



NBP FUNDS

Managing Your Savings

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Rated by PACRA

NBP INCOME OPPORTUNITY FUND



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

**To rank in the top quartile
in performance of
NBP FUNDS
relative to the competition,
and to consistently offer
Superior risk-adjusted returns to investors.**



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

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



Faysal Bank Limited
Silk Bank Limited
Soneri Bank Limited
The Bank of Punjab
Telenor Microfinance Bank Limited
U Microfinance Bank Limited
Al Baraka Bank Limited
Dubai Islamic Bank Limited
Khushhali Bank Limited
Bankislami Pakistan Limited
NRSP Microfinance Bank Limited
First Microfinance Bank Limited
Mobilink Microfinance Bank Limited

Auditors

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharae Faisal
Karachi-75350 Pakistan.

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



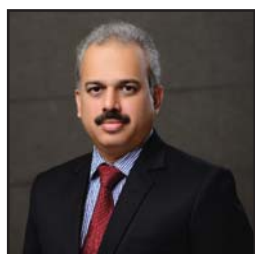
Mr. Sajjad Anwar, CFA
Chief Investment Officer



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 Fifteenth Annual Report of **NBP Income Opportunity Fund (NIOF)** for the year ended June 30, 2020.

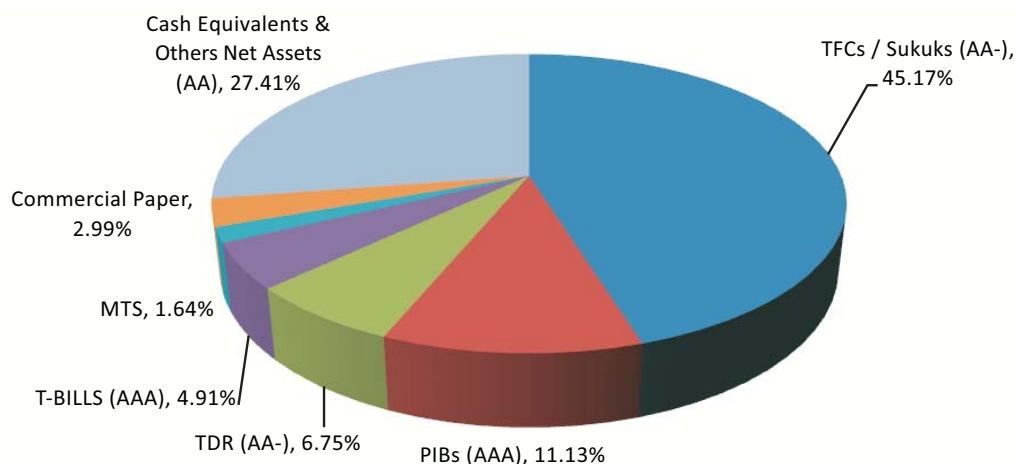
Fund's Performance

The size of NBP Income Opportunity Fund has decreased from Rs. 5,296 million to Rs. 4,000 million during the period, i.e. a decline of 24%. During the said period, the unit price of the Fund has increased from Rs. 9.4874 (Ex-Div) on June 30, 2019 to Rs. 10.7550 on June 30, 2020 thus posting a return of 13.3% 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.

NIOF is categorized as an Income Scheme and has been awarded stability rating of A (f) by PACRA 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. 699.77 million during the year. After accounting for total expenses of Rs. 102.80 million, the net income is Rs. 596.97 million.

The asset allocation of NBP Income Opportunity 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 13.10% of the opening ex-NAV (14.06% of the par value) for the period ended June 30, 2020.

Taxation

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

Auditors

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

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 29 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 28 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 25 to these financial statements.
13. The Management 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. Mr. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar



Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: September 17, 2020

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ میجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز این بی پی انکم اپرچونٹی فنڈ (NIOF) کی پندرہویں سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

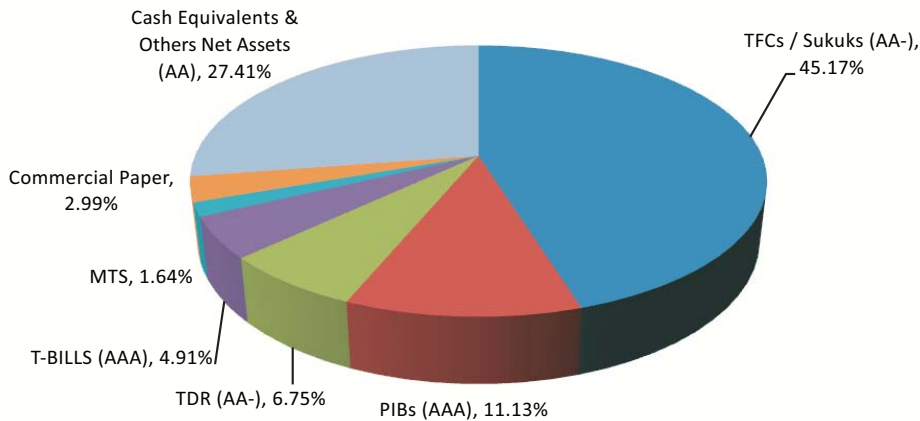
فنڈ کی کارکردگی

موجودہ مدت کے دوران NBP انکم اپرچونٹی فنڈ کا سائز 5,296 ملین روپے سے کم ہو کر 4,000 ملین روپے ہو گیا ہے یعنی 24% کی کمی ہوئی۔ زیر جائزہ مدت کے دوران، فنڈ کے پورٹ کی قیمت 30 جون 2019 کو 9.4874 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 10.7550 روپے ہو گئی، لہذا اس مدت کے دوران فنڈ نے اپنے بیج مارک 12.2% کے مقابلے میں 13.3% کا منافع درج کیا۔ فنڈ کی یہ کارکردگی میجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ NIOF کی انکم اسکیم کے طور پر درجہ بندی کی گئی ہے اور PACRA کی طرف سے A(f) کی مستحکم ریٹنگ دی گئی 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 بلین روپے کی مجموعی تجارتی قیمت رہی۔ طویل مدتی کرڈٹ 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) زر مبادلہ کی شرح گراؤ، (ii) یوٹی لٹیٹی 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 منصفانہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مائیکرو پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کمی 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 سٹائیکس (27) T-Bills نیلامیاں منصفانہ کیوں اور کل 14,317 بلین روپے جمع کئے

این بی پی انکم اپرچونٹی فنڈ (NIOF) کو سال کے دوران 699.77 بلین روپے کی مجموعی آمدنی ہوئی ہے۔ 102.80 بلین روپے کے اخراجات متہا کرنے کے بعد خالص آمدنی 596.97 بلین روپے ہے۔

30 جون 2020 کو NIOF کی ایسٹ ایلوکیشن حسب ذیل ہے:





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. جناب سید حسن ارتضیٰ کاظمی 4. جناب علی سیگل 5. جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمشن 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 آرٹسٹری کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 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 Income Opportunity 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 Income Opportunity Fund

NBP Income Opportunity Fund (NIOF) is an Open-End Income Scheme.

The objective of NIOF is to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in money market & debt securities having good credit rating and liquidity.

Benchmark

6 Month - KIBOR.

Fund Performance Review

This is the Fifteenth Annual report since the launch of the Fund on April 21, 2006. The Fund size decreased by 24% during FY20 and stands at Rs. 4,000 million as of June 30, 2020. The Fund's return since its inception is 8.4% p.a. versus the benchmark return of 10.2% p.a. During FY20, the Fund posted a return of 13.3% as compared to the benchmark return of 12.2%. The return of the Fund is net of management fee and all other expenses.

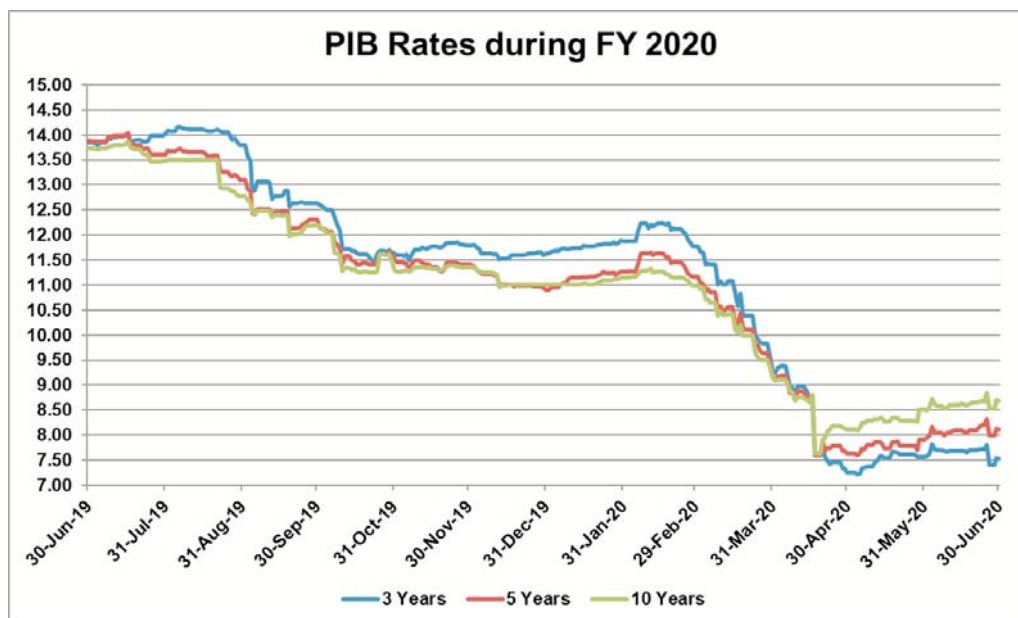
The Yield to Maturity of the Fund at year-end FY20 is around 10.3% while that of the TFC portfolio is 9.7%. The yield does not include potential recovery in fully provided TFCs (Face Value of around Rs 874 million), which is a potential upside for the Fund. The Fund's TFC portfolio allocation is fairly diversified with exposure to Banking, Financial Service, Textile Composite, Sugar & Allied Industries and Power Generation & Distribution sectors.

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/Sukuks	45.17%	35.76%
PIBs	11.13%	-
T-Bills	4.91%	0.37%
Commercial Paper	2.99%	-
Placements with Banks	6.75%	2.43%
Money Market Placements	-	16.83%
Margin Trading System (MTS)	1.64%	-
Equity	-	-
Cash (Cash Equivalents) & Other Assets	27.41%	44.61%
Total	100.00%	100.00%

PIB yields during the year are shown in 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
June-20	14.06%	12.1360	10.7303

Details of Non-Compliant Investments

Particulars	Type of investment	Value of Investment Before Provision	Provision Held	Value of Investment After Provision	% of Net Assets	% of Gross Assets
PACE Pakistan Limited - Revised 15-FEB-08 15-FEB-22	TFC	149,820,000	149,820,000	0	0%	0%
Azgard Nine Limited V (PPTFC Markup) 31-MAR-12 31-MAR-21	TFC	82,180,000	82,180,000	0	0%	0%
Worldcall RS - III 10-APR-18 20-SEP-26	TFC	74,976,975	74,976,975	0	0%	0%
New Allied Electronics Limited (PP) 15-MAY-07 15-NOV-20	TFC	31,706,536	31,706,536	0	0%	0%
AgriTech Limited V 01-JUL-11 01-JAN-25	TFC	32,320,000	32,320,000	0	0%	0%
AgriTech Limited I - Revised II 29-NOV-07 29-NOV-25	TFC	149,860,200	149,860,200	0	0%	0%
Azgard Nine Limited III (PP) - Revised 04-DEC-07 04-DEC-20	TFC	108,376,850	108,376,850	0	0%	0%
Saudi Pak Leasing Company Limited - Revised II 13-MAR-08 13-MAR-21	TFC	41,321,115	41,321,115	0	0%	0%
New Allied Electronics Limited II - Sukuk 03-DEC-07 03-DEC-20	Sukkuk	44,148,934	44,148,934	0	0%	0%
Eden House Limited - Sukuk Revised 29-MAR-08 29-SEP-25	Sukkuk	9,056,250	9,056,250	0	0%	0%
Dewan Cement Limited (Pre-IPO) 17-JAN-08 17-JAN-22	TFC	150,000,000	150,000,000	0	0%	0%
Azgard Nine Limited (Non-Voting Ordinary Shares)	Equity	12,854	12,854	0	0%	0%
Total		873,779,714	873,779,714	0	0%	0%



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

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	455
1-1000	1,226
1001-5000	387
5001-10000	167
10001-50000	476
50001-100000	256
100001-500000	311
500001-1000000	37
1000001-5000000	34
5000001-10000000	3
10000001- 100000000	3
100000001 - 1000000000	1
Total	3,356

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NBP Income Opportunity 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. 41.682mn. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Re.0.1121 per unit. For details, investors are advised to read note 20 of the Financial Statement of the Scheme for the year ended June 30, 2020.

INDEPENDENT AUDITORS' REPORT

To the unit holders of NBP Income Opportunity Fund

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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.

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Valuation and existence of investment</p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in Government securities (treasury bills, Pakistan investment bond), term finance certificates, sukuks, term deposit receipt and commercial paper which is the main driver of the Fund's performance.</p> <p>Considering the above factors, the valuation and existence are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance; independently verified existence of investments from Central Depository Company (CDC), Investor Portfolio Services (IPS) account statements and other statement; performed test of details on sale, purchase and maturity of investments on a sample basis;



S. No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • tested valuation of investments; and • any differences identified during our testing that were over our acceptable threshold were investigated.

Information other than the financial statements and auditor's report thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

Management Company 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 the Management Company 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 Company 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 Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

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 auditor's report is **Mr. Naresh Kumar**.

Deloitte Yousuf Adil
Chartered Accountants

Date: September 30, 2020
Place: Karachi



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

ASSETS	Note	2020 ----- Rupees in '000 -----	2019
Bank balances	5	1,151,141	2,418,997
Investments	6	2,837,941	2,933,092
Receivable against margin trading system	7	65,692	-
Mark-up accrued	8	62,815	54,566
Deposits and other receivables	9	11,374	16,110
Receivable against transfer of units	10	16,636	2
Total assets		4,145,599	5,422,767
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	11	14,756	24,468
Payable to Central Depository Company of Pakistan Limited - Trustee	13	288	519
Payable to the Securities and Exchange Commission of Pakistan	14	964	4,307
Payable against redemption of units		1,222	1,534
Accrued expenses and other liabilities	15	127,952	96,170
Total liabilities		145,182	126,998
NET ASSETS		4,000,417	5,295,769
UNIT HOLDERS' FUND (as per statement attached)		4,000,417	5,295,769
Contingencies and commitments	16		
		----- Number of units -----	
Number of units in issue	17	371,960,210	493,535,933
		----- Rupees -----	
Net asset value per unit	18	10.7550	10.7303

The annexed notes from 1 to 35 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

	2020	2019
Note	----- Rupees in '000 -----	
INCOME		
Return / mark-up on:		
- bank balances and term deposit receipts	288,284	325,094
- term finance certificates and sukuks	302,400	198,273
- government securities	48,947	15,431
- letter of placement and commercial papers	40,594	42,661
- margin trading system	1,645	13,971
Net loss on spread transactions	(617)	(4,102)
Dividend income on spread transactions	7,723	9,485
Net gain / (loss) on sale of investments	10,842	(358)
Net unrealised loss on re-measurement of investments at fair value through profit or loss	6.9 (46)	(17,545)
Reversal of provision in respect of non-performing investments	-	19,879
Total income	699,772	602,789
EXPENSES		
Remuneration of NBP Fund Management Limited - Management Company	11.1 38,508	49,097
Sindh Sales Tax on remuneration of the Management Company	11.2 5,006	6,383
Reimbursement of operational expenses to the Management Company	11.3 4,820	5,743
Selling and marketing expenses	12 33,266	18,085
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13.1 3,615	5,620
Sindh Sales Tax on remuneration of the Trustee	13.2 470	731
Annual fee to the Securities and Exchange Commission of Pakistan	14 964	4,307
Securities transaction costs	1,374	993
Settlement and bank charges	1,389	2,509
Auditors' remuneration	19 688	645
Fund rating fee	478	457
Printing expense	9	-
Annual listing fee	28	28
Total expenses	90,615	94,598
Net income from operating activities	609,157	508,191
Provision for Sindh Workers' Welfare Fund	20 (12,183)	(10,164)
Net income for the year before taxation	596,974	498,027
Taxation	21 -	-
Net income for the year after taxation	596,974	498,027
Earnings per unit	22	
Allocation of net income for the year		
Net income for the year after taxation	596,974	498,027
Income already paid on units redeemed	(169,492)	(106,779)
	427,482	391,248
Accounting income available for distribution		
Relating to capital gain	8,254	-
Excluding capital gain	419,228	391,248
	427,482	391,248

The annexed notes from 1 to 35 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	2019
	----- Rupees in '000 -----	
Net income for the year after taxation	596,974	498,027
Other comprehensive income		
Items that may not be reclassified subsequently to income statement:		
Net unrealised gain on re-measurement of investments classified as 'fair value through other comprehensive income' before sale of investments	-	6,549
Total comprehensive income for the year	596,974	504,576

The annexed notes from 1 to 35 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

	2020	2019
Note	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	596,974	498,027
Adjustments:		
Return / markup on:		
- bank balances and term deposit receipts	(288,284)	(325,094)
- term finance certificates and sukuks	(302,400)	(198,273)
- government securities	(48,947)	(15,431)
- letter of placement and commercial papers	(40,594)	(42,661)
- margin trading system	(1,645)	(13,971)
Net loss on spread transactions	617	4,102
Dividend income on spread transactions	(7,723)	(9,485)
Net unrealised loss on re-measurement of investments at fair value through profit or loss	46	17,545
Net (gain) / loss on sale of investments	(10,842)	358
Provision for Sindh Workers' Welfare Fund	12,183	10,164
Reversal of provision in respect of non-performing investments	-	(19,879)
	(687,589)	(592,625)
	(90,615)	(94,598)
(Increase) / decrease in assets		
Investments - net	(22,905)	(332,080)
Receivable against margin trading system	(65,692)	316,768
Deposits and other receivables	4,736	(6,121)
	(83,861)	(21,433)
Increase / (decrease) in liabilities		
Payable to the Management Company	(9,712)	11,101
Payable to the Trustee	(231)	(100)
Payable to the Securities and Exchange Commission of Pakistan	(3,343)	(1,926)
Accrued expenses and other liabilities	19,599	(9,552)
	6,313	(477)
Mark-up received on bank balances and term deposit receipts	277,398	326,777
Mark-up received on term finance certificates and sukuks	316,574	177,908
Mark-up received on government securities	37,599	15,431
Mark-up received on margin trading system	1,456	14,867
Mark-up received on letter of placement and commercial papers	40,594	42,661
Income from spread transactions received	(617)	(4,102)
Dividend received on spread transactions	7,723	9,505
Net cash generated from operating activities	512,564	466,539
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	3,331,887	4,908,551
Amounts paid on redemption of units	(4,822,152)	(5,805,512)
Distributions paid	(419,007)	(663,005)
Net cash used in financing activities	(1,909,272)	(1,559,966)
Net decrease in cash and cash equivalents during the year	(1,396,708)	(1,093,427)
Cash and cash equivalents at the beginning of the year	2,547,849	3,641,276
Cash and cash equivalents at the end of the year	1,151,141	2,547,849

5.4

The annexed notes from 1 to 35 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Income Opportunity Fund ("the Fund") was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 11, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 30, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorisation of the Fund as an income scheme and other allied matters.

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 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 Fund is an open-ended mutual fund classified as an 'income scheme' by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to seek maximum preservation of capital and a reasonable rate of return by investing in money market and debt securities having good credit rating and liquidity. Other avenues of investments include ready future arbitrage in listed securities and transactions under margin trading system.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and a stability rating of A(f) to the Fund.

Title to the assets of the Fund is held in the name of CDC as a trustee of the Fund.

1.2 Impact of COVID -19

"A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown.

General economic activities in Pakistan also slowed down together with fluctuating trend in Pakistan Stock Exchange during lock down period i.e. from March 22, 2020 to May 9, 2020. However, to deal with such situation, regulators / governments across the country have introduced measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time. These mainly include:

- Time period to regularize the exposure limits breach has been extended;
- Time period to compliance with minimum size has been increased;
- Time for the announcement of daily NAV has been relaxed; and
- Reduction in the interest rate by the State Bank of Pakistan

The management is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff including remote working. Further, the Management has not identified any material adverse impact on the financial performance of the Funds due to COVID-19 pandemic situation.

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 VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan. It requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) classification and valuation of financial assets (Note 4.2.2.1 and 6)
- (b) impairment of financial assets (Note 4.2.3)
- (c) provisions (Note 4.6)

3. ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS:

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact, other than certain additional disclosures on the Fund's financial statements.



Effective from accounting period beginning on or after:

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts.	July 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform.	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions.	January 01, 2020



Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework.	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract.	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current.	January 01, 2023

Certain annual improvements have also been made to a number of IFRSs, which are also not expected to have material impact on final reporting of the fund.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards

IFRS 17 – Insurance Contracts

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4.2 Financial assets and liabilities

4.2.1 Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.2.2 Classification and measurement

4.2.2.1 Financial Assets

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVTOCI") and
- Fair value through profit or loss ("FVTPL").



Financial asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial Asset at FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

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

FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVTOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss.

Business Model Assessment

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost. Further, the Fund has investment in term deposit receipts which are classified as 'at fair value through profit or loss'.



4.2.2.2 Financial Liabilities

The Company classifies its financial liabilities in the following categories:

- Measured at amortized cost ("AC"), or
- Measured at Fair value through profit or loss ("FVTPL").

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.

Classification and measurement of financial liabilities

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The adoption of IFRS 9 does not have any impact on the Fund's accounting policies related to financial liabilities.

4.2.3 Impairment of financial assets

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

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.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

4.2.4 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned 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.

Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the



average rates quoted on a widely used electronic quotation system (PKIRSV rates) which are based on the remaining tenor of the securities.

Basis of valuation of equity securities:

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs. The preference shares received as dividend in specie are carried at cost.

4.2.5 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

4.2.6 Derecognition

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.3 Impairment of non financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the Income Statement.

4.4 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset 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. Sales load collected, if any, is payable to the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset 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.

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

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all



units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

4.6 Provisions

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

4.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) 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.
- Mark-up / return on bank balances and term deposits, term finance certificates and sukuks, government securities, letter of placement and commercial papers are recognised on a time apportionment basis using the effective interest method.
- Income on transactions under margin trading system is recognised on an accrual basis.

4.8 Expenses

All expenses, including remuneration of the Management Company, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement on accrual basis.

4.9 Distributions to the unit holders

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

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

4.10 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its 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.

4.11 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.



4.12 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as 'financial assets at fair value through profit or loss and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the Income Statement.

4.13 Securities under margin trading system

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the income statement. Transaction costs are expensed in the income statement.

5. BANK BALANCES	Note	2020 ----- Rupees in '000 -----	2019 -----
Current accounts	5.1	7,396	10,769
Saving accounts	5.2 and 5.3	<u>1,143,745</u>	<u>2,408,228</u>
		<u>1,151,141</u>	<u>2,418,997</u>

5.1 These include bank balance of Rs. 0.07 million (June 30, 2019: Rs. 0.07 million), maintained with National Bank of Pakistan (related party).

5.2 These saving accounts carry mark-up at the rates ranging from 5.5% to 15.5% per annum (2019: 6.10% to 14.00% per annum).

5.3 These include bank balances of Rs. 8.94 million and Rs. 1.19 million (June 30, 2019: Rs. 13.70 million and Rs. 0.12 million), which are maintained with National Bank of Pakistan and Bank Islami Pakistan Limited (related parties) respectively, and parties carry mark-up at the rate of 5.5% and 7.25% (June 30, 2019: 8.75%) per annum.

5.4 Cash and cash equivalents	Note	2020 ----- Rupees in '000 -----	2019 -----
Current accounts		7,396	10,769
Saving accounts		1,143,745	2,408,228
Term deposit receipts		-	128,852
		<u>1,151,141</u>	<u>2,547,849</u>

6. INVESTMENTS

At fair value through profit or loss

Equity securities - listed	6.1	-	-
Equity securities - listed (spread transactions)	6.2	-	-
Government securities	6.3	641,545	19,788
Term finance certificates - listed	6.4	-	162,359
Term finance certificates - unlisted	6.5	868,428	1,298,388
Sukuks	6.6	938,553	433,270
Term deposit receipts	6.7	270,000	128,852
Commercial paper	6.8	119,415	890,435
		<u>2,837,941</u>	<u>2,933,092</u>



Name of the investee company	Number of shares				Market value as at June 30, 2020	Investment as a percentage of		
	As at July 01, 2019	Purchased during the year	Sold during the year	As at June 30, 2020		Net assets	Market value of total investments	Paid-up capital of the investee company
					Rs. in '000	----- % -----		
OIL AND GAS EXPLORATION COMPANIES								
Oil and Gas Development Company Limited	-	487,500	487,500	-	-	-	-	-
Pakistan Petroleum Limited	-	335,500	335,500	-	-	-	-	-
Pakistan Oilfields Limited	-	97,000	97,000	-	-	-	-	-
OIL AND GAS MARKETING COMPANIES								
Pakistan State Oil Company Limited	-	183,000	183,000	-	-	-	-	-
Sui Southern Gas Company Limited	-	1,073,500	1,073,500	-	-	-	-	-
HASCOL Petroleum Limited	-	534,000	534,000	-	-	-	-	-
FOOD AND PERSONAL CARE PRODUCTS								
Frieslandcampins Engro Foods Limited	-	1,000	1,000	-	-	-	-	-
Unity Food Limited	-	4,269,000	4,269,000	-	-	-	-	-
REFINERY								
Attock Refinery Limited	-	150,000	150,000	-	-	-	-	-
National Refinery Limited	-	16,500	16,500	-	-	-	-	-
CABLE AND ELECTRICAL GOODS								
Pak Elektron Limited	-	1,109,000	1,109,000	-	-	-	-	-
PHARMACEUTICALS								
The Searle Company Limited	-	94,500	94,500	-	-	-	-	-
TEXTILE COMPOSITE								
Nishat Mills Limited	-	125,500	125,500	-	-	-	-	-
TECHNOLOGY AND COMMUNICATION								
Avanceon Limited	-	25,000	25,000	-	-	-	-	-
STEEL INDUSTRY								
Mughal Iron and Steel industries	-	107,500	107,500	-	-	-	-	-
Ameril Steel Limited	-	325,500	325,500	-	-	-	-	-
CHEMICAL								
Engro Polymer & Chemicals Limited	-	81,000	81,000	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	760,500	760,500	-	-	-	-	-
Descon Oxychem Limited	-	500	500	-	-	-	-	-
Carrying value / market value as at June 30, 2020								



6.3 Government securities

6.3.1 Market treasury bills

Issue Date	Tenor	Face value				Market value as at June 30, 2020	Investment as a percentage of	
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments
		----- Rupees in '000 -----				----- % -----		
May 9, 2019	3 months	20,000	-	20,000	-	-	-	-
October 10, 2019	1 year	-	500,000	500,000	-	-	-	-
November 7, 2019	1 year	-	500,000	500,000	-	-	-	-
December 11, 2019	3 months	-	150,000	150,000	-	-	-	-
January 20, 2020	3 months	-	150,000	150,000	-	-	-	-
February 18, 2020	3 months	-	150,000	150,000	-	-	-	-
February 27, 2020	3 months	-	250,000	250,000	-	-	-	-
February 27, 2020	1 year	-	250,000	250,000	-	-	-	-
March 12, 2020	3 months	-	375,000	375,000	-	-	-	-
March 12, 2020	1 year	-	250,000	250,000	-	-	-	-
May 7, 2020	6 months	-	100,000	-	100,000	97,626	2.44	3.44
May 7, 2020	3 months	-	375,000	375,000	-	-	-	-
June 18, 2020	3 months	-	100,000	-	100,000	98,656	2.47	3.48
Market value as at June 30, 2020						196,282		
Carrying value before mark to market as at June 30, 2020						195,903		

6.3.1.1 The effective yield on market treasury bills is 13.43% per annum (June 30, 2019: 12.58% per annum).

6.3.1.2 Investments include treasury bills with market value of Rs.196.2 million (June 30, 2019: Rs. 19.789 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no. 11 dated October 23, 2007 issued by SECP.

6.3.2 Pakistan investment bonds

Issue Date	Tenor	Face value				Market value as at June 30, 2020	Investment as a percentage of	
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments
		----- Rupees in '000 -----				----- % -----		
September 19, 2019	3 years	-	100,000	-	100,000	103,283	2.58	3.64
September 19, 2019	5 years	-	325,000	-	325,000	341,980	8.55	12.05
Market value as at June 30, 2020						445,263		
Carrying value before mark to market as at June 30, 2020						416,357		

6.3.2.1 These Pakistan investment bonds carry rate of return ranging from 9% to 9.5% per annum.



6.4 Term finance certificates - listed

Name of the investee company	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
	As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size

Rs. in '000

----- % -----

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

Bank Alfalah Limited - V		32,550	-	32,550	-	-	-	3.26
Pace (Pakistan) Limited	6.4.1	30,000	-	-	30,000	-	-	10.00
Saudi Pak Leasing Company Limited	6.4.1	15,000	-	-	15,000	-	-	10.00
Worldcall Telecom Limited	6.4.1	45,000	-	-	45,000	-	-	0.06
Carrying value / market value as at June 30, 2020					<u>-</u>			

6.4.1 The investee companies had defaulted on its obligation on account of principal and profit payments and accordingly has been classified as a non performing asset by Mutual Funds Association of Pakistan (MUFAP). The accumulated provision amounting to Rs. 266.11 million against investee companies have been maintained by valuing the investments as per circular no. 1 of 2009 and circular no. 33 of 2012.

6.4.2 Other particulars of term finance certificates - listed outstanding as at June 30, 2020 are as follows:

Name of the investee company	Face value *	Mark-up rate per annum	Rating	Issue date	Maturity date
Bank Alfalah Limited - V	-	6 months KIBOR offer rate + 1.25%	AA	20-Feb-13	20-Feb-21
Pace (Pakistan) Limited	4,994	6 months KIBOR offer rate + 2.00%	Not rated	15-Feb-08	15-Feb-17
Saudi Pak Leasing Company Limited	2,775	6.87% fixed rate	Not rated	13-Mar-08	13-Mar-13
Worldcall Telecom Limited	1,705	6 Month KIBOR offer rate + 1.6%	Not rated	7-Oct-08	7-Oct-13

* It represents unredeemed value of the investments

6.5 Term finance certificates - unlisted

Name of the investee company	Issue date	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size

Rs. in '000

----- % -----

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

Habib Bank Limited		2,000	-	2,000	-	-	-	0.10
JS Bank Limited	December 14, 2016	60,000	-	-	60,000	293,992	7.35	10.36
Jahangir Siddiqui and Company Limited	June 24, 2016	20,000	-	-	20,000	24,620	0.62	0.87
Jahangir Siddiqui and Company Limited	July 18, 2017	23,340	-	-	23,340	71,299	1.78	2.51
Silk Bank Limited	August 10, 2017	20,000	-	-	20,000	89,713	2.24	3.16
JS Bank Limited	December 29, 2017	1,000	-	-	1,000	87,572	2.19	3.09



Name of the investee company	Issue date	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size

Rs. in '000

----- % -----

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

Jahangir Siddiqui and Company Limited	March 06, 2018	30,000	-	-	30,000	148,800	3.72	5.24	3.49
Bank of Punjab	April 16, 2018	1,500	-	-	1,500	132,483	3.31	4.67	10.00
Kashf Foundation	September 30, 2019	-	20	-	20	19,949	0.50	0.70	10.00
Azgard Nine Limited III (Note 6.5.1)	December 4, 2007	50,000	-	-	50,000	-	-	-	-
Azgard Nine Limited V (Note 6.5.1)	March 31, 2012	16,436	-	-	16,436	-	-	-	-
Dewan Cement Limited (Note 6.5.1)	January 14, 2008	30,000	-	-	30,000	-	-	-	-
New Allied Electronics Industries (Private) Limited	May 15, 2007	15,000	-	-	15,000	-	-	-	-
Agri-tech Limited V (Note 6.5.1)	July 1, 2011	6,464	-	-	6,464	-	-	-	-
Agri-tech Limited I (Note 6.5.1)	November 29, 2007	30,000	-	-	30,000	-	-	-	-
Market value as at June 30, 2020						868,428			
Carrying value before mark to market as at June 30, 2020						902,754			

6.5.1 The investee companies had defaulted on its obligation on account of principal and profit payments and accordingly has been classified as a non performing asset by Mutual Funds Association of Pakistan (MUFAP). The accumulated provision amounting to Rs. 554.44 million against investee companies have been maintained by valuing the investments as per circular no. 1 of 2009 and circular no. 33 of 2012.

6.5.2 Other particulars of term finance certificates - unlisted outstanding as at June 30, 2020 are as follows:

Name of the investee company	Face value *	Mark-up rate per annum	Rating	Issue date	Maturity date
JS Bank Limited	4,993	6 months KIBOR offer rate + 1.4%	A+	December 14, 2016	December 16, 2023
Jahangir Siddiqui and Company Limited	1,250	6 months KIBOR offer rate + 1.65%	AA+	June 24, 2016	June 24, 2021
Jahangir Siddiqui and Company Limited	3,125	6 months KIBOR offer rate + 1.4%	AA+	July 18, 2017	July 18, 2022
Silk Bank Limited	4,998	6 months KIBOR offer rate + 1.85%	A-	August 10, 2017	August 10, 2025
JS Bank Limited	99,900	6 months KIBOR offer rate + 1.4%	A+	December 29, 2017	December 29, 2024
Jahangir Siddiqui and Company Limited	5,000	6 months KIBOR offer rate + 1.4%	AA+	March 6, 2018	March 5, 2023
Bank of Punjab	99,920	6 months KIBOR offer rate + 1.25%	AA-	April 16, 2018	April 13, 2028
Kashf Foundation	1,000,000	3 months KIBOR offer rate + 2.25%	A	September 30, 2019	September 30, 2023
Azgard Nine Limited III	4,496	6 months KIBOR offer rate + 2.25%	Not rated	December 4, 2007	December 4, 2014
Azgard Nine Limited V	5,000	-	Not rated	March 31, 2012	March 31, 2019
Dewan Cement Limited	5,000	6 months KIBOR offer rate + 2%	Not rated	January 14, 2008	January 14, 2014
New Allied Electronics Industries (Private) Limited	1,250	3 months KIBOR offer rate + 3%	Not rated	May 15, 2007	May 15, 2011
Agri-tech Limited V	4,999	11% fixed rate	Not rated	July 1, 2011	January 1, 2018
Agri-tech Limited I	3,997	6 months KIBOR offer rate + 1.75%	Not rated	November 29, 2007	November 29, 2014

* It represents unredeemed value of the investments



6.6 Sukuks

Name of the investee company	Issue date	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01, 2019	Purchased during the year	Matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
						Rs. in '000	----- % -----		
All term finance certificates have a face value of Rs. 100,000 each unless stated otherwise.									
Dawood Hercules Corporation Limited	November 17, 2017	4,830	-	2,275	2,555	180,626	4.52	6.36	4.91
HUBCO	August 22, 2019	-	3,000	2,000	1,000	102,145	2.55	3.60	1.43
Javedan Corporation Limited	October 04, 2018	1,000	-	-	1,000	97,098	2.43	3.42	3.34
KE	December 27, 2019	-	80,000	-	80,000	400,000	10.00	14.09	9.60
Masood Textile Mills Ltd.	December 17, 2019	-	1,000	-	1,000	99,184	2.48	3.49	0.04
Shakarganj Foods	July 10, 2018	70	-	-	70	59,500	1.49	2.10	4.83
New Allied Electronics Industries (Private) Limited (Note 6.6.1)	December 03, 2007	9,000	-	-	9,000	-	-	-	-
Eden Housing Limited (Note 6.6.1)	March 29, 2008	9,200	-	-	9,200	-	-	-	-
Market value as at June 30, 2020						<u><u>938,553</u></u>			
Carrying value before mark to market as at June 30, 2020						<u><u>933,558</u></u>			

6.6.1 The investee companies had defaulted on its obligation on account of principal and profit payments and accordingly has been classified as a non performing asset by Mutual Funds Association of Pakistan (MUFAP). The accumulated provision amounting to Rs. 53.21 million against investee companies have been maintained by valuing the investments as per circular no. 1 of 2009 and circular no. 33 of 2012.

6.7 These represents Mobilink Microfinance Bank Limited term deposit having original maturity period of more than three months. This carries mark-up rate of 15.6% per annum.

6.8 This represents the purchase of commercial paper from TPL Trakker Limited on January 15, 2020 (having face value of Rs. 120 million). This carries profit at the rate of 16% per annum and will mature on July 13, 2020.

6.9 Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss	Note	2020	2019
		----- Rupees in '000 -----	-----
Market value of investments	6.1 - 6.6	2,448,526	2,104,961
Less: Carrying value of investments	6.1 - 6.6	(2,448,572)	(2,122,506)
		<u><u>(46)</u></u>	<u><u>(17,545)</u></u>

7. RECEIVABLE AGAINST MARGIN TRADING SYSTEM

7.1 These carry average mark-up rate of 9.77% (June 30, 2019: Nil) per annum and are matured at the option of financee subject to maximum period of 60 days.



		2020	2019
		----- Rupees in '000 -----	
8. MARK-UP ACCRUED			
Mark-up accrued on bank balances and term deposit receipts		15,853	4,967
Mark-up accrued on margin trading system		189	-
Mark-up accrued on:			
- Term finance certificate and sukuks		268,038	282,212
- Pakistan Investment Bonds		11,348	-
Less: Income suspended over non-performing debt securities		(232,613)	(232,613)
		46,773	49,599
		62,815	54,566
9. DEPOSITS AND OTHER RECEIVABLES			
Security deposits with:			
- Central Depository Company of Pakistan Limited		100	100
- National Clearing Company of Pakistan Limited		2,750	2,750
		2,850	2,850
Advance tax		8,074	8,074
Others		450	5,186
		11,374	16,110
10.	This represents amount receivable from other collective investment scheme being managed by the Management Company of the Fund. This amount was received during the period in respect of units issued to various unit holders based on their request for transfer of units from other collective investment scheme to the Fund.		
		2020	2019
11. PAYABLE TO THE NBP FUND MANAGEMENT LIMITED		----- Rupees in '000 -----	
- MANAGEMENT COMPANY	Note		
Remuneration of the Management Company	11.1	2,303	4,463
Sindh Sales Tax on remuneration of the Management Company	11.2	299	580
Operational expense	11.3	1,011	2,737
Selling and marketing expenses	12	7,075	10,948
Sales load		2,221	3,700
Sindh Sales Tax and Federal Excise Duty on sales load		1,847	2,040
		14,756	24,468
11.1	Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to charged remuneration upto 1.5% of the average net assets of the Fund. The Management Company had charged 8% of the daily net income subject to minimum 0.5% and maximum of 1% of the average net assets. However, percentage on daily net income has been changed to 6% from July 12, 2019 where, no change in the maximum and minimum limits.		
	Daily net income is calculated by deducting all expenses of the fund excluding Management fees and related sales tax thereon from gross income.		
11.2	This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on the services provided by the Management Company as required by the Sindh Sales Tax on Services Act, 2011.		
11.3	As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the scheme. Accordingly, the Management Company has charged 0.1% of the average annual net assets.		



12. SELLING AND MARKETING EXPENSES

The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated June 04, 2018 allowed to charge selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) subject to, Board approval of and cap of 0.4% per annum of net assets or actual whichever is lower and Board approval. In current year, SECP through its Circular No. 11 of 2019 dated July 5, 2019, has now removed cap of 0.4% on all open end funds (except "Fund of Funds"). In addition to the requirement of Board approval, now these expenses to be paid to AMC on reimbursement basis and subject to approval of the Trustee. Further, all the payments are required to be approved by the Trustee.

In pursuance of above circular, the Board has approved the limits to be charged in respect of these expenses. Accordingly effective from July 12, 2019, the Fund has charged 0.7% of daily net asset value of the Fund.

13. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
		----- Rupees in '000 -----	
Remuneration of the trustee	13.1	254	459
Sindh Sales Tax on remuneration of the trustee	13.2	34	60
		<u>288</u>	<u>519</u>

13.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration to the Trustee is 0.075% of Net assets which is payable monthly in arrears.

13.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

14. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorised as an "income scheme" is required to pay an annual fee to the Securities and Exchange Commission of Pakistan. Effective from July 1, 2019, fee has been reduced to 0.02% per annum from 0.075% per annum. The fee is paid annually in arrears.

15. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
		----- Rupees in '000 -----	
Auditors' remuneration		521	442
Provision for Sindh Workers' Welfare Fund	20	41,682	29,499
Federal Excise Duty on remuneration of the Management Company	15.1	39,241	39,241
Brokerage charges		24	-
Settlement charges		263	40
Printing charges		43	99
Withholding tax		44,513	22,396
Capital gain tax		1,126	3,448
Legal and professional charges		355	420
Dividend payable		-	346
Others		184	239
		<u>127,952</u>	<u>96,170</u>



- 15.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the 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 Funds Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 39.240 million as at June 30, 2020.

Had the provision not been made, the net asset value per unit as at June 30, 2020 would have been higher by Re. 0.1055 per unit (June 30, 2019: Re. 0.0795 per unit).

16. CONTINGENCIES AND COMMITMENTS

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

17. NUMBER OF UNITS IN ISSUE	Note	2020	2019
		Number of Units	
Total units in issue at the beginning of the year		493,535,933	563,703,522
Add: units issued during the year	17.1	304,146,950	460,526,320
Less: units redeemed during the year		(425,722,673)	(530,693,909)
Total units in issue at the end of the year		<u>371,960,210</u>	<u>493,535,933</u>

- 17.1 These units includes 516,239 allocated units which are issued subsequently to unitholders

18. NET ASSET VALUE PER UNIT

The net asset value per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

19. AUDITORS' REMUNERATION	2020	2019
	Rupees in '000	
Annual audit fee	401	382
Half yearly review fee	175	167
Out of pocket expenses and sales tax expense	112	96
	<u>688</u>	<u>645</u>

20. WORKERS WELFARE FUND AND SINDH WORKER'S WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5



million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

"MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 31.22 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 41.682 million (2019: Rs. 29.499 million). Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Re. 0.1121 (June 30, 2019: Re. 0.0598) per unit.

21. TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute 90% of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2020 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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



22. 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.

23. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the period divided by average net assets for the period) is 2.13% per annum including 0.39% representing government levies on Collective Investment Scheme such as sales tax, provision for SWWF and SECP fee for the year.

24. DETAILS OF NON-COMPLIANT INVESTMENTS

The SECP vide Circular no. 7 of 2009 dated March 6, 2009, required all asset management companies to categorize funds under their management on the basis of criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

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

Following is the detail of non-compliant investments:

Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets	% of gross assets
			----- Rupees in ' 000 -----		-----%-----		
Azgard Nine Limited III	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	108,377	(108,377)	-	-	-
Azgard Nine Limited V	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	82,180	(82,180)	-	-	-
Agri-tech Limited I	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	149,860	(149,860)	-	-	-
Agri-tech Limited V	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	32,320	(32,320)	-	-	-



Name of non-compliant investment	Non-compliance of clause	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets	% of gross assets
			----- Rupees in ' 000 -----		-----%-----		
Dewan Cement Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	150,000	(150,000)	-	-	-
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Sukuks (24.1)	9,056	(9,056)	-	-	-
New Allied Electronics Industries (Private) Limited - PPTFC	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	31,707	(31,707)	-	-	-
New Allied Electronics Industries (Private) Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Sukuks (24.1)	44,149	(44,149)	-	-	-
Pace Pakistan Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	149,820	(149,820)	-	-	-
Saudi Pak Leasing Company Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	41,321	(41,321)	-	-	-
Worldcall Telecom Limited	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Term finance certificates (24.1)	74,977	(74,977)	-	-	-
Azgard Nine Limited (Non-voting)	Rating is below investment grade as prescribed in clause 9 (v) of annexure of circular 7 of 2009	Shares (24.1)	-	-	-	-	-
			13	(13)	-	-	-
Total carrying value and accumulated impairment as at June 30, 2020			873,780	(873,780)	-		

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



25. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

25.1 Connected persons include NBP Fund Management Limited being the Management Company (NBP Funds), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

25.2 The transactions with connected persons are carried out at agreed terms.

25.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

25.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

25.5 Details of the transactions with connected persons are as follows: 2020
----- Rupees in '000 -----
2019

NBP Fund Management Limited (Management Company)

Remuneration of the Management Company	38,508	49,097
Sindh Sales Tax on remuneration of the Management Company	5,006	6,383
Reimbursement of operational expenses to the Management Company	4,820	5,743
Sales load and related Sindh Sales Tax and Federal Excise Duty	3,299	2,791
Selling and marketing expenses	33,266	18,085

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	3,615	5,620
Sindh sales tax on remuneration of the Trustee	470	731
CDS charges	507	672

National Bank of Pakistan (Parent of the Management Company)

Mark-up on bank balances	628	292
Sale of Market treasury bill	312,863	-

Summit Bank Limited (Common Directorship with the Management Company) *

Mark-up on bank balances	-	40
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Muhammad Murtaza Ali - Company Secretary of Management Company

Units issued / transferred in: 42,568 units (2019: Nil units)	500	-
Units redeemed / transferred out: 42,568 units (2019: Nil units)	505	-

Humayun Bashir - Director

Units issued / transferred in: 6,867,017 units (2019: 4,037,92,163 units)	78,554	43,584
Units redeemed / transferred out: 9,056,745 units (2019: 1,888,289 units)	103,379	21,000
Dividend re-invest: Nil units (2019: 40,855 units)	-	438



	2020	2019
	----- Rupees in '000 -----	
Employees of the Management Company		
Units issued / transferred in: 1,677,119 units (2019: 2,389,294 units)	19,303	25,472
Units redeemed / transferred out: 3,194,883 units (2019: 1,771,365 units)	36,077	19,212
Dividend re-invest: 30,585 units (2019: 72,333 units)	329	774
NBP Employees Pension Fund (Pension Fund of the Parent of Management Company)		
Dividend re-invest: 12,400,168 units (June 30, 2019: 10,673,283 units)	133,289	114,275
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Mark-up on bank balances	725	87
NBP Money Market Fund (CIS Managed by NBP Fund Management)		
Purchase of Market treasury bill	147,300	-
NBP Government Securities Savings Fund (CIS Managed by NBP Fund Management)		
Sale of Market treasury bill	44,946	-
NBP Mahana Amdani Fund (CIS Managed by NBP Fund Management)		
Sale of Commercial paper	199,529	-
NBP Savings Fund (CIS Managed by NBP Fund Management)		
Sale of Commercial paper	23,182	-
The HUB Power Company (Common Directorship)		
Purchase of Sukuk	200,000	-
Purchase of Commercial paper	185,883	-
Rental Income on HUBCO Sukuk	27,845	-
Fauji Fertilizer Company (Common Directorship)		
Purchase of Sukuk	101,386	-
National Clearing Company of Pakistan Limited (Common Directorship)		
NCCPL charges	251	-
Laga & levy charges	122	-
Pakistan Stock Exchange (Common Directorship)		
Annual Listing Fee Paid	25	-
Portfolios managed by the Management Company		
Units issued / transferred in: 1,864,028 units (2019: 12,312,892 units)	20,100	126,912
Units redeemed / transferred out: 6,828,487 units (2019: 18,146,358 units)	74,042	198,103
Dividend re-invest: Nil units (2019: 1,612 units)	-	17



*Current year transactions with these related parties have not been disclosed as they did not remain connected persons and related parties during current year.

25.6 Amounts outstanding as at year end are as follows:

	2020	2019
	----- Rupees in '000 -----	
NBP Fund Management Limited		
Remuneration of the Management Company	2,303	4,463
Sindh Sales Tax on remuneration of the Management Company	299	580
Operational expense	1,011	2,737
Selling and marketing expenses	7,075	10,948
Sales load	2,221	3,700
Sindh Sales Tax and Federal Excise Duty on sales load	1,847	2,040
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the trustee	254	459
Sindh sales tax on remuneration of the trustee	34	60
CDC charges	113	40
Security deposit	100	100
National Bank of Pakistan (Parent of the Management Company)		
Bank balance	8,943	13,708
Accrued markup on bank balance	13	8
Summit Bank Limited (Common Directorship with the Management Company) *		
Bank balance	-	13,207
Accrued markup on bank balance	-	10
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Bank balance	1,196	117
Accrued markup on bank balance	149	4
Askari Bank Limited (Common Directorship with the Management Company) *		
Bank balance	-	6,360
Accrued markup on bank balance	-	4
Humayun Bashir (Director)		
Investment held in the Fund: Nil units (June 30, 2019: 2,189,728 units)	-	23,496
National Clearing Company of Pakistan Limited (Common Directorship)		
NCCPL charges payable	143	-
Laga & levy charges payable	7	-
Security Deposit	2,750	2,750
The HUB Power Company (Common Directorship)		
HUBCO Sukuk	102,145	-
NBP Employees Pension Funds		
Investment held in the Fund: 107,220,828 units (June 30, 2019: 94,820,660 units)	1,153,160	1,017,454
Employees of the Management Company		
Investment held in the Fund: 599,936 units (June 30, 2019: 1,500,944 units)	6,452	16,106
Portfolios managed by the Management Company		
Investment held in the Fund: Nil units (June 30, 2019: 4,964,459 units)	-	53,272



*Current year balance with this party has not been disclosed as it is not connected person and related party during the year.

26. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

26.1 Mr. Muhammad Ali Bhabha is the manager of the Fund. Other funds being managed by the Fund Manager are as follows:

- NBP Active Allocation Riba Free Savings Fund
- NBP Financial Sector Income Fund
- NBP Money Market Fund
- NBP Government Securities Plan I
- NBP Government Securities Savings Fund
- NBP Government Securities Liquid Fund
- NBP Islamic Daily Dividend Fund
- NBP Islamic Mahana Amdani Fund
- NBP Islamic Money Market Fund
- NBP Islamic Savings Fund
- NBP Mahana Amdani Fund
- NBP Riba Free Savings Fund
- NBP Savings Fund

27. TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year June 30, 2020.

S.No	Particulars	Percentage
1	Adam Securities (Private) Limited	21.93
2	Alfalah Securities (Private) Limited	3.18
3	EFG Hermes Pakistan Limited	1.39
4	MRA Securities Limited	56.33
5	J.S. Global Capital Limited	2.50
6	Continental Exchange (Private) Limited	0.34
7	Icon Securities (Private) Limited	0.86
8	Bright Capital (Private) Limited	4.80
9	Bma Capital Management Limited	1.90
10	Vector Capital (Private) Limited	1.50
11	Next Capital Limited	5.26



List of top ten brokers by percentage of commission charged during the year June 30, 2019

S.No	Particulars	Percentage
1	Adam Securities (Private) Limited	17.12
2	Alfalah Securities (Private) Limited	3.94
3	EFG Hermes Pakistan Limited	0.80
4	First Capital Equities Limited	9.26
5	MRA Securities Limited	48.14
6	Icon Securities (Private) Limited	0.11
7	Taurus Securities Limited	13.69
8	SC Security (Private) Limited	6.94

28. PATTERN OF UNIT HOLDING

As at June 30, 2020

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	3,206	1,414,924	35.37
Non-Banking Financial Companies	1	-	-
Associated companies and directors	2	1,153,197	28.83
Insurance companies	6	60,933	1.52
Retirement funds	39	608,942	15.22
Public listed companies	6	208,700	5.22
Others	96	553,721	13.84
	3,356	4,000,417	100

As at June 30, 2019

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	3,337	2,084,831	39.37
Non-Banking Financial Companies	1	-	-
Associated companies and directors	4	1,041,618	19.67
Insurance companies	5	166,318	3.14
Retirement funds	40	649,067	12.26
Public listed companies	9	257,244	4.86
Others	122	1,096,691	20.71
	3,518	5,295,769	100



29. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan *	3	2	1	74th Meeting
Mr. Syed Hasan Irtiza Kazmi *	3	3	-	-
Mr. Nasir Husain	1	-	1	72nd Meeting
Mr. Abdul Hadi Palekar	1	-	1	72nd Meeting
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy	1	1	-	-
Mr. Khalid Mansoor	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque	1	1	-	-
Mr. Saad Amanullah Khan	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

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

* Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque were retired as directors on Board with effect from October 04, 2019.

30. FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2020

At fair value through profit or loss	At amortised cost	Total
--------------------------------------	-------------------	-------

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

Financial assets

Bank balances	-	1,151,141	1,151,141
Investments	2,837,941	-	2,837,941
Receivable against margin trading system	-	65,692	65,692
Mark-up accrued	-	62,815	62,815
Receivable against transfer of units	-	16,636	16,636
Deposits	-	2,850	2,850
	2,837,941	1,299,134	4,137,075

Financial liabilities

Payable to the Management Company	-	14,756	14,756
Payable to the Trustee	-	288	288
Accrued expenses and other liabilities	-	1,390	1,390
Payable against redemption of units	-	1,222	1,222
Net assets attributable to redeemable units	-	4,000,417	4,000,417
	-	4,018,073	4,018,073



As at June 30, 2019

	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Financial Assets			
Bank balances	-	2,418,997	2,418,997
Investments	2,933,092	-	2,933,092
Receivable against margin trading system	-	-	-
Mark-up accrued	-	54,566	54,566
Receivable against sale of investments	-	-	-
Deposits	-	2,850	2,850
	2,933,092	2,476,413	5,409,505
Financial Liabilities			
Payable to the Management Company	-	24,468	24,468
Payable to the Trustee	-	519	519
Accrued expenses and other liabilities	-	62,118	62,118
Net assets attributable to redeemable units	-	5,295,769	5,295,769
	-	5,382,874	5,382,874

31. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

31.1 Market risk

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

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan and Investment Committee.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

31.1.1 Currency risk

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

31.1.2 Interest rate risk

Yield / Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result because of the changes in market interest rates. The Fund is mainly exposed to interest risk on balances held with banks in savings account.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing term finance certificates, sukuks and balance in saving accounts which are exposed to interest rate risk. In case of 100 basis points increase/decrease in KIBOR and bank profit rates as on June 30, 2020 with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs. 29.51 million (2019: Rs. 43.02 million).



b) Sensitivity analysis for fixed rate instruments

The Fund holds market treasury bills and Pakistan investment bonds that expose the Fund to fair value interest rate risk as at June 30, 2020. In case of 100 basis points increase in coupon rate on June 30, 2020, with all other variables held constant, the net assets of the Fund as of year end and net income for the year would have been higher by Rs. 0.960 million (2019: Rs. 1.286). In case of 100 basis points decrease in KIBOR on 30 June 2020, with all other variables held constant, the net assets of the Fund as of year end and net income for the year would have been lower by Rs. 0.947 million (June 30, 2019: Rs. 1.095).

As at June 30, 2020

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate 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	5.5- 15.5	1,151,141	1,143,745	-	-	7,396
Investments	7.70 - 15.90	2,837,941	270,000	119,415	2,448,526	-
Receivable against margin trading system		65,692	65,692	-	-	-
Mark-up accrued		62,815	-	-	-	62,815
Receivable against transfer of units		16,636	-	-	-	16,636
Deposits		2,850	-	-	-	2,850
		4,137,075	1,479,437	119,415	2,448,526	89,697

Financial liabilities

Payable to the Management Company		14,756	-	-	-	14,756
Payable to the Trustee		288	-	-	-	288
Accrued expenses and other liabilities		1,390	-	-	-	1,390
Payable against redemption of units		1,222	-	-	-	1,222
Net assets attributable to redeemable units		4,000,417	-	-	-	4,000,417
		4,018,073	-	-	-	4,018,073

On-balance sheet gap		119,002	1,479,437	119,415	2,448,526	(3,928,376)
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-



As at June 30, 2019

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate 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	4.5 - 14	2,418,997	2,408,228	-	-	10,769
Investments	7.61 - 14.71	2,933,092	128,852	890,435	1,913,805	-
Receivable against margin trading system		-	-	-	-	-
Mark-up accrued		54,566	-	-	-	54,566
Receivable against sale of investments		-	-	-	-	-
Deposits		2,850	-	-	-	2,850
		5,409,505	2,537,080	890,435	1,913,805	68,185

Financial liabilities

Payable to the Management Company		24,468	-	-	-	24,468
Payable to the Trustee		519	-	-	-	519
Accrued expenses and other liabilities		62,118	-	-	-	62,118
Net assets attributable to redeemable units		5,295,769	-	-	-	5,295,769
		5,382,874	-	-	-	5,382,874
On-balance sheet gap		26,631	2,537,080	890,435	1,913,805	(5,314,689)
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

31.1.3 Price risk

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

The Fund is exposed to equity price risk because of investment held by the Fund and classified in the statement of assets and liabilities as fair value through profit and loss'.

As at June 30, 2020, the year Fund has Nil balance of equity security. In case of 5% increase / decrease in fair value on June 30, 2020, the net income for the year would increase / decrease by Rs. Nil (2019: Rs 1.814 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as fair value through profit and loss'. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.



31.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances, mark-up accrued receivable on investment, bank balances and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. The risk of default is considered minimal due to inherent systematic measures taken therein. Therefore, the Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's financial assets:

Bank balances by rating category	June 30, 2020	June 30, 2019
AAA	6%	26%
AA+	1%	1%
AA-	30%	17%
A+	29%	44%
A	33%	11%
Suspended	1%	1%
	100%	100%

Term finance certificates and sukuks by rating category

AAA	0%	10%
AA+	41%	16%
AA	0%	31%
AA-	23%	13%
A+	21%	21%
A	10%	4%
A-	0%	5%
BBB+	5%	0%
	100%	100%

The maximum exposure to credit risk before any credit enhancement as follows:

	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
	-----Rupees in '000 -----		-----Rupees in '000 -----	
Balances with banks	1,151,141	1,151,141	2,418,997	2,418,997
Investments	2,837,941	2,196,396	2,933,092	2,913,304
Receivable against margin trading system	65,692	65,692	-	-
Mark-up accrued	62,815	62,815	54,566	54,566
Deposits	2,850	2,850	2,850	2,850
	4,120,439	3,478,894	5,409,505	5,389,717



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 instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

31.3 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.

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 an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. 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.

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

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

----- June 30, 2020 -----			
Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----			

Financial liabilities

Payable to the Management Company	14,756	14,756	-	-
Payable to the Trustee	288	288	-	-
Accrued expenses and other liabilities	1,390	1,390	-	-
Payable against redemption of units	1,222	1,222	-	-
Net assets attributable to redeemable units	4,000,417	4,000,417	-	-
	4,018,073	4,018,073	-	-



----- June 30, 2019 -----			
Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----			

Financial liabilities

Payable to the Management Company	24,468	24,468	-	-
Payable to the Trustee	519	519	-	-
Accrued expenses and other liabilities	62,118	62,118	-	-
Net assets attributable to redeemable units	5,295,769	5,295,769	-	-
	<u>5,382,874</u>	<u>5,382,874</u>	<u>-</u>	<u>-</u>

32 Fair value of financial instruments

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

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

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' 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 or indirectly (level 2).
- Unobservable inputs for the asset or liability (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:



June 30, 2020

At fair value through profit or loss	Carrying amount			Fair value	
	Fair value through other comprehensive income	Amortized Cost	Total	Level 2	Total

Rupees

Financial assets measured at fair value

Government securities	641,545	-	-	641,545	641,545	641,545
Term finance certificates - unlisted	868,428	-	-	868,428	868,428	868,428
Commercial paper	119,415	-	-	119,415	119,415	119,415
Sukuks	938,553	-	-	938,553	938,553	938,553
	2,567,941	-	-	2,567,941	2,567,941	2,567,941

Financial assets not measured at fair value

Term deposit receipts	270,000	-	-	270,000	270,000	270,000
Bank balances	-	-	1,151,141	1,151,141	-	-
Receivable against margin trading system	-	-	65,692	65,692	-	-
Mark-up accrued	-	-	62,815	62,815	-	-
Receivable against sale of investments	-	-	16,636	16,636	-	-
Deposits, prepayments and other receivables	-	-	11,374	11,374	-	-
	270,000	-	1,307,658	1,577,658	270,000	270,000

Financial liabilities not measured at fair value

Payable to the Management Company	-	-	14,756	14,756	-	-
Remuneration payable to the Trustee	-	-	288	288	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	964	964	-	-
Payable against purchase of investment	-	-	1,222	1,222	-	-
Accrued expenses and other liabilities	-	-	127,952	127,952	-	-
Net assets attributable to redeemable units	-	-	4,000,417	4,000,417	-	-
	-	-	4,145,599	4,145,599	-	-

June 30, 2019

At fair value through profit or loss - held for trading	Carrying amount				Fair value	
	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 2	Total

Rupees

Financial assets measured at fair value

Equity securities - listed	-	-	-	-	-	-
Equity securities - listed (spread transactions)	-	-	-	-	-	-
Government securities	19,788	-	-	19,788	19,788	19,788
Term finance certificates - listed	162,359	-	-	162,359	162,359	162,359
Term finance certificates - unlisted	1,298,388	-	-	1,298,388	1,298,388	1,298,388
Commercial paper	890,435	-	-	890,435	-	-
Sukuks	433,270	-	-	433,270	433,270	433,270
	2,804,240	-	-	2,804,240	1,913,805	1,913,805

Financial assets not measured at fair value

Term deposits	128,852	-	-	128,852	128,852	128,852
Bank balances	-	-	2,418,997	2,418,997	-	-
Receivable against margin trading system	-	-	-	-	-	-
Mark-up accrued	-	-	54,566	54,566	-	-
Receivable against sale of investments	-	-	2	2	-	-
Deposits, prepayments and other receivables	-	-	16,110	16,110	-	-
	128,852	-	2,489,675	2,618,527	128,852	128,852

Financial liabilities not measured at fair value

Payable to the Management Company	-	-	-	24,468	24,477	-	-
Remuneration payable to the Trustee	-	-	-	519	529	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	4,307	4,307	-	-
Payable against purchase of investment	-	-	-	1,534	1,534	-	-
Accrued expenses and other liabilities	-	-	-	96,170	96,180	-	-
Net assets attributable to redeemable units	-	-	-	5,295,769	5,295,769	-	-
	-	-	-	5,422,767	5,422,796	-	-



- 32.1** The Fund has not disclosed the fair values for these financial assets (other than investment) and for financial liabilities, as these are either short term in nature or are repriced periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

33 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit 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 in the statement of movement in unit holders' fund.

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

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

In accordance with the risk management policies stated in note 31, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

34 GENERAL

- 34.1** Figures have been rounded off to the nearest thousand rupees.

35 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 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')	4,000,417	5,295,769	6,351,157	8,199,128	6,274,223	5,242,537
Net Income / (loss) (Rs. '000')	596,574	498,027	434,363	290,906	226,587	301,448
Net Asset Value per units (Rs.)	10.7550	10.7303	11.2668	10.6964	10.7016	11.559
Offer price per unit	10.8765	10.8515	11.3941	10.8173	10.8431	11.7132
Redemption price per unit	10.7550	10.7303	11.2668	10.6964	10.7016	11.559
Ex - Highest offer price per unit (Rs.)	10.8772	11.3930	11.3941	10.8225	10.8431	10.8419
Ex - Lowest offer price per unit (Rs.)	9.4903	10.8200	10.8180	10.1963	10.0903	9.5761
Ex - Highest redemption price per unit (Rs.)	10.7557	11.2657	11.2668	10.7023	10.7016	10.6992
Ex - Lowest redemption price per unit (Rs.)	9.4903	10.6991	10.6943	10.0663	9.9553	9.45
Fiscal Year Opening Ex NAV	9.4874	10.6964	10.6964	10.0640	9.9539	9.4481
Total return of the fund	13.32%	9.20%	5.33%	6.28%	7.51%	13.21%
Capital growth	0.22%	0.47%	0.00%	-0.45%	0.06%	0.96%
Income distribution as % of Ex-NAV	13.10%	8.73%	5.33%	6.74%	7.46%	12.25%
Income distribution as % of Par Value	14.06%	9.34%	5.70%	6.78%	7.97%	11.58%
Interim distribution per unit	1.4057	0.9343		0.6780	0.7971	0.29
Final distribution per unit	-	-	0.5704	-		0.87
Distribution dates						29-June-2015 13-Feb-2014, 30-Apr-
Interim	26-Jun-20	20-Dec-18		21-Jun-17	30-June-2016	
Interim	-	24-Jun-19				
Final	-	-	4-Jul-18			14-July-2015
Average annual return (launch date 28-03-08)						
(Since inception to June 30, 2020)	8.42%					
(Since inception to June 30, 2019)		8.10%				
(Since inception to June 30, 2018)			7.96%			
(Since inception to June 30, 2017)				8.20%		
(Since inception to June 30, 2016)					8.39%	
(Since inception to June 30, 2015)						8.85%
(Since inception to June 30, 2014)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	180 Days		34 Days	30 Days	57 Days	57 Days

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

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