



NBP FUNDS

Managing Your Savings

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NBP FINANCIAL SECTOR INCOME 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

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



Samba Bank Limited
Zarai Taraqiati Bank Limited
MCB Islamic Bank Limited
Faysal Bank Limited
The Bank of Punjab
Albaraka Bank of Pakistan
Bank Islami Pakistan Limited
U Microfinance Bank Limited
Telenor Microfinance Bank Limited
Khushali Microfinance Bank Limited
The First Microfinance Bank Limited
Mobilink Micro Finance Bank Limited

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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 Ninth Annual Report of **NBP Financial Sector Income** Fund for the year ended June 30, 2020.

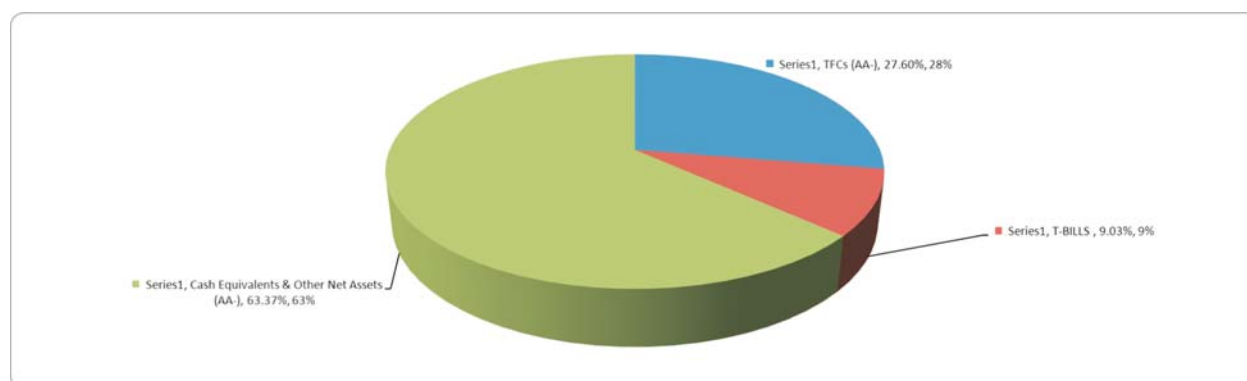
Fund's Performance

The size of NBP Financial Sector Income Fund increased significantly by 121% from Rs. 4,179 million to Rs. 9,238 million. However, during the period, the unit price of the Fund has increased from Rs. 9.2764 (Ex-Div) on June 30, 2019 to Rs. 10.5282 on June 30, 2020 thus posting a return of 13.5% as compared to its Benchmark return of 12.2% for the same period. The return of the Fund is net of management fee and all other expenses.

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

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) 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.

The Fund has earned a total income of Rs.1,235 million during the year. After deducting total expenses of Rs. 179 million, the net income is Rs. 1,056 million. The asset allocation of NBP Financial Sector Income 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 13.32% of the opening ex-NAV (14.01% 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, being eligible, offer themselves for re-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, as detailed in the listing regulations.
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 Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

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



Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **September 17, 2020**

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP فنانشل سیکٹورل انکم فنڈ کی نویں سالانہ رپورٹ برائے ختمہ سال 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

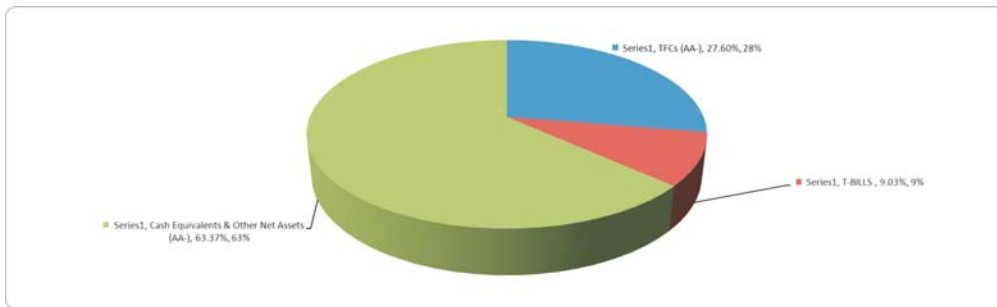
NBP فنانشل سیکٹورل انکم فنڈ کا سا سز اس مدت کے دوران خاطر خواہ %121 اضافہ کے بعد 4,179 ملین روپے سے بڑھ کر 9,238 ملین روپے ہو گیا۔ تاہم، زیر جائزہ مدت کے دوران، فنڈ کی پونٹ قیمت 30 جون 2019 کو 9.2764 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 10.5282 روپے ہو چکی ہے، لہذا فنڈ نے گزشتہ اسی مدت کے دوران %12.2 بیچ مارک منافع کے مقابلے میں %13.5 کا منافع دیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد حاصل ہے۔

فنڈ ایک منفرد ہے کیونکہ یہ اپنے اثاثوں کا کم از کم 70 فیصد مالیاتی شعبے (بنیادی بینکوں) ڈیٹ سیکورٹیز میں، انشرومنٹ یا ڈیپازٹس کے طور پر میں سرمایہ کاری کرتا ہے۔ ڈیٹ سیکورٹیز کی کم از کم اسٹیٹی / انشرومنٹ ریٹنگ AA- ہے۔ یہ کریڈٹ رسک کو کم کرتا ہے اور ساتھ ہی فنڈ کی لیکویڈیٹی میں بھی اضافہ کرتا ہے۔ فنڈ کی مدت ایک سال سے زیادہ نہیں ہو سکتی ہے۔ اس سے سود کی شرح یا قیمتوں کا خطرہ کم ہو جاتا ہے۔ فنڈ اپنے 25 فیصد اثاثوں کو بینکوں کے ہاں 90 دن سے کم ٹی بلوں میں یا سیونگ اکاؤنٹ میں سرمایہ کاری کرتا ہے، جس سے فنڈ کی لیکویڈیٹی پر وفاکل میں مزید اضافہ ہوتا ہے۔

مالی سال 2020 کے دوران، TFCs / سلوک میں تجارتی سرگرمی مالی سال 2019 میں 16 ملین روپے کے مقابلے میں مالی سال 2020 کے دوران 87 فیصد اضافے کے ساتھ تقریباً 29 ملین روپے کی مجموعی تجارتی قیمت رہی۔ طویل مدتی کریڈٹ کی طلب خاص طور پر پاور سیکٹور کے شعبہ 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) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لینی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے IMPC اجلاس میں پالیسی کی شرح کو 625bps سے کم کر دیا۔ معیشت کو ورنو اور وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مائیکرو پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔ 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 سٹائیس (27) T-Bills نیلامیاں منعقد کیں اور کل 14,317 ملین روپے جمع کئے۔

فنڈ نے سال کے دوران 1,235 ملین روپے کی کل آمدنی کمائی ہے۔ 179 ملین روپے کے اخراجات کے منہا کرنے کے بعد، خالص آمدنی 1,056 ملین روپے ہے۔

30 جون 2020 کے مطابق NBP فنانشل سیکٹورل انکم فنڈ کی ایسٹ ایلویشن حسب ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام پر اویڈنگ ex-NAV کا %13.32 (بنیادی قدر کا %14.01) عبوری ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد ڈیویڈنڈ 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 سے زیادہ ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔



آڈیٹرز

موجودہ آڈیٹرز، میسرز KPMG تا شیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2021 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

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

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی 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 ٹیمپل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیوٹیوں، 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 مینجمنٹ 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 پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 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 فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

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



اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Financial Sector Income Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund 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 Financial Sector Income Fund

NBP Financial Sector Income Fund (NFSIF) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Financial Sector Income Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.

Benchmark

6-Month KIBOR.

Fund Performance Review

This is the Ninth Annual report since the launch of the Fund on October 28, 2011. The Fund size significantly increased by 121% during FY20 and stands at Rs. 9,238 million as of June 30, 2020. During FY20 the Fund posted a return of 13.5% versus the benchmark return of 12.2%. The Fund's return since inception is 9.2% p.a. During the same period, the benchmark return has been 8.6% p.a. This translates into outperformance of 0.6% p.a. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its investment objectives.

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

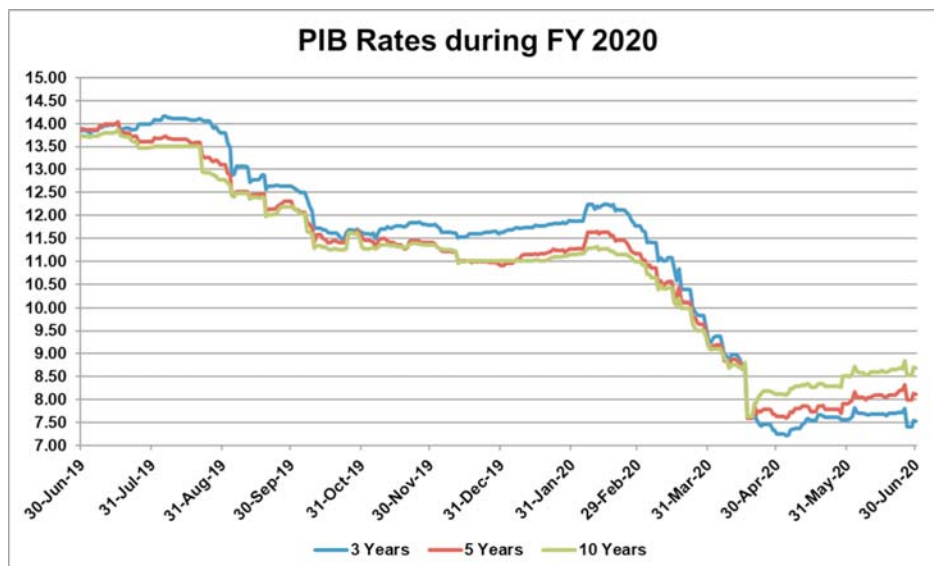
During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on 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 Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
TFCs	27.60%	12.97%
Commercial Paper	0.00%	8.32%
T-bills	9.03%	0.00%
Cash (Cash Equivalents) & Other Assets	63.37%	78.71%
Total	100.00%	100.00%



PIB yields during the year are shown in the below graph:



Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
. Interim	14.01%	1.4007	10.5124

Unit Holding Pattern of NBP Financial Sector Income Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	218
1-1000	892
1001-5000	292
5001-10000	223
10001-50000	815
50001-100000	445
100001-500000	707
500001-1000000	131
1000001-5000000	87
5000001-10000000	7
10000001-100000000	5
100000001-1000000000	2
Total	3824

During the period under question:

There has been no significant change in the state of affairs of the Fund. NBP Financial Sector Income 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. 32.616 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0372. For details, investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit Holders of the NBP Financial Sector Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **NBP Financial Sector Income 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: 30 September, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
Assets			
Bank balances	5	6,844,509	3,303,901
Investments	6	3,384,071	889,708
Profit receivables	7	101,295	60,850
Receivables from funds under management by Management Company against conversion of units		91,398	-
Advance, deposit and prepayment	8	590	570
Total assets		10,421,863	4,255,029
Liabilities			
Payable to NBP Fund Management Limited - Management Company	9	36,541	17,699
Payable to Central Depository Company of Pakistan Limited - Trustee	10	698	460
Payable to Securities and Exchange Commission of Pakistan	11	1,672	2,722
Payable against redemption of units	12	147,006	80
Payable against purchase of investments		833,945	-
Accrued expenses and other liabilities	13	163,656	55,135
Total liabilities		1,183,518	76,096
Net assets		9,238,345	4,178,933
Unit holders' fund (as per statement attached)		9,238,345	4,178,933
Contingency and commitment	14		
		(Number of units)	
Number of units in issue	15	877,488,440	397,524,703
		(Rupees)	
Net assets value per unit		10.5282	10.5124

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
Income			
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - net		48,265	(421)
Income from term deposit receipts		-	48,129
Income from term finance certificates and commercial papers		288,517	75,886
Income from government securities		58,389	-
Profit on bank deposits		840,220	276,180
Net unrealised diminution on re-measurement of investments at FVTPL		(546)	(2,363)
Total income		1,234,845	397,411
Expenses			
Remuneration to NBP Fund Management Limited - Management Company	9.1	69,772	27,477
Sindh Sales Tax on remuneration to Management Company	9.2	9,070	3,572
Remuneration of Central Depository Company to Pakistan Limited - Trustee	10.1	6,269	3,935
Sindh Sales Tax on remuneration to Trustee	10.2	815	512
Selling and marketing expenses	9.3	58,105	12,596
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	8,359	3,629
Annual fee - Securities and Exchange Commission of Pakistan		1,672	2,722
Settlement and bank charges		1,494	792
Auditors' remuneration	16	880	686
Mutual fund rating fee		420	385
Securities transaction cost		137	55
Legal and professional charges		62	50
Annual listing fee		28	28
Other charges		48	32
Total expenses		157,131	56,471
Net income from operating activities		1,077,714	340,940
Provision for Sindh Workers' Welfare Fund	13.1	(21,554)	(6,819)
Net income for the year before taxation		1,056,160	334,121
Taxation	17	-	-
Net income for the year		1,056,160	334,121
Allocation of net income for the year			
Net income for the year		1,056,160	334,121
Income already paid on units redeemed		(561,687)	(107,620)
		494,473	226,501
Accounting income available for distribution:			
- Relating to capital gains		22,824	-
- Excluding capital gains		471,649	226,501
		494,473	226,501

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

	2020 (Rupees in '000)	2019
Net income for the year	1,056,160	334,121
Other comprehensive income	-	-
Total comprehensive income for the year	1,056,160	334,121

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

Notes	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
	----- (Rupees in '000) -----					
Net assets at beginning of the year	4,069,622	109,311	4,178,933	2,175,702	179,207	2,354,909
Issue of 2,203,745,876 units (2019: 766,227,957 units)						
- Capital value	23,167,163	-	23,167,163	8,040,720	-	8,040,720
- Element of income	1,315,964	-	1,315,964	180,019	-	180,019
Total proceeds on issuance of units	24,483,127	-	24,483,127	8,220,739	-	8,220,739
Redemption of 1,723,782,139 units (2019: 580,383,428 units)						
- Capital value	(18,121,087)	-	(18,121,087)	(6,090,569)	-	(6,090,569)
- Element of loss	(761,386)	(561,687)	(1,323,073)	(76,900)	(107,620)	(184,520)
Total payments on redemption of units	(18,882,473)	(561,687)	(19,444,160)	(6,167,469)	(107,620)	(6,275,089)
Final Distribution for the year ended 30 June 2018	15.2					
- Cash distribution	-	-	-	-	(77,157)	(77,157)
- Refund of capital	-	-	-	(56,392)	-	(56,392)
				(56,392)	(77,157)	(133,549)
Interim Distribution for the year ended 30 June 2020	15.3					
- Cash distribution	-	(481,324)	(481,324)	-	(219,240)	(219,240)
- Refund of capital	(554,391)	-	(554,391)	(102,958)	-	(102,958)
	(554,391)	(481,324)	(1,035,715)	(102,958)	(219,240)	(322,198)
Total comprehensive income for the year	-	1,056,160	1,056,160	-	334,121	334,121
Net assets at end of the year	9,115,885	122,460	9,238,345	4,069,622	109,311	4,178,933
Undistributed income brought forward						
- Realised		111,674			175,373	
- Unrealised		(2,363)			3,834	
		109,311			179,207	
Accounting income available for distribution:						
- Relating to capital gains		22,824			-	
- Excluding capital gains		471,649			226,501	
		494,473			226,501	
Final Distribution for the year ended 30 June 2018	15.2					
- Cash distribution		-			(77,157)	
Interim Distribution for the year ended 30 June 2020	15.3					
- Cash distribution		(481,324)			(219,240)	
Undistributed income carried forward		122,460			109,311	
Undistributed income carried forward						
- Realised		123,006			111,674	
- Unrealised		(546)			(2,363)	
		122,460			109,311	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			10.5124			11.1248
Net assets value per unit at end of the year			10.5282			10.5124

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
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		1,056,160	334,121
Adjustments:			
Net unrealised diminution on re-measurement of investments at FVTPL		546	2,363
		<u>1,056,706</u>	<u>336,484</u>
(Increase) / decrease in assets			
Investments		(2,494,909)	103,535
Profit receivables		(40,445)	(50,237)
Advance, deposit and prepayment		(20)	(202)
		<u>(2,535,374)</u>	<u>53,096</u>
Increase / (decrease) in assets			
Payable to NBP Fund Management Limited - Management Company		18,842	13,932
Payable to Central Depository Company of Pakistan Limited - Trustee		238	179
Payable to Securities and Exchange Commission of Pakistan		(1,050)	1,228
Payable against purchase of investment		833,945	(223,657)
Accrued expenses and other liabilities		108,521	31,217
		<u>960,496</u>	<u>(177,101)</u>
Net cash (used in) / generated from operating activities		<u>(518,172)</u>	<u>212,479</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received against issuance of units	18	23,837,338	7,777,494
Payment against redemption of units		(19,297,234)	(6,275,334)
Distribution paid		(481,324)	(12,502)
Net cash from financing activities		<u>4,058,780</u>	<u>1,489,658</u>
Net increase in cash and cash equivalents		<u>3,540,608</u>	<u>1,702,137</u>
Cash and cash equivalents at beginning of the year		3,303,901	1,601,764
Cash and cash equivalents at end of the year	5	<u><u>6,844,509</u></u>	<u><u>3,303,901</u></u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



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

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Financial Sector Income Fund [the Fund] was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 28 July 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 11 July 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund classified as an "income scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'A+(f)' to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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 VIIIA 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 VIIIA 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 VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.

2.2 Accounting convention

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



2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

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) Provision (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 crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The application of amendments are not likely to have an impact 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 amendments 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 accounting 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 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:

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

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

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

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

In making the assessment, the Fund considers:

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

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and receivables, if any.

These financial assets are held to collect contractual cash flow.

- Other business model: this includes debt 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 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:

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.

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 Fund's historical experience and informed credit assessment and including forward-looking information.

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

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



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

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 cash commitments rather than for investments and other purposes.

4.2.9 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 amount of 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 Net assets value per unit

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

4.9 Earnings per unit

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

4.10 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take 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.
- Income on purchase of Term Finance Certificate is recognised on an accrual basis to income statement.
- Profit on bank deposits, term deposit receipts and commercial papers is recognised using the accrual method.

4.11 Distribution

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

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



5	BANK BALANCES	Note	2020 (Rupees in '000)	2019
	In current accounts		6,698	2,771
	In savings accounts	5.1 & 5.2	6,837,811	3,301,130
			<u>6,844,509</u>	<u>3,303,901</u>

5.1 These accounts carry profit at the rates ranging from 6.5% to 15.5% (30 June 2019: 3.75% to 14.00%) per annum.

5.2 These includes cheques amounting to Rs. 181.107 million (2019: Rs. 29.932 million) received on account of issuance of units and cheques amounting to Rs. Nil (2018: Rs. 21.958 million) issued on account of redemption of units as at year end.

6	INVESTMENTS	Note	2020 (Rupees in '000)	2019
	Investments by category			
	Financial assets 'at fair value through profit or loss'			
	Term finance certificates - listed	6.1	1,860,465	100,804
	Term finance certificates - unlisted	6.2	689,522	441,272
	Commercial Paper	6.3	-	347,632
	Treasury Bills	6.4	834,084	-
			<u>3,384,071</u>	<u>889,708</u>

6.1 Term finance certificates - listed

Name of the investee company	As at 01 July 2019	Purchases during the year	Sales / matured during the year	As at 30 June 2020	Market value/ Carrying value as at 30 June 2020	Market value/ carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
	----- (Number of certificates) -----				(Rupees in '000)	----- (%) -----	
Bank Al Falah V	501	32,550	33,051	-	-	-	-
JS Bank Limited	-	1,150	-	1,150	100,708	1.09	2.98
Habib Bank Limited	1,000	1,000	-	2,000	193,377	2.09	5.71
Hub power company Limited	-	2,416	-	2,416	241,600	2.62	7.14
KE sukuk	-	98,460	-	98,460	492,300	5.33	14.55
Hub power company Limited - Sukuk	-	8,150	-	8,150	832,480	9.01	24.60
	<u>1,501</u>	<u>143,726</u>	<u>33,051</u>	<u>112,176</u>	<u>1,860,465</u>	<u>20.14</u>	<u>54.98</u>

6.2 Term finance certificates - unlisted

JS Bank Limited	23,400	-	-	23,400	114,657	1.24	3.39
Jahangir Siddiqui and Company Ltd.	4,000	8,000	-	12,000	14,772	0.16	0.44
Jahangir Siddiqui and Company Ltd.	23,340	4,660	-	28,000	85,535	0.93	2.53
Jahangir Siddiqui and Company Ltd.	32,800	-	-	32,800	162,688	1.76	4.81
Askari Commercial Bank	-	7,400	-	7,400	34,709	0.38	1.03
Askari Commercial Bank	-	233	-	233	233,000	2.52	6.89
Bank of Punjab	500	-	-	500	44,161	0.48	1.30
	<u>84,040</u>	<u>20,293</u>	<u>-</u>	<u>104,333</u>	<u>689,522</u>	<u>7.46</u>	<u>20.38</u>



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

Name of securities	Number of certificates	Repayment frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Secured							
Listed term finance certificates							
JS Bank Limited	1,150	Semi Annually	99,900	6-months KIBOR + 1.40%	29 December 2017	29 December 2024	A+
Habib Bank Limited	2,000	Semi Annually	99,840	6-months KIBOR + 0.5%	19 February 2016	19 February 2026	AAA
Hub Power Company Limited	2,416	Semi Annually	100,000	6-months KIBOR + 1.95%	19 March 2020	19 March 2024	AA+
KE-Sukuks	98,460	Quarterly	5,000	3-months KIBOR + 1.70%	27 December 2019	27 December 2026	AA
Hub power company Limited - Sukuk	8,150	Quarterly	100,000	3-months KIBOR + 1.9%	22 August 2019	22 August 2023	AA+
Unlisted term finance certificates							
JS Bank Limited	23,400	Semi Annually	4,993	6-months KIBOR + 1.40%	14 December 2016	14 December 2023	A+
Jahangir Siddiqui and Company Limited	12,000	Semi Annually	1,250	6-months KIBOR + 1.65%	24 June 2016	24 June 2021	AA+
Jahangir Siddiqui and Company Limited	28,000	Semi Annually	3,125	6-months KIBOR + 1.40%	18 July 2017	18 July 2022	AA+
Jahangir Siddiqui and Company Limited	32,800	Semi Annually	5,000	6-months KIBOR + 1.40%	06 March 2018	06 March 2023	AA+
Bank of Punjab Limited	500	Semi Annually	99,920	6-months KIBOR + 1.25%	23 April 2018	23 April 2028	AA-
Askari Commercial Bank	7,400	Semi Annually	4,989	6-months KIBOR + 1.20%	30 September 2014	30 September 2024	AA-
Askari Commercial Bank	233	Quarterly	1,000,000	3-months KIBOR + 1.28%	17 March 2020	17 March 2030	AA-

6.3 Investment in Commercial Paper

Name of Issuer	Maturity date	Face value				Carrying value as at 30 June 2020	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
		As at 01 July 2019	Purchases during the year	Sales / matured during the year	As at 30 June 2020			
----- (Rupees in '000) -----								
The HUB Power Company Ltd.	22 July 2019	339,852	-	339,852	-	-	-	-

6.4 Investments in government securities

Issue date	Tenor	Face value				Market value / carrying value as at 30 June 2020	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	Sales / matured during the year	As at 30 June 2020			
----- (Rupees in '000) -----								
Market Treasury Bills								
10 October 2019	3 Months	-	617,250	617,250	-	-	-	-
24 October 2019	3 Months	-	51,880	51,880	-	-	-	-
07 November 2019	3 Months	-	500,000	500,000	-	-	-	-
05 December 2019	3 Months	-	950,000	950,000	-	-	-	-
27 February 2020	3 Months	-	750,000	500,000	250,000	239,013	2.59	7.06
12 March 2020	3 Months	-	750,000	500,000	250,000	238,396	2.58	7.04
26 March 2020	3 Months	-	750,000	375,000	375,000	356,675	3.86	10.54
		-	4,369,130	3,494,130	875,000	834,084	9.03	24.65

7 PROFIT RECEIVABLES

	Note	2020	2019
(Rupees in '000)			
Profit receivables on savings accounts		54,618	41,274
Accrued Markup on Term deposit receipts		-	1,424
Accrued Markup on Term finance certificates		46,677	18,152
		101,295	60,850



8	ADVANCE, DEPOSIT AND PREPAYMENT	Note	2020	2019
			(Rupees in '000)	
	Advance tax	8.1	268	268
	Security deposit		100	100
	Prepaid Mutual Fund Rating fee		222	202
			590	570

- 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 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. 0.268 million (2019: Rs. 0.268 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	Note	2020	2019
			(Rupees in '000)	
	Management remuneration	9.1	5,827	3,465
	Sindh Sales Tax on Management remuneration	9.2	758	450
	Sales load and transfer load		8,310	2,954
	Sindh Sales Tax on sales and transfer load		1,080	384
	Selling and marketing expenses	9.3	17,848	8,222
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	2,549	2,055
	Other expenses		169	169
			36,541	17,699

- 9.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets. The Management Company has charged its remuneration at the rate of 7% of net income subject to minimum of 0.5 % of average annual net assets and maximum of 1.5 % of average annual net assets of the Fund till 11 July 2019 and with effective from 12 July 2019, the Management Company has revised its remuneration to the rate of 6% of net income subject to minimum of 0.5 % of average annual net assets and maximum of 1.5 % of average annual net assets.



- 9.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the 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 from 0.4 % per annum of average net assets of the Fund to 0.7 % per annum of average net assets of the Fund or actual expenses whichever is lower and accordingly selling and marketing expense has been charge d from 12 July 2019 at the rate of 0.7 % per annum of average net assets of the Fund or actual 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.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY

	Note	2020 (Rupees in '000)	2019
Trustee remuneration	10.1	618	407
Sindh Sales Tax on Trustee remuneration	10.2	80	53
		<u>698</u>	<u>460</u>

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

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

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

- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 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 Income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan. An amount equal to 0.075% 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% per annum of the average net assets of the Fund. The fee is paid annually in arrears.



12 PAYABLE AGAINST REDEMPTION OF UNITS

This includes an amount of Rs. 71.183 million, Rs. 71.436 million and Rs. 0.412 million payable on account of conversion of units from NBP Money Market Fund, NBP Mahana Amdani Fund and NBP Stock Fund respective to the Fund.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 (Rupees in '000)	2019
Provision for Sindh Workers' Welfare Fund	13.1	32,616	11,062
Federal Excise Duty on remuneration to Management Company	13.2	14,947	14,947
Federal Excise Duty on sales and transfer load		467	467
Auditors' remuneration		664	516
Printing charges		36	65
Bank and CDC charges		171	50
Withholding tax		74,467	16,867
Capital gain tax		39,218	10,136
Legal and professional charges		60	20
Brokerage		10	5
Others		1,000	1,000
		163,656	55,135

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

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF. In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:

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

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 17.975 million and a provision for SWWF of Rs. 1.542 million upto 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0372 per unit (30 June 2019: Rs 0.0278).



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

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The 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. 16.443 million out of which Rs. 1.496 million have been paid to the Management Company (30 June 2019: Rs. 1.496 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0170 (30 June 2019: Rs.0.0338) per unit.

14 CONTINGENCY AND COMMITMENT

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

15 NUMBER OF UNITS IN ISSUE

	2020	2019
	(Number of units)	
Total units in issue at beginning of the year	397,524,703	211,680,174
Add: units issued against		
- Sale	15.1	756,412,249
- Refund of capital at zero value	15.2 & 15.3	9,815,708
	2,203,745,876	766,227,957
Less: Units redeemed	(1,723,782,139)	(580,383,428)
Total units in issue at end of the year	877,488,440	397,524,703

- 15.1** This includes 37,240,348 units (2019: 23,667,654 units) issued against Dividend Reinvestment Plan amounting to Rs. 391,700,030 (2019: Rs. 248,402,825), net of taxation.
- 15.2** The Management Company on 04 July 2018 declared final distribution of Rs. 0.6309 per unit (for full year) for the year ended 30 June 2018. The aggregate cash distribution amounted to Rs. 77.157 million was in addition to refund of capital / element of income by issuing 5,373,785 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.
- 15.3** The Management Company on 26 June 2020 (2019: 21 December 2018 and 24 June 2019) declared interim distribution amounted to Rs. 1.4007 per unit (2019: Rs. 0.7329 per unit and Rs. 0.5422 per unit) [for full period] for the year ended 30 June 2020. The aggregate cash distribution is Rs. 481.324 million (2019: Rs. 81.568 million and 137.672) million was in addition to refund of capital / element of income by issuing 52,688,854 (2019: 2,851,188 and Rs. 6,964,520) additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.



16 AUDITORS' REMUNERATION

	2020	2019
	(Rupees in '000)	
Annual audit fee	590	375
Half yearly review	174	167
Out of pocket expenses and others including government levy	116	144
	<u>880</u>	<u>686</u>

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.11, 15.2 and 15.3), no provision for taxation has been made in these financial statements.

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	-	80	-	80
Receivable against issuance of units	23,928,736	-	-	(23,928,736)
Payable against redemption of units	-	19,444,160	-	19,444,160
Dividend Payable	-	-	481,324	481,324
	23,928,736	19,444,160	481,324	(4,003,252)
Amount received on issuance of units	(23,445,638)	-	-	23,445,638
Amount paid on redemption of units	-	(19,297,234)	-	(19,297,234)
Dividend reinvested	(391,700)	-	(464,076)	(72,376)
Dividend paid	-	-	(17,248)	(17,248)
	(23,837,338)	(19,297,234)	(481,324)	4,058,780
Balance as at 30 June 2020	<u>91,398</u>	<u>147,006</u>	<u>-</u>	<u>55,608</u>

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 2.13% per annum. Total expense ratio (excluding government levies) is 1.74% per annum.



21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

21.1 Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding ten percent or more units of the Fund.

21.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with 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)	
NBP Fund Management Limited - Management Company		
Remuneration of the Management Company	69,772	27,477
Sindh Sales Tax on management remuneration	9,070	3,572
Sales load and transfer load	13,265	5,180
Selling and marketing expenses	58,105	12,596
Allocation of expenses related to registrar services, accounting, operation and valuation services	8,359	3,629
Divided re-invested: Nil units (2019: 7,932 units)	-	83
Units issued: 17,367,912 units (2019: 31,042,023 units)	188,467	336,456
Units redeemed: 24,177,674 units (2019: 24,240,193 units)	263,527	266,586
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	6,269	3,935
Sindh Sales Tax on Trustee remuneration	815	512
National Bank of Pakistan - Sponsor		
Profit earned	757	119
Hub Power Company Limited		
Purchase of Term Finance Certificate	410,000	-
Purchase of Sukuk	241,600	-
Interest income on term finance certificate earned	9,588	-
Interest income on sukuk earned	104,254	-
Bank Islami Pakistan Limited		
Profit earned	192	342



	2020	2019
	(Rupees in '000)	
Employees of NAFA - EMPLOYEE		
Dividend Re-invest Units Issued (315,592)	3,319	-
Units Issued / Transferred In (28,068,485)	308,036	-
Units Redeemed / Transferred Out (23,215,047)	262,221	-
Fauji Fertilizer Company Ltd - Related Party		
Units Issued: 447,533,748 units	4,907,936	-
Units Redeemed: 447,533,748 units	5,023,377	-
Aftab Hussain - Related Party		
Dividend Re-invest Units Issued: 22,374 units	235	-
Units Issued: 352 units	4	-
Potential Engineers Staff Provident Fund Trust - Related Party		
Units Redeemed: 1,557,627 units	16,688	-
Barret Hudgson Pakistan Private limited		
Units issued: Nil units (2019: 9,119,262 units)	-	100,000
Dividend re-invested Nil units (2019: 4,941,519 units)	-	45,183
Employees of the Management Company		
Dividend re-invested: Nil units (2019: 45,184 units)	-	474
Units issued: Nil units (2019: 5,986,466 units)	-	63,723
Units redeemed: Nil units (2019: 4,427,789 units)	-	47,968
Muhammad Murtaza Ali - Company Secretary/COO		
Dividend re-invested: Nil units (2019: 1,678 units)	-	18
Units issued: 838 units (2019: 190,587 units)	9	2,000
Units redeemed: 193,103 units (2019: Nil units)	2,079	-
Pak American Fertilizers Limited - Provident Fund Trust		
Dividend re-invested: Nil units (2019: 536 units)	-	6
Units issued: 591,375 units (2018: 57,095 units)	6,241	599
Units redeemed: 649,005 units (2019: Nil units)	6,997	-
National Clearing Company of Pakistan		
Dividend re-invested: 544,211 units (2019: Nil units)	5,724	
Units issued: Nil units (2019: 9,383,184 units)	-	100,452
Units redeemed: Nil units (2019: 4,575,445 units)	-	50,603



	2020	2019
	(Rupees in '000)	
Shabnam Jabbar		
Units issued: Nil units (2019: 1,858,811 units)	-	20,000
Units redeemed: Nil units (2019: 1,858,811 units)	-	20,023
Askari Commercial Bank		
Profit earned	-	116
NBP Government Securities Saving Fund		
Sale of Treasury Bill	179,430	-
NBP Savings Fund		
Purchase of Term Finance Certificate	75,485	-
NBP Islamic Money Market Fund		
Sale of Commercial Paper	305,515	-
NBP Islamic Mahana Amdani Fund		
Sale of Commercial Paper	96,989	-
NBP Islamic Savings Fund		
Sale of Commercial Paper	82,441	-
Pakistan Stock Exchange Limited		
Listing fee	25	-
21.6 Amounts outstanding at year end	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Nil units held (2019: 6,809,762 units)	-	71,587
Management remuneration payable	5,827	3,465
Sindh Sales Tax payable	758	450
Sales load and transfer load payable	8,310	2,954
Sindh Sales Tax on sales and transfer load	1,080	384
Selling and marketing expenses	17,848	8,222
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,549	2,055
Other payable	169	169
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	698	460
Security deposit	100	100
National Bank of Pakistan - Sponsor		
Balance in current account	325	325
Balance in savings account	19,437	10,760
Profit receivable on bank deposit	77	85
Hub Power Company Limited - Sukuk		
Interest Income receivable	8,967	-



	2020	2019
	(Rupees in '000)	
Hub Power Company Limited		
Interest income receivable	9,859	-
Bank Islami Pakistan Limited		
Bank Balance	4,070	105
Profit receivable	77	350
Barret Hudgson Pakistan Private Limited		
Nil units held (2019: 47,471,284 units)	-	499,037
Aftab Hussain - Related Party		
220,054 units held (2019: nil units)	2,317	-
Employees of NAFA - NAFA		
8,893,525 units held (2019: nil units)	93,633	-
Employees of the Management Company		
Nil units held (2019: 1,775,434 units)	-	18,664
Pak American Fertilizers Ltd. Provident Fund Trust		
Nil units held (2019: 57,630 units)	-	606
Askari Commercial Bank Limited		
Balance in savings account	-	179
Profit receivable on bank deposit	-	109
Summit Bank Limited		
Balance in current account	-	2,446
Muhammad Murtaza Ali - Company Secretary/COO		
nil units held (2019: 192,265 units)	-	2,021
National Clearing Company of Pakistan Limited		
5,351,951 units held (2019 : 4,807,740)	56,346	50,541
Fauji Akbar Portia Marine Terminals Ltd		
121,342,447 units held (2019: Nil units)	1,277,518	-
Interloop Holdings (Pvt.) Limited		
100,667,182 units held (2019: Nil units)	1,059,844	-
Receivables from funds against conversion of units		
NBP Savings Fund	54,592	-
NBP Islamic Money Market Fund	17,188	-
NBP Islamic Mahana Amdani Fund	6,901	-
NBP Mahana Amdani Fund	5,353	-
NBP Stock Fund	4,576	-
NBP Islamic Stock Fund	1,333	-
NBP Islamic Sarmaya Izafa Fund	1,000	-
NBP Income Opportunity Fund	455	-



22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualifications	Experience in year
1.	Dr. Amjad Waheed	Chief Executive Officer	Doctorate in Business Administration, MBA and CFA	32
2.	Sajjad Anwar	Chief Investment Officer	CFA and MBA	20
3.	Asim Wahab Khan	Deputy Chief Investment Officer	CFA	14
4.	Muhammad Ali Bhabha (22.1)	Head of Fixed Income	CFA, MBA, FRM and MS	25
5.	Hassan Raza	Head of Research	ACCA, BSC and CFA	9

22.1 Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NBP Income Opportunity Fund , NAFA Government Securities Savings Fund, NBP Money Market Fund, NBP Mahana Amdani Fund, NBP Government Securities Liquid Fund, NBP Stock Fund, NBP Islamic Income Fund, NAFA Riba Free Savings Fund, NBP Islamic Money Market Fund, NBP Savings Fund, NBP Active Allocation Riba Free Savings Fund.

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

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

S. No	Particulars	Percentage (%)
1.	Next Capital Limited	32.76
2.	Bright Capital (Private) Limited	17.84
3.	BMA Capital Management Limited	49.4

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

S. No	Particulars	Percentage (%)
1	Next Capital Limited	100

23.1 Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NBP Income Opportunity Fund , NAFA Government Securities Savings Fund, NBP Money Market Fund, NBP Mahana Amdani Fund, NBP Government Securities Liquid Fund, NBP Stock Fund, NBP Islamic Income Fund, NAFA Riba Free Savings Fund, NBP Islamic Money Market Fund, NBP Savings Fund, NBP Active Allocation Riba Free Savings Fund.

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

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

S. No	Particulars	Percentage (%)
1	Next Capital Limited	100

24 PATTERN OF UNIT HOLDING

Category	As at 30 June 2020		
	Number of unit holders'	Investment amount (Rupees in '000)	Percentage of investment --- (%) ---
Individuals	3,682	4,508,601	48.80
Associated Companies and Directors	-	-	-
Insurance Companies	2	7,132	0.08
Bank and DFIs	1	0.07	-
Retirement Funds	31	619,119	6.70
Public Limited Companies	4	1,211,867	13.12
Others	104	2,891,626	31.30
	3,824	9,238,345	100.00



As at 30 June 2019

Category	Number of unit holders'	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
	Individuals	2,894	2,666,950
Associated Companies and Directors	2	73,597	1.76
Insurance Companies	1	1,488	0.04
Bank and DFIs	1	-	-
Retirement Funds	19	316,038	7.56
Public Limited Companies	2	909	0.02
Others	72	1,119,951	26.80
	2,991	4,178,933	100.00

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th, 75th Board meetings were held on 30 August 2019, 24 October 2019, 27 February 2020, 27 April 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 during	Attended	Leave granted	
Mr. Shaikh Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [Note 25.2]	3	2	1	74th meeting
Mr. Syed Hasan Irtiza Kazmi [Note 25.2]	3	3	-	-
Mr. Nasir Husain [Note 25.1]	1	-	1	72nd meeting
Mr. Abdul Hadi Palekar [Note 25.1]	1	-	1	72nd meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [Note 25.1]	1	1	-	-
Mr. Khalid Mansoor [Note 25.2]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [Note 25.1]	1	1	-	-
Mr. Saad Amanullah Khan [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 invest in a portfolio of 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 the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

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

Presently, 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 the last repricing date of these term finance certificates with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 93.625 million (2019: Rs 38.378 million).

(b) Sensitivity analysis for fixed rate instruments

As at 30 June 2020, the Fund does not hold any fixed rate instruments that may expose the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan are expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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



Effective yield / interest rate (%)	30 June 2020				Total	
	Exposed to yield / interest risk			Not exposed to Yield/ Interest risk		
	Upto three months	More than three months and upto one year	More than one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Bank balances	6.5% - 15.5%	6,837,811	-	-	6,698	6,844,509
Investments	8.62% - 15.81%	834,084	-	2,549,987	-	3,384,071
Profit receivable		-	-	-	101,295	101,295
Receivables from fund under management by Management Company against conversion of units		-	-	-	91,398	91,398
Deposit		-	-	-	100	100
		<u>7,671,895</u>	<u>-</u>	<u>2,549,987</u>	<u>199,491</u>	<u>10,421,373</u>
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	36,541	36,541
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	698	698
Payable against redemption of units		-	-	-	147,006	147,006
Payable against purchase of investment		-	-	-	833,945	833,945
Accrued expenses and other liabilities		-	-	-	1,941	1,941
		-	-	-	1,020,131	1,020,131
On-balance sheet gap		<u>7,671,895</u>	<u>-</u>	<u>2,549,987</u>	<u>(820,640)</u>	<u>9,401,242</u>
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap						
		-	-	-	-	-
Total interest rate sensitivity gap		<u>7,671,895</u>	<u>-</u>	<u>2,549,987</u>	<u>(820,640)</u>	<u>9,401,242</u>
Cumulative interest rate sensitivity gap		<u>7,671,895</u>	<u>7,671,895</u>	<u>10,221,882</u>		

Effective yield / interest rate (%)	30 June 2019				Total	
	Exposed to yield / interest risk			Not exposed to Yield/ Interest risk		
	Upto three months	More than three months and upto one year	More than one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Bank balances	7.85% - 14.00%	3,301,130	-	-	2,771	3,303,901
Investments	7.60% - 14.71%	347,632	-	542,076	-	889,708
Profit receivable		-	-	-	60,850	60,850
Deposit		-	-	-	100	100
		<u>3,648,762</u>	<u>-</u>	<u>542,076</u>	<u>63,721</u>	<u>4,254,559</u>
Financial liabilities						
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	17,699	17,699
Payable against redemption of units		-	-	-	460	460
Accrued expenses and other liabilities		-	-	-	80	80
		-	-	-	1,656	1,656
		-	-	-	19,895	19,895
On-balance sheet gap		<u>3,648,762</u>	<u>-</u>	<u>542,076</u>	<u>43,826</u>	<u>4,234,664</u>
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap						
		-	-	-	-	-
Total interest rate sensitivity gap		<u>3,648,762</u>	<u>-</u>	<u>542,076</u>	<u>43,826</u>	<u>4,234,664</u>
Cumulative interest rate sensitivity gap		<u>3,648,762</u>	<u>3,648,762</u>	<u>4,190,838</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 yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund does not hold any security which exposes the Fund to price risk.

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.



Ratings	2020 (Rupees in '000)	2019
AAA	258,316	30,788
AA+	228,990	14,670
AA	1,402	1,161
AA-	799,331	752,407
A+	2,738,114	1,997,595
A	2,811,983	507,280
Suspended	6,373	-
	6,844,509	3,303,901

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

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 fifteen 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
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	36,541	36,541		
Payable to Central Depository Company of Pakistan Limited - Trustee	698	698	-	-
Payable against redemption of units	147,006	147,006	-	-
Payable against purchase of investment	833,945	833,945		
Accrued expenses and other liabilities	1,941	1,941	-	-
	<u>1,020,131</u>	<u>1,020,131</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>9,238,345</u>	<u>9,238,345</u>	<u>-</u>	<u>-</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	17,699	17,699		
Payable to Central Depository Company of Pakistan Limited - Trustee	460	460	-	-
Payable against redemption of units	80	80	-	-
Accrued expenses and other liabilities	1,656	1,656	-	-
	<u>19,895</u>	<u>19,895</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>4,178,933</u>	<u>4,178,933</u>	<u>-</u>	<u>-</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 are based on the quoted market prices at the close of trading on the year end date. The Fund does not hold any securities that are based on quoted market prices.

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 the fair value hierarchy.

		30 June 2020						
		Carrying value			Fair value			
		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
		1,860,465	-	1,860,465	-	1,860,465	-	1,860,465
		689,522	-	689,522	-	689,522	-	689,522
	27.1	834,084	-	834,084	-	834,084	-	834,084
		3,384,071	-	3,384,071	-	3,384,071	-	3,384,071
Financial assets not measured at fair value								
	27.1	-	6,844,509	6,844,509				
		-	101,295	101,295				
		-	91,398	91,398				
		-	100	100				
		-	7,037,302	7,037,302				
Financial liabilities not measured at fair value								
	27.1	-	36,541	36,541				
		-	698	698				
		-	147,006	147,006				
		-	833,945	833,945				
		-	1,941	1,941				
		-	1,020,131	1,020,131				



30 June 2019

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

- 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 Scheme 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 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 endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.



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 securities 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 believe 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 June 30, 2020	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015
Net assets (Rs. '000')	9,238,345	4,178,933	2,354,909	1,152,369	1,254,699	776,933
Net Income (Rs. '000')	1,056,160	334,121	116,066	56,911	35,666	131,731
Net Asset Value per units (Rs.)	10.5282	10.5124	11.1248	10.4933	10.4723	10.4679
Offer price per unit	10.6472	10.6312	11.2505	10.6119	10.6108	10.6075
Redemption price per unit	10.5282	10.5124	11.1248	10.4933	10.4723	10.4679
Ex - Highest offer price per unit (Rs.)	10.6472	10.6312	11.2505	10.6119	10.6108	10.6075
Ex - Lowest offer price per unit (Rs.)	9.2795	9.1714	10.6136	9.8018	9.9805	9.5686
Ex - Highest redemption price per unit (Rs.)	10.5282	10.5124	11.1248	10.4933	10.4723	10.4679
Ex - Lowest redemption price per unit (Rs.)	9.2795	9.0657	10.4950	9.6854	9.8464	9.4426
Fiscal Year Opening Ex Nav	9.2764	9.6155	10.4933	9.6844	9.8421	9.4392
Total return of the fund (Annualized)	13.46%	9.33%	6.02%	8.35%	6.40%	10.90%
Capital growth	0.13%	0.38%	0.01%	-0.45%	0.04%	2.67%
Income distribution as a % of ex nav	13.32%	8.94%	6.01%	8.80%	6.36%	8.23%
Income distribution as a % of par value	14.01%	9.39%	6.31%	8.52%	6.66%	7.77%
Distribution dates						
Interim						
26-Jun-20	1.4007					
21-Dec-18		0.3729				
24-Jun-19		0.5657				
4-Jul-18			0.6309			
19-Jun-17				0.8520		
29-Jun-16					0.6656	
30-Jun-15						0.7768
Average annual return (launch date October 28, 2011)						
(Since inception to June 30, 2020)	9.22%					
(Since inception to June 30, 2019)		8.68%				
(Since inception to June 30, 2018)			8.58%			
(Since inception to June 30, 2017)				9.04%		
(Since inception to June 30, 2016)					9.19%	
(Since inception to June 30, 2015)						10.00%
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	44 Days	13 Days	46 Days	56 Days	183 Days	93 Days

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