Dividend and profit receivables	-	9,173	9,173				
	Deposits	-	2,850	2,850				
		-	476,812	476,812				
<b>Financial liabilities not measured at fair value</b>								
	Payable to National Investment Trust Limited - Management Company	-	6,510	6,510				
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	270	270				
	Accrued expenses and other liabilities	-	1,536	1,536				
		-	8,316	8,316				



- 27.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.
- 27.2** Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

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

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

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

As at 30 June 2020, The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Fund shall be one hundred million rupees at all time during the life of the Fund.

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

In accordance with the risk management policies stated in note 26, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## **29 Impact of COVID-19**

The COVID-19 pandemic has taken a toll on all economies and emerges as a contagion risk around the globe, including Pakistan. To reduce the impact on the 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) 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;
- c) Time for announcement of daily NAV as per the regulatory requirements is extended from 18:30 pm to the start of the next working day.

### **Operational risk management**

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and securities 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 assessment for Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

## 30 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**.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

Particulars	For the Year Ended Jun 30,2020	For the Year Ended Jun 30,2019	For the Year Ended Jun 30,2018	For the Year Ended Jun 30,2017	For the Year Ended Jun 30,2016	For the Year Ended Jun 30,2015
Net assets (Rs. '000')	1,381,719	1,404,134	1,654,024	1,847,113	1,327,842	1,487,299
Net Income/(Loss) (Rs. '000')	99,043	(133,647)	(118,970)	421,936	119,947	289,732
Net Asset Value per units (Rs.)	16.6917	16.4866	18.0084	19.2708	15.6377	15.3058
Selling price per unit	17.2575	17.0446	18.6189	19.9241	16.2581	15.9183
Redemption price per unit	16.6917	16.4866	18.0084	19.2708	15.6377	15.3058
Ex - Highest offer price per unit (Rs.)	19.58268	19.2010	20.1548	22.3718	16.3672	16.0929
Ex - Lowest offer price per unit (Rs.)	14.66039	16.9231	17.4387	16.3820	14.2142	12.1036
Ex - Highest redemption price per unit (Rs.)	18.94064	18.5716	19.4940	20.6768	15.7427	15.4737
Ex - Lowest redemption price per unit (Rs.)	14.17966	16.3682	16.8669	15.0358	13.6718	11.6339
Fiscal Year Opening Nav	15.53442	18.0084	19.2708	15.0058	14.3873	12.0708
Total return of the fund	7.4%	-8.45%	-6.20%	28.42%	8.69%	26.80%
Capital growth	7.4%	-8.45%	-6.20%	22.99%	2.31%	23.35%
Income distribution as % of Ex-NAV	1.32%	-	0.00%	5.43%	6.38%	3.45%
Income distribution as % of Par Value	6.13%	-	0.00%	8.15%	9.77%	4.17%
<b>Distribution</b>						
Interim Distribution per unit	1.0214	-	-	0.8153	-	0.4168
Final distribution per unit	-	-	-	0.0765	0.9771	-
Distribution dates						
Interim	24-Jun-20			19-Jun-17		29-Jun-15
Interim				-		
Interim				-		
Final				15-Sep-17	29-Jun-16	Nil
<b>Average annual return</b>						
<b>(launch date January 19, 2007)</b>						
(Since inception to June 30, 2020)	12.18%					
(Since inception to June 30, 2019)		12.57%				
(Since inception to June 30, 2018)			14.60%			
(Since inception to June 30, 2017)				16.83%		
(Since inception to June 30, 2016)					15.67%	
(Since inception to June 30, 2015)						16.50%
(Since inception to June 30, 2014)						
(Since inception to June 30, 2013)						
(Since inception to June 30, 2012)						
(Since inception to June 30, 2011)						
Portfolio Composition (see Fund Manager report)						

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



## PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

NBP BALANCED FUND			
Resolutions	For	Against	Abstain*
9	9	Nil	N/A
100%	100%	-	-

## Head Office

7th Floor, Clifton Diamond Building, Block No.4,  
Scheme No.5, Clifton, Karachi.

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** INVEST to 9995

**Fax:** 021-35825335

**Email:** [info@nbpffunds.com](mailto:info@nbpffunds.com)

**Website:** [www.nbpffunds.com](http://www.nbpffunds.com)

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