

## NBP ISLAMIC SAVINGS FUND



**ANNUAL REPORT**  
**JUNE 2020**



# **MISSION STATEMENT**

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



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## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of Management Company

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

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource Committee

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

### Strategy & Business Planning Committee

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

### Trustee

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

### Bankers to the Fund

Al Baraka Islamic Bank Limited  
Allied Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Bankislami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Silk Bank Limited  
Sindh Bank Limited  
Soneri Bank Limited  
Summit Bank Limited  
United 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](http://www.nbpfunds.com)

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

## Board of Directors



**Dr. Amjad Waheed, CFA**  
Chief Executive Office



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Humayun Bashir**  
Director



**Syed Hasan Irtiza Kazmi**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Saad Amanullah Khan**  
Director



**Mr. Saad ur Rehman**  
Director



**Mr. Imran Zaffar**  
Director

## Senior Management



**Mr. Sajjad Anwar, CFA**  
Chief Investment Officer



**Dr. Amjad Waheed, CFA**  
Chief Executive Officer



**Mr. Muhammad Murtaza Ali**  
Chief Operating Officer &  
Company Secretary



**Mr. Khalid Mehmood**  
Chief Financial Officer



**Mr. Samiuddin Ahmed**  
Country Head Corporate Marketing



**Mr. Ozair Khan**  
Chief Technology Officer



**Mr. Salim S Mehdi**  
Chief Innovation & Strategy Officer



**Mr. Asim Wahab Khan, CFA**  
Deputy Chief Investment Officer



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



**Mr. Hassan Raza, CFA**  
Head Of Research



**Mr. Waheed Abidi**  
Head Of Internal Audit



**Mr. Zaheer Iqbal, ACA FPFA**  
Head Of Operations



**Mr. Salman Ahmed, CFA**  
Head Of Product Development



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



**Mr. Shahid Javed**  
Head Of Operational Risk



**Mr. Shahbaz Umer**  
Head Of Human Resource

## DIRECTORS' REPORT

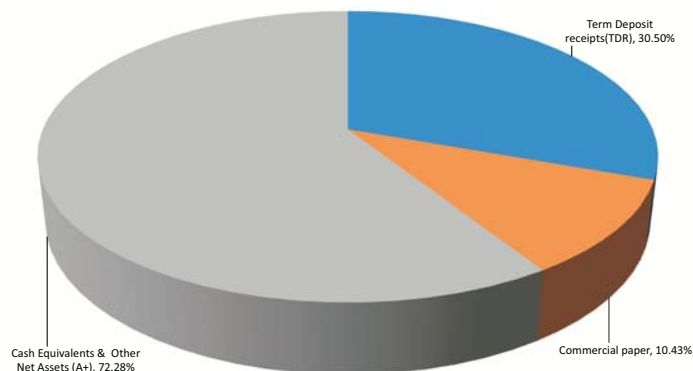
The Board of Directors of NBP Fund Management Limited is pleased to present the Thirteenth Annual Report of **NBP Islamic Savings Fund** (NBP-ISF) for the year ended June 30, 2020.

### Fund's Performance

The size of NBP Islamic Savings Fund has increased from Rs. 3,642 million to Rs. 3,968 million during the period, i.e. an increase of 9%. During the said period, the unit price of the Fund has increased from Rs. 8.5913 (Ex-Div) on June 30, 2019 to Rs. 9.5313 on June 30, 2020 thus posting a return of 10.9% as compared to its Benchmark return of 6.3% for the same period. The return of the Fund is net of management fee and all other expenses.

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

The Fund has earned a total income of Rs. 396.55 million during the year. After deducting total expenses of Rs. 67.29 million, the net income is Rs. 329.26 million. The asset allocation of NBP-ISf as on June 30, 2020 is as follows:



### Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 10.84% of the opening ex-NAV (10.32% of the par value) for the period ended June 30, 2020.

### Taxation

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

### Auditors

The present auditors, Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.





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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
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 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 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 24 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"> <li>1. Mr. Khalid Mansoor</li> <li>2. Mr. Saad Amanullah Khan</li> <li>3. Mr. Humayun Bashir</li> </ol>
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> <li>1. Mr. Shaikh Muhammad Abdul Wahid Sethi (Chairman)</li> <li>2. Mr. Saad ur Rahman Khan</li> <li>3. Syed Hasan Irtiza Kazmi</li> <li>4. Mr. Ali Saigol</li> <li>5. Mr. Imran Zaffar</li> </ol>

### Acknowledgement

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

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

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

**Chief Executive**

**Director**

Date: September 17, 2020  
Place: Karachi.

## ڈائریکٹرز رپورٹ

این پی بی فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز این پی بی اسلامک سیونگ فنڈ (NBP-ISF) کی تیرہویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

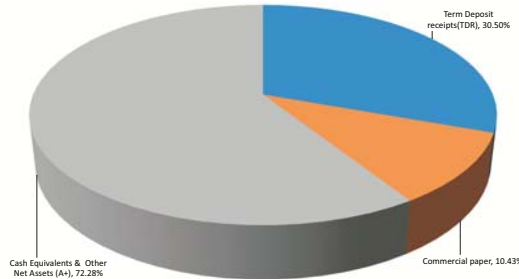
این پی بی اسلامک سیونگ فنڈ کا سائز اس مدت کے دوران 3,642 ملین روپے سے بڑھ کر 3,968 ملین روپے ہو گیا، یعنی 9% اضافہ۔ مذکورہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 8.5913 روپے (Ex-Div) سے بڑھ کر 30 جون 2020 کو 9.5313 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت کے دوران 6.3% شیئنگ مارک منافع کے مقابلے میں 10.9% منافع دیا۔ فنڈ کا یہ منافع مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

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

نئے اجارہ سکوک کے ساتھ پاؤریٹیٹیٹر میں حکومت کے گارنٹی شدہ سکوک اور شریعہ کمپلیٹ کمرشل پیپرز کے اجراء نے طویل مدتی اور قلیل مدتی شریعت کے مطابق قرض کے زیر اثر مارکیٹ کی مدد کی۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لینی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کئے 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 وقت کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔

فنڈ کو اس مدت کے دوران 396.55 ملین روپے کی آمدنی ہوئی۔ 67.29 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 329.26 ملین روپے ہے۔

این پی بی اسلامک سیونگ فنڈ کی ایٹ بلیکیشن برطانیہ 30 جون 2020 درج ذیل ہے:



### آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اویپنگ ex-NAV کا 10.84% (بنیادی قدر کا 10.32%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

### ٹیکسیشن

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

### آڈیٹرز

موجودہ آڈیٹرز، مہسز Deloitte یوسف عادل ایڈکمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2021 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

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

- 1 • مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور پونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 • فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 • مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل بیرونی کی گئی ہے۔ شمار یا قی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 • ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی بیرونی کی گئی ہے۔
- 5 • انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 • فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 • کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 • پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 • ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 • اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں کی گئی ہے۔
- 11 • پونٹ ہولڈنگ کا تفصیلی پینن مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔
- 12 • ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- 13 • کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کے بگوری
جناب خالد منصور جناب سعد امان اللہ خان جناب ہایوں بشیر	•1 •2 •3
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	
شیخ محمد عبدالواحد سبٹھی (چیرمین) جناب سعد الرحمان خان سید حسن ارتضیٰ کاظمی جناب علی سیگل جناب عمران ظفر	•1 •2 •3 •4 •5



## اظہار تشکر

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

بورڈ اپنے اسٹاف اور 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 منیجمنٹ 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 Islamic Savings Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Abdul Samad**

Chief Operating Officer  
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



## FUND MANAGER REPORT

### NBP Islamic Savings Fund

NBP Islamic Savings Fund (NBP-ISF) is an Open-End Shariah Compliant Income Scheme.

### Investment Objective of the Fund

The objective of NBP-ISF is to earn a reasonable rate of return in a Shariah compliant manner by investing in Shariah compliant debt securities, money market instruments and bank deposits.

### Benchmark

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

### Fund Performance Review

This is the Thirteenth Annual report since the launch of the Fund on October 26, 2007. The Fund size increased by 9% during FY20 and stands at Rs. 3,968 million as of June 30, 2020. The Fund's return since inception is 7.0% p.a. versus the benchmark return of 5.7% p.a. During FY20, the Fund posted an annualized return of 10.9% as compared to the benchmark return of 6.3%. This outperformance is net of management fee and all other expenses. Thus the Fund has achieved its stated objectives.

The portfolio does not include potential recovery in fully provided Sukuks (Face Value of Rs 115 million), which is a potential upside for the Fund. Weighted average time to maturity of Fund is 0.07 year.

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

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

Particulars	30-Jun-20	30-Jun-19
Placement with Banks and DFIs (Islamic)	30.5%	-
Cash (Cash Equivalents) & Other Assets	59.07%	72.28%
Sukuks / Commercial Paper (Islamic)	10.43%	27.72%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June 2020	1.0323%	10.5549	9.5226

## Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
New Allied Electronics Limited I	SUKUK	110,000,000	110,000,000	-	-	-
New Allied Electronics Limited II	SUKUK	4,905,437	4,905,437	-	-	-
<b>Total</b>		<b>114,905,437</b>	<b>114,905,437</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Unit Holding Pattern of NBP Islamic Savings Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
1-1000	2,361
1001-5000	547
5001-10000	231
10001-50000	971
50001-100000	544
100001-500000	749
500001-1000000	93
1000001-5000000	54
5000001-10000000	4
10000001-100000000	2
<b>Total</b>	<b>5,556</b>

## During the period under question

There has been no other significant change in the state of affairs of the Fund. NBP Islamic Savings Fund does not have any soft commission arrangement with any broker in the industry.

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs.18.64 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0448/.52%. For details, investors are advised to read note 17 of the Financial Statement of the Scheme for the year ended June 30, 2020.

## STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

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

For and behalf of the board

Date: **September 17, 2020**  
Karachi

Dr. Amjad Waheed, CFA  
**Chief Executive Officer**





## REPORT OF THE SHARI'AH SUPERVISORY BOARD

August 31, 2020/ Muharram 11, 1442

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

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NBP-ISF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NBP-ISF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NIF for the year ended June 30, 2020 are not in compliance with Shari'ah principles.

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

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

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**Mufti Muhammad Naveed Alam**  
Member  
Shariah Supervisory Board

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**Mufti Ehsan Waquar**  
Shariah Advisor & Member  
Shariah Supervisory Board

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**Dr. Imran Ashraf Usmani**  
Chairman  
Shariah Supervisory Board



## INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of NBP Islamic Savings Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as per the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor.

### Management Company's responsibility

Management Company of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed, Offering Document, and the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### Responsibility of an independent assurance provider

Our responsibility is to express our opinion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the shariah principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the Shariah Principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

checking, on a test basis, compliance of specified guidelines issued by Shariah Advisor relating to maintaining of bank accounts and for making investments of the Fund; and

checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed, Offering Document and the guidelines issued by the Shariah Advisor for the year ended June 30, 2020.

Deloitte Yousuf Adil  
Chartered Accountants

Dated: September 30, 2020  
Place: Karachi



## INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Islamic Savings Fund

Report on the audit of the financial statements

### Opinion

We have audited the financial statements of **NBP Islamic Savings Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, the statement of comprehensive income, the statement of movement in unit holders' fund and the 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 matter

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><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in commercial papers, term deposits and bai muajjal which are the main driver of the Fund's performance is.</p> <p>Considering the above factors, the valuation and existence of investments 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"> <li>obtained understanding of relevant control placed by the Management Company applicable to the balance;</li> <li>independently verified existence of investments from Central Depository Company (CDC) and bank statements and other relevant documents;</li> <li>performed test of details on sale, purchase and maturity of investments on a sample basis;</li> <li>tested valuation of investments; and</li> <li>any differences identified during our testing that were over our acceptable threshold were further investigated.</li> </ul>



## **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

	2020	2019
Note	----- Rupees in '000 -----	
<b>ASSETS</b>		
Bank balances	5 <b>2,092,481</b>	2,118,188
Investments	6 <b>1,938,519</b>	1,549,483
Profit accrued	7 <b>22,621</b>	26,157
Deposit, prepayment and other receivable	8 <b>1,547</b>	1,529
Receivable against transfer of units	9 <b>16,135</b>	-
<b>Total assets</b>	<b>4,071,303</b>	3,695,357
<b>LIABILITIES</b>		
Payable to NBP Fund Management Limited - Management Company	10 <b>13,723</b>	11,463
Payable to Central Depository Company of Pakistan Limited - Trustee	11 <b>287</b>	323
Payable to the Securities and Exchange Commission of Pakistan	12 <b>653</b>	2,283
Accrued expenses and other liabilities	13 <b>68,330</b>	38,918
Payable against redemption of units	14 <b>20,660</b>	-
<b>Total liabilities</b>	<b>103,653</b>	52,987
<b>NET ASSETS</b>	<b>3,967,650</b>	3,642,370
<b>UNIT HOLDERS' FUND (as per attached statement)</b>	<b>3,967,650</b>	3,642,370
<b>Contingencies and commitments</b>		
	15	
	----- Number of units -----	
<b>Number of units in issue</b>	22 <b>416,273,709</b>	382,499,381
	----- Rupees -----	
<b>Net asset value per unit</b>	23 <b>9.5313</b>	9.5226

The annexed notes from 1 to 33 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	
<b>INCOME</b>		
Return / profit on:		
- bank balances	260,523	172,925
- term deposit receipts	46,371	5,191
- sukuks	36,694	44,834
- government securities	602	9,739
- bai-muajjal	1,082	-
- commercial papers	52,290	70,226
Net loss on sale of investments	(1,013)	(4,717)
Net unrealised loss on re-measurement of investments at fair value through profit or loss	-	(2,318)
<b>Total income</b>	<b>396,549</b>	<b>295,880</b>
<b>EXPENSES</b>		
Remuneration of NBP Fund Management Limited	10.1 25,776	21,230
Sindh Sales Tax on remuneration of the Management Company	10.2 3,351	2,760
Reimbursement of operational expenses to the Management Company	10.3 3,266	3,045
Selling and marketing expenses	10.4 22,566	9,372
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1 2,450	3,438
Sindh Sales Tax on remuneration of the Trustee	11.2 318	447
Annual fee to the Securities and Exchange Commission of Pakistan	12.1 653	2,283
Settlement and bank charges	482	651
Securities transaction cost	23	59
Auditors' remuneration	16 613	693
Fund rating fee	394	365
Legal and professional charges	132	149
Annual listing fee	28	28
Printing charges	56	26
Shariah advisor fee	461	534
<b>Total expenses</b>	<b>60,569</b>	<b>45,080</b>
<b>Net income from operating activities</b>	<b>335,980</b>	<b>250,800</b>
Provision for Sindh Workers' Welfare Fund	17 (6,720)	(5,016)
<b>Net income for the year before taxation</b>	<b>329,260</b>	<b>245,784</b>
Taxation	18 -	-
<b>Net income for the year after taxation</b>	<b>329,260</b>	<b>245,784</b>
<b>Earnings per unit</b>	19	
<b>Allocation of net income for the year</b>		
Net income for the year after taxation	329,260	245,784
Income already paid on units redeemed	(110,487)	(94,173)
	<b>218,773</b>	<b>151,611</b>
<b>Accounting income available for distribution:</b>		
Relating to capital gain	-	-
Excluding capital gain	<b>218,773</b>	<b>151,611</b>
	<b>218,773</b>	<b>151,611</b>

The annexed notes from 1 to 33 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	329,260	245,784
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>329,260</b>	<b>245,784</b>

The annexed notes from 1 to 33 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 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	329,260	245,784
<b>Adjustments:</b>		
Return / profit on;		
- bank balances	(260,523)	(172,925)
- term deposit receipts	(46,371)	(5,191)
- sukus	(36,694)	(44,834)
- government securities	(602)	(9,739)
- bai-muajjal	(1,082)	-
- commercial papers	(52,290)	(70,226)
Net loss on sale of investments	1,013	4,717
Net unrealised loss on re-measurement of investments at fair value through profit or loss	-	2,318
Provision for Sindh Workers' Welfare Fund	6,720	5,016
	<u>(389,829)</u>	<u>(290,864)</u>
	(60,569)	(45,080)
<b>Decrease / (increase) in assets</b>		
Investments - net	279,951	(358,880)
Deposit, prepayment and other receivable	(18)	(237)
	279,933	(359,117)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	2,260	4,174
Payable to the Trustee	(36)	(88)
Payable to the Securities and Exchange Commission of Pakistan	(1,630)	(931)
Accrued expenses and other liabilities	22,692	19,319
	23,286	22,474
Profit received on bank balances	304,316	178,693
Profit received on sukus	41,881	20,702
Profit received on government securities	2,611	39,729
Profit received on commercial papers	52,290	70,226
<b>Net cash generated from / (used in) operating activities</b>	643,748	(72,373)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received on issuance of units	5,360,791	4,386,966
Amounts paid on redemption of units	(5,145,218)	(4,513,130)
Dividend paid	(215,028)	(252,565)
<b>Net cash generated from / (used in) financing activities</b>	545	(378,729)
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	644,293	(451,102)
Cash and cash equivalents at the beginning of the year	2,658,188	3,109,290
<b>Cash and cash equivalents at the end of the year</b>	5.2 <u>3,302,481</u>	<u>2,658,188</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 NBP Islamic Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 17, 2007 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 shariah-compliant income scheme as per the criteria for categorization of open end collective investment scheme as specified by SECP and other allied matters. CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from November 22, 2011. The SECP approved the appointment of MCBFSL as the Trustee in place of CDC on November 15, 2011. Accordingly, the Trust Deed of the Fund was revised through a supplemental Trust Deed executed between the Management Company, CDC and MCBFSL. Thereafter, on July 17, 2014 CDC was re-appointed as the new Trustee of the Fund, after MCBFSL retired on prior day.

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 and classified as shariah compliant "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 of the Fund are transferable and can be redeemed by surrendering them to the Fund.

Management Company has obtained approval of SECP, pursuant to which the category of the Fund was changed from shariah compliant aggressive fixed income scheme to 'shariah compliant income scheme' and the name of the Fund was 'NAFA Islamic Income Fund' with effect from March 14, 2017.

The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return by investing in Shariah compliant securities, having a good credit rating and liquidity.

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

Title of 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 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 certain investments which are measured 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 judgments and estimates**

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 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 an 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 disclosure.

**Effective from accounting period beginning on or after:**

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 3 - Business Combinations: Amendments regarding the definition of business	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 IAS 1 - Presentation of Financial Statements: Classification of liabilities as current or non-current	January 01, 2023
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

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

The principal accounting policies applied in the preparation of these financial statements as set out below.

### 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

There are 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.

### **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 entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **4.2.3 Impairment of financial assets**

The SECP 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 shariah compliant 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 instruments (other than debt and government securities) at amortised cost:**

Subsequent to initial recognition, financial assets classified as amortised cost are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **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 gains / (losses) arising on revaluation 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.



- Markup / return on government securities, sukuk certificates, bai-muajjal, bank balances and term deposits are recognized on a time proportion basis using the effective interest method.

#### 4.8 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement as and when incurred.

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

The Fund 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.

#### 4.10 Distribution 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.

#### 4.11 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.

5	BANK BALANCES	Note	2020	2019
			----- Rupees in '000 -----	
	Current accounts		22,104	18,373
	Savings accounts	5.1	2,070,377	2,099,815
			<u>2,092,481</u>	<u>2,118,188</u>

5.1 These savings accounts have an expected Profit at rates ranging from 6.65% to 8.75% per annum (2019: 5.00% to 13.85% per annum). Balance maintained with related parties i.e. National Bank of Pakistan amounted to Rs. 9.12 million (2019: Rs. 3.06 million) and Bank Islami Pakistan amounted to Rs. 2.06 million (2019: 101.69 million).

5.2	Cash and cash equivalents	2020	2019
		----- Rupees in '000 -----	
	Current accounts	22,104	18,373
	Savings accounts	2,070,377	2,099,815
	Term deposit receipts	1,210,000	540,000
		<u>3,302,481</u>	<u>2,658,188</u>



## 6 INVESTMENTS

	Note	2020	2019
At fair value through profit or loss			
Rupees in '000			
Sukuks	6.1 & 6.2	-	220,609
Commercial papers	6.3	414,009	788,874
Term deposit receipts	6.4	1,210,000	540,000
Bai-muajjal	6.5	314,510	-
		<u>1,938,519</u>	<u>1,549,483</u>

### 6.1 Sukuks

Description	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
(Rupees in '000) ----- (%) -----								

All sukuks have a face value of Rs. 5,000 each except for GoP Ijara Sukuks which have face value of Rs. 100,000 each.

Engro Fertilizer Limited	38,700	-	38,700	-	-	-	-	-
Engro Polymer Chemical	850	-	850	-	-	-	-	-
Shakarganj foods	30	-	30	-	-	-	-	-
GoP Ijara Sukuk - XIX	749	-	749	-	-	-	-	-
Total as at June 30, 2020					<u>-</u>			
Carrying value before mark to market as at June 30, 2020					<u>-</u>			

Name of the investee company	Note	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
(Rupees in '000) ----- (%) -----									

All sukuks have a face value of Rs. 5,000 except New Allied Electronics Industries (Private) Limited - 1st, issue which have face value of Rs. 312.5

New Allied Electronics Industries (Private) Limited								
- Sukuk 1	6.2.1	352,000	-	-	352,000	-	-	18.30%
New Allied Electronics Industries (Private) Limited								
- Sukuk 2	6.2.2	1,000	-	-	1,000	-	-	0.65%
Carrying value as at June 30, 2020					<u>114,905</u>			

**6.2.1** These represent investment in privately placed sukuks with a term of five years. The investee company had defaulted on its obligation on account of principal and profit payment and accordingly has been classified as non performing asset by MUFAP since January 9, 2009. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said Circulars.



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

6.2.3 Other particulars of sukuks outstanding as at June 30, 2020 are as follows:

Name of the investee company	Face value (unredeemed)	Profit rate per annum	Issue date	Maturity date
New Allied Electronics Industries (Private) Limited - Sukuk 1	313	2.60% + 3 month KIBOR	27-Jul-07	27-Jul-12
New Allied Electronics Industries (Private) Limited - Sukuk 2	4,905	2.20% + 6 month KIBOR	3-Dec-07	3-Dec-12

6.3 Commercial papers

Name of the investee company	Face value				Carrying value as at June 30, 2020	Carrying value as at June 30, 2019
	As at July 01, 2019	Purchases during the period	Sales / matured during the period	As at June 30, 2020		
----- (Rupees in '000) -----						
HASCOL Petroleum Ltd	418,000	-	418,000	-	-	416,147
K-Electric	380,000	-	380,000	-	-	372,727
K-Electric	-	360,000	360,000	-	-	-
K-Electric	-	85,000	85,000	-	-	-
K Electric	-	100,000	-	100,000	98,355	-
K Electric	-	100,000	-	100,000	97,518	-
K Electric	-	225,000	-	225,000	218,136	-
	<b>798,000</b>	<b>870,000</b>	<b>1,243,000</b>	<b>425,000</b>	<b>414,009</b>	<b>788,874</b>

6.4 This represent term deposit receipts with Bank Islami Pakistan Limited placed on profit rate 7% - 7.35% per annum and having maturity at July 06, 2020 and July 30, 2020.

6.5 This represents bai-muajjals of commercial paper with Pak Brunei Investment Company on June 15, 2020. This carry profit at the rate of 7.85% and will mature on December 14, 2020.

7 PROFIT ACCRUED	2020	2019
	----- Rupees in '000 -----	
Profit accrued on:		
Bank balances	21,539	18,961
Sukuks	-	5,187
Government securities	-	2,009
Bai-muajjals	1,082	-
	<b>22,621</b>	<b>26,157</b>

8 DEPOSIT, PREPAYMENT AND OTHER RECEIVABLE

Security deposit with Central Depository Company of Pakistan Limited	100	100
Advance tax	1,240	1,240
Prepayment	207	189
	<b>1,547</b>	<b>1,529</b>



## 9 Receivable against transfer of units

This includes amounts receivable to the fund from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units transferred by various unit holders based on their request for transfer of units from the other collective investment schemes to the Fund.

10	PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
			Rupees in '000	
	Remuneration of the Management Company	10.1	1,959	2,001
	Sindh Sales Tax on remuneration of the Management Company	10.2	255	260
	Operational expenses	10.3	1,013	1,415
	Selling and marketing expenses	10.4	7,095	5,659
	Sales load		2,430	1,303
	Sindh Sales Tax and Federal Excise Duty on sales load		971	825
			<b>13,723</b>	<b>11,463</b>

10.1 Under the provisions of Non-Banking Finance Companies and Notified Entities Regulations 2008, an Asset Management Company shall be entitled to an accrued remuneration. During the year, Management Company has charged remuneration as follows:

- 7% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1% of average NAV, till July 11, 2019;
- 6% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1% of average NAV, applicable from July 12, 2019 till January 09, 2020; and
- 8% per annum on the daily net income of the Fund subject to minimum 0.5% as average of NAV and maximum 1.5% of average NAV, applicable from January 10, 2020 onwards

For the purpose of above calculation, daily net income is equals to gross income minus all expenses of the Fund excluding management remuneration and related sales tax and federal excise duty thereon.

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

10.3 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.

10.4 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 the Board approval of and cap of 0.4% per annum of net assets or actual, whichever is lower. In current year, SECP through its Circular No. 11 of 2019 dated July 5, 2019, has now removed the later requirement of capping (except "Fund of Funds"). 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.



11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
			Rupees in '000	
	Remuneration of the Trustee	11.1	254	286
	Sindh Sales Tax on remuneration of the Trustee	11.2	33	37
			<b>287</b>	<b>323</b>

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

Tariff structure applicable to the Fund as at June 30, 2019 is as follows:

Net asset value	Tariff per annum
Upto Rs.1,000 million	0.17% per annum of net asset value.
On amount exceeding Rs.1,000 million to Rs. 5,000 million	Rs. 1.7 million plus 0.085% per annum of net asset value exceeding Rs. 1,000 million.
On amount exceeding Rs.5,000 million	"Rs. 5.1 million plus 0.07% per annum of net asset value exceeding Rs. 5,000 million.

Effective from July 01, 2019, tariff structure has been revised from above table to actual custodial expenses / charges plus 0.075% per annum of average net assets.

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

## 12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

**12.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorised as "shariah compliant" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the Fund. SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the Fund and accordingly such fee has been charged at the rate of 0.02% percent during the year. The fee is paid annually in arrears.

13	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
			Rupees in '000	
	Auditors' remuneration		511	505
	Provision for Sindh Workers' Welfare Fund	17	18,641	11,921
	Federal Excise Duty on remuneration of the Management Company	13.1 & 13.2	3,955	3,955
	Settlement charges		3	6
	Withholding tax		40,115	19,327
	Capital gain Tax		3,987	2,095
	Legal and professional charges		89	32
	Bank charges		48	27
	Brokerage charges		32	32
	Printing charges		68	82
	Shariah advisor fee		477	532
	Others		404	404
			<b>68,330</b>	<b>38,918</b>



- 13.1** 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 Fund Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, 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 Supreme Court of Pakistan, the Management Company, being prudent, is carrying provision for FED aggregating to Rs. 3.955 million as at June 30, 2020.

Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Rs. 0.0095 per unit (2019: Rs. 0.0103 per unit).

- 13.2** The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the taxation authority, if required.

## 14 PAYABLE AGAINST REDEMPTION OF UNITS

This includes amounts payable to other collective investment schemes being managed by the Management Company of the Fund. These amounts are payable in respect of units redeemed by various unit holders based on their request for transfer of units from the Fund to the other collective investment schemes.

## 15 CONTINGENCIES AND COMMITMENTS

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

<b>16 AUDITORS' REMUNERATION</b>	<b>2020</b>	<b>2019</b>
	----- Rupees in '000 -----	
Annual audit fee	<b>378</b>	360
Half yearly review fee	<b>151</b>	144
Out of pocket expenses and others including Government levies	<b>84</b>	189
	<b>613</b>	693

## 17 PROVISION FOR WORKERS' WELFARE FUND AND SINDH WORKERS' 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 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. 2.944 million and started recognising provision of SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 18.641 million (2019: Rs. 11.921 million). Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Rs.0.0448 per unit (June 30, 2019 Rs. 0.0031) per unit.

## 18 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 ninety percent 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 ninety percent 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.

## 19 EARNINGS PER UNIT

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

## 20 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset for the year) is 2.06% per annum including 0.34% representing government levies on Collective Investment Schemes such as sales tax and Securities and Exchange Commission of Pakistan fee for the year.



## 21 DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan 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
New Allied Electronics Industries (Private) Limited  - Sukuk 1	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of Circular 7 of 2009	Sukuks (5.2)	110,000	(110,000)	-	-	-
New Allied Electronics Industries (Private) Limited  - Sukuk 2	Rating is below investment grade as prescribed in clause 9(v) of the Annexure of Circular 7 of 2009	Sukuks (5.2)	4,905	(4,905)	-	-	-
Total carrying value			114,905	(114,905)			

21.1 At the time of purchase, these sukuks were in compliance with the aforementioned Circular. However, they either subsequently defaulted or were downgraded to non investment grade.

22 NUMBER OF UNITS IN ISSUE	Note	2020	2019
		-----Number of Units-----	-----Number of Units-----
Total units in issue at the beginning of the year		<b>382,499,381</b>	377,833,783
Add: units issued during the year	22.1	<b>549,810,541</b>	465,150,612
Less: units redeemed during the year		<b>(516,036,213)</b>	(460,485,014)
<b>Total units in issue at the end of the year</b>		<b>416,273,709</b>	382,499,381

22.1 "These units includes 875,421 allocated units which are issued subsequently to unitholders.

## 23 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.



## 24 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

**24.1** Connected persons and related parties include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Baltoro Growth Fund. Limited 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.

**24.2** The transactions with connected persons and related parties are carried at agreed terms.

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

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

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

### **NBP Fund Management Limited - Management Company**

Remuneration of the Management Company	25,776	21,230
Sindh Sales Tax on Management Company's remuneration	3,351	2,760
Operational expenses	3,266	3,045
Sales and transfer load	19,261	4,459
Selling and marketing expenses	22,566	9,372

### **Central Depository Company of Pakistan Limited (Trustee)**

Remuneration of the Trustee	2,450	3,438
Sindh Sales Tax on Remuneration of the Trustee	318	447
Security Deposit	100	100

### **Employees of the Management Company**

Units issued / transferred in: 6,630,343 units (2019: 16,023,993 units)	66,550	154,635
Unit redeemed / transferred out units: 7,312,101 units (2019: 19,595,376 units)	74,547	193,805
Dividend re-invest: 97,701 units (2019: 115,325 units)	931	1,096

### **Chief Financial Officer of the Management Company**

Units issued / transferred in: 29,574 units (2019: 294,643 units)	304	2,800
Unit redeemed / transferred out: 319,992 units (2019: 1,747 units)	3,196	17
Dividend re-invest: 31 units (2019: 1,698 units)	-	16

### **BankIslami Pakistan Limited (Common Directorship with the Management Company)**

Profit on savings accounts	87,569	6,171
Purchase of term deposit receipt	3,583,000	-
Income of term deposit receipt	39,834	5,191

### **Hub Power Company (Common Directorship with the Management Company)**

Purchase of sukuk	377,000	-
Income of sukuk	28,179	-



	2020	2019
	----- Rupees in '000 -----	
<b>Pakistan Stock Exchange (Common Directorship with the Management Company)</b>		
Payment of listing fee	25	-
<b>NBP Islamic Sarmaya Izafa Fund (Fund managed by Management Company)</b>		
Sale of sukuk	88,457	-
<b>NBP Balanced Fund (Fund managed by Management Company)</b>		
Sale of sukuk	26,012	-
<b>NBP Financial Sector Income Fund (Fund managed by Management Company)</b>		
Purchase of commercial paper	82,441	-
<b>24.6 Balances outstanding as at the year end</b>		
<b>NBP Fund Management Limited - Management Company</b>		
Remuneration of the Management Company	1,959	2,001
Sindh Sales Tax payable on remuneration of the Management Company	255	260
Operational expenses	1,013	1,415
Sales load	2,430	1,303
Sindh Sales Tax and Federal Excise Duty on sales load	971	825
Selling and marketing expenses	7,095	5,659
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	254	286
Sindh Sales tax Remuneration payable	33	37
Security deposit	100	100
<b>National Bank of Pakistan - Parent of the Management Company</b>		
Bank balances	9,119	3,065
<b>BankIslami Pakistan Limited ( Common Directorship with the Management Company)</b>		
Balance in savings accounts	2,058	101,678
Term deposit receipt	590,000	540,000
<b>Employees of the Management Company</b>		
Investment held in the Fund: 2,633,581 units (June 2019: 1,710,757 units)	25,101	16,291
<b>Chief Financial Officer of the Management Company</b>		
Investment held in the Fund: 5,877 units (June 2019: 296,264 units)	56	2,821



## 25 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	CFA & MBA	20
3	Mr. Asim Wahab Khan	CFA	14
4	Mr. Muhammad Ali Bhabha	CFA, MBA, FRM and MS	25
5	Mr. Hassan Raza	ACCA, BSC and CFA	9

25.1 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 Income Opportunity Fund
- NBP Mahana Amdani Fund
- NBP Riba Free Savings Fund
- NBP Savings Fund

## 26 PATTERN OF UNIT HOLDING

Category	As at June 30, 2020		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
Individuals	5,488	3,241,352	81.69
Insurance Companies	3	238,491	6.01
Retirement Funds	21	165,387	4.17
Public Limited Companies	1	75	0.00
Others	43	322,345	8.12
	<b>5,556</b>	<b>3,967,650</b>	<b>100.00</b>

(Rupees in '000)



Category	As at June 30, 2019		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
	(Rupees in '000)		
Individuals	3,518	2,758,676	75.74
Insurance companies	3	38,726	1.06
Listed companies	3	122	0.00
Retirement funds	32	182,447	5.01
Others	42	662,399	18.19
	<b>3,598</b>	<b>3,642,370</b>	<b>100.00</b>

## 27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th and 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020 and 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 appointed 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 from Board, with effect from October 04, 2019.



## 28 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets

Balances with banks	-	2,092,481	2,092,481
Investments	1,938,519	-	1,938,519
Profit accrued	-	22,621	22,621
Deposits	-	100	100
Receivable against transfer of units	-	16,135	16,135

As at June 30, 2020		
At fair value through profit or loss	At amortised cost	Total

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

-	2,092,481	2,092,481
1,938,519	-	1,938,519
-	22,621	22,621
-	100	100
-	16,135	16,135
<b>1,938,519</b>	<b>2,131,337</b>	<b>4,069,856</b>

### Financial liabilities

Payable to the Management Company	-	1,959	1,959
Payable to Central Depository Company of Pakistan Limited - Trustee	-	254	254
Accrued expenses and other liabilities	-	1,632	1,632
Payable against redemption of units	-	20,660	20,660
Net assets attributable to redeemable units	-	3,967,650	3,967,650

As at June 30, 2020		
At fair value through profit or loss	At amortised cost	Total

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

-	1,959	1,959
-	254	254
-	1,632	1,632
-	20,660	20,660
-	3,967,650	3,967,650
-	3,992,155	3,992,155

### Financial assets

Balances with banks	-	2,118,188	2,118,188
Investments	1,549,483	-	1,549,483
Profit accrued	-	26,157	26,157
Deposits	-	100	100

As at June 30, 2019		
At fair value through profit or loss	At amortised cost	Total

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

-	2,118,188	2,118,188
1,549,483	-	1,549,483
-	26,157	26,157
-	100	100
<b>1,549,483</b>	<b>2,144,445</b>	<b>3,693,928</b>

### Financial liabilities

Payable to the Management Company	-	2,001	2,001
Payable to the Trustee	-	286	286
Accrued expenses and other liabilities	-	1,620	1,620
Net assets attributable to redeemable units	-	3,642,370	3,642,370

As at June 30, 2019		
At fair value through profit or loss	At amortised cost	Total

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

-	2,001	2,001
-	286	286
-	1,620	1,620
-	3,642,370	3,642,370
-	3,646,277	3,646,277

## 29 FINANCIAL RISK MANAGEMENT

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

### 29.1 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.

#### 29.1.1 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 risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

#### 29.1.2 Interest rate risk

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

##### - Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing balance in savings accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 20.704 million (2019: Rs. 3.316 million).

##### - Sensitivity analysis for fixed rate instruments

The Fund holds term deposits receipts, bai muajjal and commercial papers 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 and net income for the year would have been higher/lower by Rs. 3.794 million (2019: Rs. 3.794 million).

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	6.65 - 8.75	2,092,481	2,070,377	-	-	22,104
Investments	6.93 - 7.85	1,938,519	1,938,519	-	-	-
Markup accrued		22,621	-	-	-	22,621
Deposits		100	-	-	-	100
Receivable against transfer of units		16,135	-	-	-	16,135
		4,069,856	4,008,896	-	-	60,960





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 liabilities**

Payable to the Management Company	12,497	-	-	-	12,497
Payable to the Trustee	254	-	-	-	254
Accrued expenses and other liabilities	1,632	-	-	-	1,632
Payable against redemption of units	20,660	-	-	-	20,660
Net assets attributable to redeemable units	3,967,650	-	-	-	3,967,650
	<b>4,002,693</b>	-	-	-	<b>4,002,693</b>
On-balance sheet gap	<b>67,163</b>	<b>4,008,896</b>	-	-	<b>(3,941,733)</b>
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	5.0 - 13.8	2,118,188	2,099,815	-	-	18,373
Investments	5.24 - 13.2	1,549,483	33,881	975,602	-	540,000
Markup accrued		26,157	-	-	-	26,157
Deposits		100	-	-	-	100
		<b>3,693,928</b>	<b>2,133,696</b>	<b>975,602</b>	-	<b>584,630</b>

**Financial liabilities**

Payable to the Management Company		11,463	-	-	-	11,463
Payable to the Trustee		323	-	-	-	323
Accrued expenses and other liabilities		38,918	-	-	-	38,918
Net assets attributable to redeemable units		3,642,370	-	-	-	3,642,370
		<b>3,693,074</b>	-	-	-	<b>3,693,074</b>
On-balance sheet gap		<b>854</b>	<b>2,133,696</b>	<b>975,602</b>	-	<b>(3,108,444)</b>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-



## 29.1.3 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. Presently, the Fund is not exposed to price risk.

## 29.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on loans and receivables, balances with banks, profit receivable, advances, deposits 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 Fund's policy is to enter into financial instrument contracts following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

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	4.86%	57.11%
AA+	1.43%	0.19%
AA	0.10%	1.15%
AA-	93.38%	0.38%
A+	0.10%	4.81%
A-	0.02%	36.05%
A	0.01%	0.05%
Suspended	0.12%	0.27%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows:

	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
Balances with banks	2,092,481	2,092,481	2,118,188	2,118,188
Investments	1,938,519	1,938,519	937,504	937,504
Profit accrued	22,621	22,621	26,157	26,157
Receivable against transfer of units	16,135	16,135	-	-
Deposits	100	100	100	100
	<b>4,069,856</b>	<b>4,069,856</b>	<b>3,081,949</b>	<b>3,081,949</b>

### 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.

## 29.3 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 15% 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 10% 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-----				
<b>Financial liabilities</b>				
Payable to the Management Company	12,497	12,497	-	-
Payable to the Trustee	254	254	-	-
Accrued expenses and other liabilities	1,632	1,632	-	-
Payable against redemption of units	20,660	20,660	-	-
Net assets attributable to redeemable units	3,967,650	3,967,650	-	-
	<b>4,002,693</b>	<b>4,002,693</b>	-	-

----- June 30, 2019 -----				
	Total	Upto three months	Over three months and upto one year	Over one year
-----Rupees in '000-----				
<b>Financial liabilities</b>				
Payable to the Management Company	11,463	11,463	-	-
Payable to the Trustee	323	323	-	-
Accrued expenses and other liabilities	1,620	1,620	-	-
Net assets attributable to redeemable units	3,642,370	3,642,370	-	-
	<b>3,655,776</b>	<b>3,655,776</b>	-	-



## 30 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 27, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by disposal of investments where necessary.

## 31 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	Note	Carrying amount			Fair value		
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3
----- Rupees -----							
<b>Financial assets measured at fair value</b>							
Sukuks	6	-	-	-	-	-	-
Government securities	6	-	-	-	-	-	-
Commercial papers	6	414,009	-	414,009	-	414,009	-
Term deposit receipts	6	1,210,000	-	1,210,000	-	1,210,000	-
Bai-muajjal	6	314,510	-	314,510	-	314,510	-
		<b>1,938,519</b>	<b>-</b>	<b>1,938,519</b>	<b>-</b>	<b>1,938,519</b>	<b>-</b>
<b>Financial assets not measured at fair value</b>							
Bank balances	5	-	2,092,481	2,092,481	-	-	-
Profit accrued	7	-	22,621	22,621	-	-	-
Deposits	8	-	100	100	-	-	-
Receivable against transfer of units		-	16,135	16,135	-	-	-
		<b>-</b>	<b>2,131,337</b>	<b>2,131,337</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	9	-	12,497	12,497	-	-	-
Remuneration payable to the Trustee	10	-	254	254	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	11	-	653	653	-	-	-
Accrued expenses and other liabilities	12	-	68,330	68,330	-	-	-
Payable against redemption of units		-	20,660	20,660	-	-	-
Net assets attributable to redeemable units		-	3,967,650	3,967,650	-	-	-
		<b>-</b>	<b>4,070,044</b>	<b>4,070,044</b>	<b>-</b>	<b>-</b>	<b>-</b>

June 30, 2019	Note	Carrying amount			Fair value		
		Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3
----- Rupees -----							
<b>Financial assets measured at fair value</b>							
Sukuks	6	148,630	-	148,630	-	148,630	-
Government Securities	6	71,979	-	71,979	-	71,979	-
Commercial paper	6	788,874	-	788,874	-	788,874	-
Term deposit receipts	6	540,000	-	540,000	-	540,000	-
		<b>1,549,483</b>	<b>-</b>	<b>1,549,483</b>	<b>-</b>	<b>1,549,483</b>	<b>-</b>



	Note	Carrying amount			Fair value		
		Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value							
Bank balances	5	-	2,118,188	2,118,188	-	-	-
Profit accrued	7	-	26,157	26,157	-	-	-
Deposits, prepayments and other receivables	8	-	1,529	1,529	-	-	-
		-	2,145,874	2,145,874	-	-	-
Financial liabilities not measured at fair value							
Payable to the Management Company	9	-	11,463	11,463	-	-	-
Remuneration payable to the Trustee	10	-	323	323	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	11	-	2,283	2,283	-	-	-
Accrued expenses and other liabilities	12	-	38,918	38,918	-	-	-
Net assets attributable to redeemable units		-	3,642,370	3,642,370	-	-	-
		-	3,695,357	3,695,357	-	-	-

## 32 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.

## 33 GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2020	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015
Net assets at the year / period ended (Rs '000)	3,967,650	3,642,370	3,775,315	4,876,177	2,566,748	1,207,394
Net income for the year / period ended (Rs '000)	329,260	245,784	214,227	81,561	43,406	45,573
Net Asset Value per unit at the year / period ended (Rs)	9.5313	9.5226	9.9920	9.5103	9.4856	9.4745
Offer Price per unit	9.6390	9.6272	10.1049	9.6178	9.6110	9.6009
Redemption Price per unit	9.5313	9.5226	9.9920	9.5103	9.4856	9.4745
Ex - Highest offer price per unit (Rs.)	9.6390	9.6272	10.1049	10.0838	9.6110	9.6009
Ex - Lowest offer price per unit (Rs.)	8.5939	8.8782	9.6190	9.5942	8.9506	8.7930
Ex - Highest redemption price per unit (Rs.)	9.5313	9.5226	9.9920	9.9711	9.4856	9.4745
Ex - Lowest redemption price per unit (Rs.)	8.5939	8.7763	9.5048	9.4870	8.8314	8.6772
Fiscal Year Opening Ex NAV	8.5913	8.7720	9.5036	9.4856	8.8298	8.6754
Total return of the fund	10.91%	8.56%	5.14%	5.40%	7.43%	9.21%
Capital growth	0.07%	0.22%	0.00%	5.33%	0.13%	1.03%
Income distribution as % of Ex-NAV	10.84%	8.34%	5.14%	0.07%	7.30%	8.18%
Income distribution as % of Par Value	10.32%	7.93%	4.88%	0.07%	6.92%	7.10%
<b>Distribution</b>						
Interim distribution per unit	1.0323			0.4855	-	0.7099
Final distribution per unit		0.7927	0.4883	0.0068	0.6918	-
<b>Distribution Dates</b>						
Interim	26-Jun-20	24-June-2019		19-Jun-17	29-Jun-16	29-Jun-15
Final			04-Jul-2018	15-Sep-17		-
<b>Average annual return of the fund (launch date October 26, 2007)</b>						
(Since inception to June 30, 2020)	7%					
(Since inception to June 30, 2019)		6.71%				
(Since inception to June 30, 2018)			6.53%			
(Since inception to June 30, 2017)				6.7%		
(Since inception to June 30, 2016)					6.83%	
(Since inception to June 30, 2015)						6.80%
Portfolio Composition ( Please see Fund Manager Report)						
Weighted average portfolio duration	27 Days	20 Days	60 Days	83 Days	49 Days	2 Days
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>						

## Head Office

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