

## NBP ISLAMIC STOCK 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.**



## Contents

|   |           |
|---|-----------|
| <b>FUND'S INFORMATION</b>   | <b>03</b> |
| <b>DIRECTORS' REPORT</b>  | <b>07</b> |
| <b>TRUSTEE REPORT TO THE UNIT HOLDERS</b>   | <b>13</b> |
| <b>FUND MANAGER REPORT</b>  | <b>14</b> |
| <b>STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES</b>  | <b>17</b> |
| <b>REPORT OF THE SHARIAH ADVISOR</b>  | <b>18</b> |
| <b>INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES</b> | <b>20</b> |
| <b>INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS</b>   | <b>22</b> |
| <b>STATEMENT OF ASSETS AND LIABILITIES</b>  | <b>25</b> |
| <b>INCOME STATEMENT</b>   | <b>26</b> |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b>  | <b>27</b> |
| <b>STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND</b>  | <b>28</b> |
| <b>CASH FLOW STATEMENT</b>  | <b>29</b> |
| <b>NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS</b>  | <b>30</b> |
| <b>PERFORMANCE TABLE</b>  | <b>61</b> |
| <b>PROXY ISSUED BY THE FUND</b>   | <b>62</b> |



## 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 Shahr-e-Faisal, Karachi.

### Bankers to the Fund

Al Baraka Bank Limited  
Allied Bank Limited  
Bank Al Habib Limited  
Bank Alfalah Limited  
Bankislami Pakistan Limited  
Dubai Islamic Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank Limited  
Silk Bank Limited  
Sindh Bank Limited  
Summit Bank Limited  
United Bank Limited



## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

7th Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 021 (111-111-632),  
(Toll Free): 0800-20002,  
Fax: (021) 35825329  
Website: [www.nbpfunds.com](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  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

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

## **Multan Office:**

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

## Board of Directors



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



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Humayun Bashir**  
Director



**Syed Hasan Irtiza Kazmi**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Saad Amanullah Khan**  
Director



**Mr. Saad ur Rehman**  
Director



**Mr. Imran Zaffar**  
Director



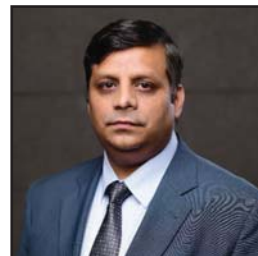
## Senior Management



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



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



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



**Mr. Khalid Mehmood**  
Chief Financial Officer



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



**Mr. Ozair Khan**  
Chief Technology Officer



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



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



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



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



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



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



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



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



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



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



## DIRECTORS' REPORT

The Board of Directors of NBP Fund Limited is pleased to present the Sixth Annual Report of NBP Islamic Stock Fund for the year ended June 30, 2020.

NBP Funds launched its first open-end Islamic equity scheme namely NBP Islamic Stock Fund (NISF) on January 09, 2015. The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shariah compliant equities.

### Fund's Performance

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

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

During the fiscal year, NBP Islamic Stock Fund increased by 3.9% as against the KMI-30 Index increased by 1.6%, outperforming the benchmark by 2.3% during the year. The Fund was overweight in key stocks in Cement, Oil & Gas Exploration Companies, and Technology & Communication sectors which outperformed the market and underweight in key stocks in Chemical, Automobile Assembler, and Oil & Gas Marketing Companies sectors which underperformed

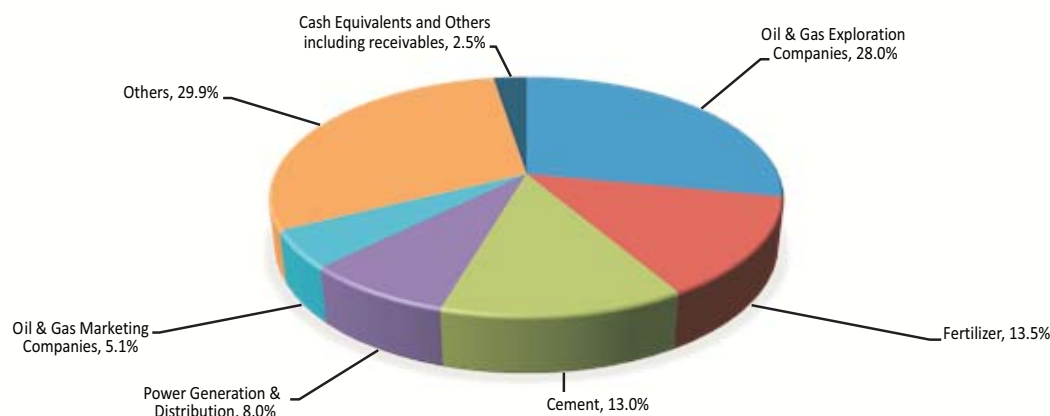




the market, which contributed to the outperformance. Since the inception of the Fund, the return on NBP Islamic Stock Fund was 20.6% as against the benchmark KMI-30 index return of 4.9%. Thus, the Fund outperformed by 15.7% during the period. This outperformance is net of management fee and all other expenses. The Fund size is Rs. 4,815 million as of June 30, 2020.

NBP Islamic Stock Fund has earned a total income of Rs. 67.203 million during the year. After deducting total expenses of Rs. 171.842 million, the net loss is Rs. 104.639 million. During the year, the unit price of NBP Islamic Stock Fund has increased from Rs. 9.1077 on June 30, 2019 to Rs. 9.4633 on June 30, 2020. The resultant per unit gain is Rs. 0.3556 (3.90%).

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



## Income Distribution

Due to net loss for the year, no distribution has been made.

## Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

## Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retired and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.



8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 21 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

| Category                | Names   |
|-------------------------|---|
| 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. Shaikh Muhammad Abdul Wahid Sethi (Chairman)</li> <li>2. Mr. Saad ur Rahman Khan</li> <li>3. Syed Hasan Irtiza Kazmi</li> <li>4. Mr. Ali Saigol</li> <li>5. Mr. Imran Zaffar</li> </ol> |

## Acknowledgement

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

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

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

**Chief Executive**

**Director**

Date: September 17, 2020  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP اسلامک اسٹاک فنڈ (NISF) کی چھٹی سالانہ رپورٹ برائے اختتامہ سال 30 جون 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

منیجمنٹ کمپنی نے 09 جنوری 2015 کو NBP اسلامک اسٹاک فنڈ (NISF) نامی پہلی اوپن انڈ اسلامک ایکویٹی اسکیم کا آغاز کیا۔ فنڈ کا مقصد منظور شدہ شریعہ کمپلیٹ ایکویٹیز میں طویل مدت پر پونٹ ہولڈرز کی سرمایہ کاری کے لئے نمو فراہم کرنا ہے۔

### فنڈ کی کارکردگی

مالی سال 2019-20، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KMI-30 انڈیکس میں سالانہ بنیادوں پر 1.6% کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 بلین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 بلین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 بلین امریکی ڈالر کی آمد جیسی مثبت خبروں کے باوجود مارکیٹ کا آغاز متنی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرٹیکل 370 کی منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح پر 44,929 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں حصص کی مالیت کو واضح کر دیا۔ پرکشش مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مائٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلنس اکتوبر 2019 میں سرپلس میں تبدیل ہوا اور مالی سال 20 کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 3 ارب ڈالر رہ گیا، جو سالانہ بنیادوں پر 78 فیصد کم ہوا۔ اسی طرح، کثیرالجہتی ایجنسیوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KMI-30 انڈیکس میں 16 اگست، 2019 سے خطیر 58 فیصد اضافے کے ساتھ سے 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

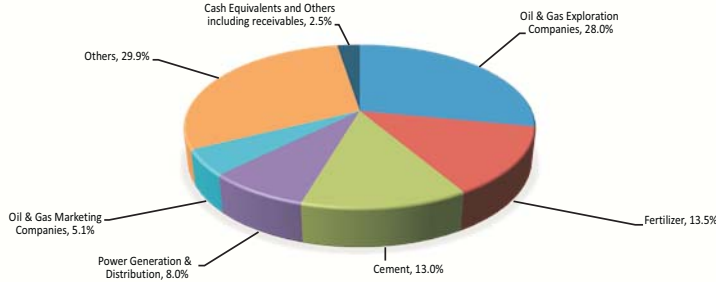
اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے منہمی بجٹ کے اندیشہ اور T-Bills سے ہاتھ مننی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن / شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 42 فیصد گر گئی۔ معیشت کو کورونا وائرس کی وبا کی اثرات سے نجات دلانے کے لئے، پالیسی سازوں نے غیر معمولی مالی اور مالیاتی پالیسی اقدامات اٹھائے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو مجموعی طور پر 6.25 فیصد تک کم کیا اور کاروباری اداروں کی مدد اور قرضہ جاری رکھنے کے لئے، قرضوں کی ادائیگی سے متعلق کارپوریٹس / تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امداد کی پکیج دینے کا اعلان کیا، جو بی ڈی پی کے 2.8 فیصد کے برابر ہے، جس میں معاشرے کے تمام طبقوں کے لئے ریلیف شامل ہے جن میں غیر مراعات یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپڈ فنانسنگ انشورمنٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود نسبتاً کم اموات کی شرح اور صحت یابی کی اعلیٰ شرحوں نے امیدوں کو بڑھایا کہ پاکستان کو بدترین خطرہ سے بچایا جاسکتا ہے جبکہ پہلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھائی اور تقریباً تمام نقصان والے شعبوں کا احاطہ کیا اور سالانہ بنیاد پر 1.6 فیصد کی معمولی اضافے کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

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

مالی سال کے دوران، NBP اسلامک فنڈ میں KMI-30 انڈیکس کی 1.6% اضافے کے مقابلے 3.9% اضافہ ہوا، سال کے دوران فنڈ نے اپنے بیچ مارک کے مقابلے میں 2.3% کی بہتر کارکردگی دکھائی۔ فنڈ نے، سینٹ، آئل اینڈ گیس ایکسپلوریشن کمپنیز اور ٹیکنالوجی اینڈ کمیونیکیشن سیکٹرز میں اہم اسٹاکس کو زیادہ اہمیت دی جس نے مارکیٹ سے بہتر کارکردگی دکھائی اور کیمل، آئل اینڈ گیس مارکیٹنگ کمپنیوں اور آٹوموبائل اسمبلر سیکٹرز کو کم اہمیت دی جس نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا، جس کے باعث کارکردگی بہتر رہی۔ فنڈ کے آغاز کے بعد سے NBP اسلامک اسٹاک فنڈ 4.9% کے بیچ مارک KMI-30 انڈیکس منافع کے مقابلے 20.6% رہا، لہذا فنڈ نے زیر جائزہ مدت کے دوران 15.7% کی بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ 30 جون 2020 کو فنڈ کا سائز 4,815 بلین روپے ہے۔

NBP اسلامک اسٹاک فنڈ (NISF) کو اس مدت کے دوران 67.203 ملین روپے کی کل آمدنی ہوئی۔ 171.842 ملین روپے کے اخراجات مٹھا کرنے کے بعد خالص خسارہ 104.639 ملین روپے ہے۔ سال کے دوران، NBP اسلامک اسٹاک فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 9.1077 روپے سے بڑھ کر 30 جون 2020 کو 9.4633 روپے ہو گئی۔ جس کے نتیجے میں فی یونٹ آمدنی 0.3556 روپے (3.90%) ہے۔

30 جون 2020 کو NAFA اسلامک اسٹاک فنڈ کی ایسٹ ابلویشن درج ذیل ہے:



## آمدنی کی تقسیم

مذکورہ مالی سال میں فنڈ میں خالص نقصان کے سبب، کوئی رقم تقسیم نہیں کی گئی۔

## ہیکسیشن

خالص نقصان کے سبب، فنڈ کے مالیتی گوشوارے میں ٹیکس کا کوئی پروویژن نہیں رکھا گیا۔

## آڈیٹرز

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

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

- 1 بینچمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلواور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شہرہ یاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیبیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران بینچمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 25 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔
- 13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر 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  | کیٹگری                 |
|--|------------------------|
| 1. جناب خالد منصور<br>2. جناب سعد امان اللہ خان<br>3. جناب ہمایوں بشیر   | غیر جانبدار ڈائریکٹرز  |
| ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)   | ایگزیکٹو ڈائریکٹر      |
| 1. شیخ محمد عبدالواحد سیٹھی (چیئر مین)<br>2. جناب سعد الرحمان خان<br>3. جناب سید حسن ارتضیٰ کاظمی<br>4. جناب علی سیگل<br>5. جناب عمران ظفر | نان ایگزیکٹو ڈائریکٹرز |

## اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

**NBP فنڈ مینجمنٹ لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Stock 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 Stock Fund

NBP Islamic Stock Fund is a Shariah Compliant - Open-end - Equity Fund

### Investment Objective of the Fund

The objective of NBP Islamic Stock Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in Shariah Compliant listed companies in Pakistan.

### Benchmark

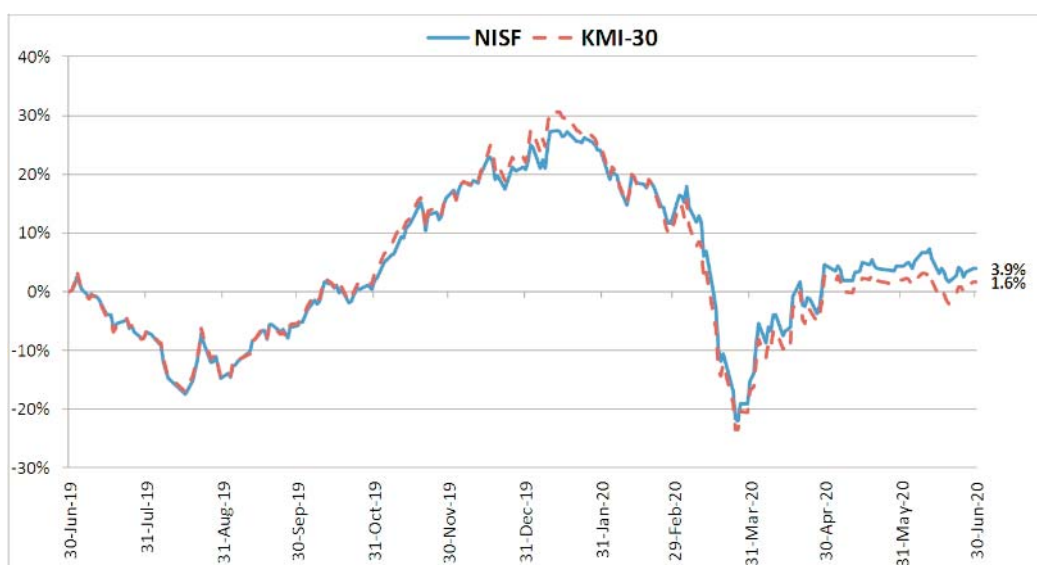
The Benchmark of the Fund is KMI-30 Index.

### Fund performance review

This is the sixth annual report of the Fund. During the fiscal year, NBP Islamic Stock Fund increased by 3.9% as against the KMI-30 index increased by 1.6%, outperforming the benchmark by 2.3% during the year. . Since the inception of the Fund, the return on NBP Islamic Stock Fund was 20.6% as against the benchmark KMI-30 index return of 4.9%. Thus, the Fund outperformed by 15.7% during the period. This outperformance is net of management fee and all other expenses. The size of NBP Islamic Stock Fund is Rs.4,815 million as of June 30, 2020.

NISF outperformed during the year as the Fund was overweight in key stocks in Cement, Oil & Gas Exploration Companies, and Technology & Communication sectors that outperformed the market and underweight in key stocks in Automobile Assembler, Power Generation & Distribution Companies, and Fertilizer sectors that underperformed the market, which contributed to the outperformance. The chart below shows the performance of NISF against the Benchmark for the year.

**NISF Performance vs. Benchmark during FY20**





Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meager 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflows from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Corona virus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Corona virus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

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

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

| Particulars           | 30-Jun-20     | 30-Jun-19     |
|-----------------------|---------------|---------------|
| Equities / Stocks     | 97.5%         | 94.6%         |
| Cash Equivalents      | 4.0%          | 6.5%          |
| Other Net Liabilities | (1.5%)        | (1.1%)        |
| <b>Total</b>          | <b>100.0%</b> | <b>100.0%</b> |

## Distribution for the Financial Year 2020

Due to net loss for the year, no distribution has been made.





## Unit Holding Pattern

| Size of Unit Holding (Units) | # of Unit Holders |
|------------------------------|-------------------|
| 0-0.99                       | 143               |
| 1-1000                       | 740               |
| 1001-5000                    | 586               |
| 5001-10000                   | 432               |
| 10001-50000                  | 1139              |
| 50001-100000                 | 420               |
| 100001-500000                | 457               |
| 500001-1000000               | 46                |
| 1000001-5000000              | 26                |
| 5000001-10000000             | 12                |
| 10000001-100000000           | 9                 |
| <b>Total</b>                 | <b>4,010</b>      |

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 44.44 Million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0873 / 0.95%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.

## During the period under question

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

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

**NBP Islamic Stock 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 SHARIAH ADVISOR

August 31, 2020/ Muharram 11, 1442

**Alhamdulillah**, the period from July 1, 2019 to June 30, 2020 was the Sixth year of operations of NBP Islamic Stock Fund (NISF). This report is being issued in accordance with clause 3.7.1 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.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

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 in line with the Shari'ah 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 from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NISF in light of Shari'ah requirements. Following is a list of top investments of NISF as on June 30, 2020 and their evaluation according to the screening criteria established by us. (December 31, 2019 accounts of the Investee companies have been used).

|   | (i)                                 | (ii)                  | (iii)                            | (iv)  | (v)                                    | (vi)                                    |                 |
|---|-------------------------------------|-----------------------|----------------------------------|---|--|---|-----------------|
| Company Name                            | Nature of Business                  | Debt to Assets (<37%) | Non-Compliant Investments (<33%) | Non-Compliant Income to Gross Revenue (<5%) | Illiquid Assets to Total Assets (>25%) | Net Liquid Assets vs. Share Price (B>A) |                 |
|   |                                     |                       |                                  |   |  | Net Liquid Assets per Share (A)         | Share Price (B) |
| Engro Corporation Limited.              | Fertilizer                          | 28.34%                | 22.25%                           | 4.72%                                       | 58.58%                                 | (220.56)                                |                 |
| Mari Petroleum Company Limited          | Oil & Gas Exploration Companies     | 7.83%                 | 17.76%                           | 3.13%                                       | 30.37%                                 | (664.23)                                |                 |
| Pakistan Petroleum Limited              | Oil & Gas Exploration Companies     | 0.01%                 | 8.64%                            | 1.59%                                       | 31.91%                                 | 58.79                                   | 137             |
| The Hub Power Company Limited. *        | Power Generation & Distribution Co. | 32.32%                | 0.00%                            | 7.32%                                       | 53.77%                                 | (43.08)                                 |                 |
| Oil & Gas Development Company Limited** | Oil & Gas Exploration Companies     | 0.00%                 | 7.95%                            | 7.74%                                       | 33.64%                                 | 90.21                                   | 142.32          |
| Lucky Cement Limited                    | Cement                              | 25.55%                | 0.71%                            | 2.59%                                       | 85.13%                                 | (279.47)                                |                 |

\* Debt is considered excluding circular debt.

\*\* OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.

- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NISF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NISF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NISF for the year ended June 30, 2020 are not in compliance with the Shari'ah principles.

During the year, fund booked charity of amounting PKR 5,014,339/- wherein amount available for disbursement is PKR 6,734,647/-, which is inclusive of PKR 3,579,440/- provisional amount of previous year adjusted after availability of the respective financial statements.

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

---

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

---

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

---

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

---

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



## INDEPENDENT REASONABLE ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

We were engaged by the Board of Directors of NBP Fund Management Limited, Management Company of NBP Islamic Stock Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2020, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

### Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended 30 June 2020.

### Responsibilities of the Management Company

The Management Company of the Fund is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. The management company is also responsible to ensure that the financial arrangements and transactions having Shariah implications entered into by the Fund in substance and in their legal form are in compliance with the Shariah principles specified in the Trust Deed and guidelines issued by the Shariah Advisor.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with Shariah principles and guidelines whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to financial arrangements and transactions having Shariah implications, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

The procedures performed included performing tests of controls for making investments, maintaining bank accounts and transferring impure income to charity in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

## Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

**Date: September 30, 2020**

**Karachi**

---

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



## INDEPENDENT AUDITOR'S REPORT

**To the Unit Holders of the NBP Islamic Stock Fund**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Matter**

The financial statements of the Fund for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 September 2019.

### **Other Information**

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

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

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

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

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



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

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

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

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

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

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

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

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

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





## Report on Other Legal and Regulatory Requirements

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

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

**Date: September 30, 2020**

**Karachi**

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



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

|  | Note | 2020<br>(Rupees in '000) | 2019               |
|--|------|--------------------------|--------------------|
| <b>Assets</b>  |      |                          |                    |
| Bank balances  | 5    | 191,363                  | 266,185            |
| Investments  | 6    | 4,695,290                | 3,900,022          |
| Dividend and profit receivable   | 7    | 1,191                    | 4,458              |
| Receivables from funds under management by<br>Management Company against conversion of units |      | 34,197                   | -                  |
| Receivable against sale of investments   |      | 10,845                   | 39,695             |
| Advance, deposits and prepayment   | 8    | 7,228                    | 4,200              |
| <b>Total assets</b>  |      | <b>4,940,114</b>         | <b>4,214,560</b>   |
| <b>Liabilities</b>   |      |                          |                    |
| Payable to NBP Fund Management Limited -<br>Management Company                               | 9    | 26,435                   | 23,378             |
| Payable to Central Depository Company of Pakistan<br>Limited - Trustee                       | 10   | 541                      | 501                |
| Payable to Securities and Exchange Commission of Pakistan                                    | 11   | 914                      | 5,301              |
| Payable against redemption of units  | 12   | 29,868                   | -                  |
| Accrued expenses and other liabilities   | 13   | 67,485                   | 64,590             |
| <b>Total liabilities</b>   |      | <b>125,243</b>           | <b>93,770</b>      |
| <b>Net assets</b>  |      | <b>4,814,871</b>         | <b>4,120,790</b>   |
| <b>Unit holders' fund (as per statement attached)</b>  |      | <b>4,814,871</b>         | <b>4,120,790</b>   |
| <b>Contingency and commitment</b>  | 14   |                          |                    |
|  |      | (Number of units)        |                    |
| <b>Number of units in issue</b>  | 15   | <b>508,796,209</b>       | <b>452,452,689</b> |
|  |      | (Rupees)                 |                    |
| <b>Net assets value per unit</b>   |      | <b>9.4633</b>            | <b>9.1077</b>      |

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

|  | Note | 2020<br>(Rupees in '000) | 2019               |
|--|------|--------------------------|--------------------|
| <b>Income</b>  |      |                          |                    |
| Dividend income  |      | 188,066                  | 246,881            |
| Loss on sale of investments at fair value through profit or loss (FVTPL) - net                     |      | (105,744)                | (433,758)          |
| Profit on bank deposits  |      | 36,422                   | 59,212             |
| Net unrealised diminution on re-measurement of investments at FVTPL                                |      | (51,541)                 | (919,998)          |
| <b>Total Income / (loss)</b>   |      | <b>67,203</b>            | <b>(1,047,663)</b> |
| <b>Expenses</b>  |      |                          |                    |
| Remuneration to NBP Fund Management Limited - Management Company                                   | 9.1  | 69,200                   | 111,590            |
| Sindh Sales Tax on remuneration to Management Company  | 9.2  | 8,996                    | 14,507             |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee                           | 10.1 | 5,572                    | 6,580              |
| Sindh Sales Tax on remuneration to Trustee   | 10.2 | 724                      | 855                |
| Selling and marketing expenses   | 9.3  | 58,041                   | 22,318             |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.4  | 4,572                    | 5,580              |
| Annual fee - Securities and Exchange Commission of Pakistan  |      | 914                      | 5,301              |
| Securities transaction cost  |      | 15,493                   | 9,455              |
| Settlement and bank charges  |      | 1,655                    | 1,905              |
| Auditors' remuneration   | 16   | 613                      | 562                |
| Fund rating fee  |      | 234                      | 220                |
| Annual listing fee   |      | 28                       | 28                 |
| Legal and professional fees  |      | 96                       | 68                 |
| Charity expense  |      | 5,014                    | -                  |
| Shari'ah advisor fee   |      | 666                      | 963                |
| Printing charges   |      | 24                       | 25                 |
| <b>Total expenses</b>  |      | <b>171,842</b>           | <b>179,957</b>     |
| <b>Net loss from operating activities</b>  |      | <b>(104,639)</b>         | <b>(1,227,620)</b> |
| Provision for Sindh Workers' Welfare Fund  | 13.1 | -                        | -                  |
| <b>Net loss for the year before taxation</b>   |      | <b>(104,639)</b>         | <b>(1,227,620)</b> |
| Taxation   | 17   | -                        | -                  |
| <b>Net loss for the year</b>   |      | <b>(104,639)</b>         | <b>(1,227,620)</b> |

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

|  | 2020<br>(Rupees in '000) | 2019<br>(Rupees in '000)  |
|--|--------------------------|---------------------------|
| Net loss for the year                        | (104,639)                | (1,227,620)               |
| Other comprehensive income for the year      | -                        | -                         |
| <b>Total comprehensive loss for the year</b> | <b><u>(104,639)</u></b>  | <b><u>(1,227,620)</u></b> |

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



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

|   | 2020             |                    |                  | 2019             |  |                  |
|---|------------------|--------------------|------------------|------------------|--|------------------|
|   | Value            | Accumulated Loss   | Total            | Value            | Undistributed Income/ Accumulated (Loss) | Total            |
| ----- (Rupees in '000) -----                              |                  |                    |                  |                  |  |                  |
| Net assets at beginning of the year                       | 5,335,425        | (1,214,635)        | 4,120,790        | 6,390,941        | 12,985                                   | 6,403,926        |
| Issue of 870,091,265 units (2019: 412,871,633 units)      |                  |                    |                  |                  |  |                  |
| - Capital value   | 7,924,530        | -                  | 7,924,530        | 4,705,622        | -  | 4,705,622        |
| - Element of income / (loss)                              | 592,249          | -                  | 592,249          | (187,916)        | -  | (187,916)        |
| Total proceeds on issuance of units                       | 8,516,779        | -                  | 8,516,779        | 4,517,706        | -  | 4,517,706        |
| Redemption of 813,747,745 units (2019: 522,299,588 units) |                  |                    |                  |                  |  |                  |
| - Capital value   | (7,411,370)      | -                  | (7,411,370)      | (5,952,805)      | -  | (5,952,805)      |
| - Element of (loss) / income                              | (306,689)        | -                  | (306,689)        | 379,583          | -  | 379,583          |
| Total payments on redemption of units                     | (7,718,059)      | -                  | (7,718,059)      | (5,573,222)      | -  | (5,573,222)      |
| Total comprehensive loss for the year                     | -                | (104,639)          | (104,639)        | -                | (1,227,620)                              | (1,227,620)      |
| <b>Net assets at end of the year</b>                      | <b>6,134,145</b> | <b>(1,319,274)</b> | <b>4,814,871</b> | <b>5,335,425</b> | <b>(1,214,635)</b>                       | <b>4,120,790</b> |
| Accumulated (loss) / Undistributed income brought forward |                  |                    |                  |                  |  |                  |
| - Realised  |                  | (294,637)          |                  |                  | 502,116                                  |                  |
| - Unrealised  |                  | (919,998)          |                  |                  | (489,131)                                |                  |
|   |                  | (1,214,635)        |                  |                  | 12,985                                   |                  |
| Total comprehensive loss for the year                     |                  | (104,639)          |                  |                  | (1,227,620)                              |                  |
| Accumulated loss carried forward                          |                  | (1,319,274)        |                  |                  | (1,214,635)                              |                  |
| Accumulated loss carried forward                          |                  |                    |                  |                  |  |                  |
| - Realised  |                  | (1,267,733)        |                  |                  | (294,637)                                |                  |
| - Unrealised  |                  | (51,541)           |                  |                  | (919,998)                                |                  |
|   |                  | (1,319,274)        |                  |                  | (1,214,635)                              |                  |
|   |                  |                    | (Rupees)         |                  |  | (Rupees)         |
| Net assets value per unit at beginning of the year        |                  |                    | 9.1077           |                  |  | 11.3973          |
| Net assets value per unit at end of the year              |                  |                    | 9.4633           |                  |  | 9.1077           |

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

|   | Note | 2020<br>(Rupees in '000) | 2019<br>(Rupees in '000) |
|---|------|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |      |                          |                          |
| Net loss for the year   |      | (104,639)                | (1,227,620)              |
| <b>Adjustments:</b>   |      |                          |                          |
| Net unrealised diminution on re-measurement of investments at FVTPL |      | 51,541                   | 919,998                  |
|   |      | <u>(53,098)</u>          | <u>(307,622)</u>         |
| <b>(Increase) / decrease in assets</b>                              |      |                          |                          |
| Investments   |      | (846,809)                | 674,928                  |
| Dividend and profit receivable                                      |      | 3,267                    | 7,820                    |
| Receivable against sale of investments                              |      | 28,850                   | (39,695)                 |
| Advance, deposits and prepayment                                    |      | (3,028)                  | 8,011                    |
|   |      | <u>(817,720)</u>         | <u>651,064</u>           |
| <b>Increase / (decrease) in liabilities</b>                         |      |                          |                          |
| Payable to NBP Fund Management Limited - Management Company         |      | 3,057                    | (8,270)                  |
| Payable to Central Depository Company of Pakistan Limited - Trustee |      | 40                       | (220)                    |
| Payable to Securities and Exchange Commission of Pakistan           |      | (4,387)                  | (1,714)                  |
| Accrued expenses and other liabilities                              |      | 2,895                    | (1,092)                  |
|   |      | <u>1,605</u>             | <u>(11,296)</u>          |
| <b>Net cash (used in) / generated from operating activities</b>     |      | <u>(869,213)</u>         | <u>332,146</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |      |                          |                          |
| Amount received against issuance of units                           | 18   | 8,482,582                | 4,517,706                |
| Amount paid on redemption of units                                  |      | (7,688,191)              | (5,573,222)              |
| <b>Net cash from / (used in) financing activities</b>               |      | <u>794,391</u>           | <u>(1,055,516)</u>       |
| <b>Net (decrease) in cash and cash equivalents during the year</b>  |      | <u>(74,822)</u>          | <u>(723,370)</u>         |
| Cash and cash equivalents at beginning of the year                  |      | 266,185                  | 989,555                  |
| <b>Cash and cash equivalents at end of the year</b>                 | 5    | <u><u>191,363</u></u>    | <u><u>266,185</u></u>    |

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



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

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Islamic Stock Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on 18 November 2014 between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5 Clifton, Karachi. The Management Company is a member of Mutual Fund Association of Pakistan (MUFAP).
- 1.3 The Fund has been categorised as an open ended "Shariah compliant equity scheme" by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at Rs. 10 per unit. Thereafter, the units are being offered for public subscription on a continuous basis on 9 January 2015 and are transferable and redeemable by surrendering them to the Fund.
- 1.4 The objective of the fund is to provide investors with long-term capital growth from an actively managed portfolio of shari'ah compliant listed equities securities. The investment objectives and policies are explained in the Fund's offering document.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned and maintained an Asset Manager Rating of AM1 of Management Company and performance ranking of "4 - Star" to the Fund.
- 1.6 The title to the assets of the Fund is held in the name of the Central Depository Company Limited as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

#### 2.2 Accounting convention

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

#### 2.3 Functional and presentation currency

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



## 2.4 Critical accounting estimates and judgments

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

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

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

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

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The application of amendments are not likely to have an impact on the Fund's financial statements.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks.

Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the





potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The application of amendments are not likely to have an impact on the Fund's financial statements.

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

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



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

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

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of financial statement have been consistently applied to all periods presented.

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

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

### 4.2 Financial Assets

#### 4.2.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

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

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

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

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

#### Business model assessment

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



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

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

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

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

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

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

The Fund has determined that it has two business models.

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

### **Reclassifications**

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

#### **4.2.2 Regular way contracts**

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

#### **4.2.3 Initial recognition and measurement**

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



#### 4.2.4 Subsequent measurement

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

##### **Financial assets at FVTPL**

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

##### **Financial assets at amortised cost**

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

The fair value of equity securities are determined as follows:

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

#### 4.2.5 Impairment of financial assets

##### **Financial assets at amortised cost**

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

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

#### 4.2.6 Derecognition

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

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

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

#### 4.2.8 Cash and cash equivalents

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

#### 4.2.9 Derivatives

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

#### 4.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.



A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

#### **4.4 Provisions**

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

#### **4.5 Taxation**

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

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

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

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income**

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

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

#### **4.8 Earnings per unit**

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



## 4.9 Net assets value per unit

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

## 4.10 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised using the effective yield method.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

## 4.11 Distribution

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

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

## 5 BANK BALANCES

|                     | <i>Note</i> | 2020<br>(Rupees in '000) | 2019                  |
|---------------------|-------------|--------------------------|-----------------------|
| In current accounts |             | 21,322                   | 44,427                |
| In savings accounts | 5.1 & 5.2   | <u>170,041</u>           | <u>221,758</u>        |
|                     |             | <u><u>191,363</u></u>    | <u><u>266,185</u></u> |

5.1 These accounts carry profit at rates ranging from 7.00% to 14.50% (2019: 9.5% to 13.50%) per annum.

5.2 These includes cheques amounting to Rs. 6.167 million (30 June 2019: Rs. 26.570 million) issued on account of redemption of units and cheques amounting to Rs. 30.690 million (30 June 2019: Rs. 8.543 million) received on account of issuance of units.

## 6 INVESTMENTS

### At fair value through profit or loss

|                            |     |                         |                         |
|----------------------------|-----|-------------------------|-------------------------|
| - Listed equity securities | 6.1 | <u><u>4,695,290</u></u> | <u><u>3,900,022</u></u> |
|----------------------------|-----|-------------------------|-------------------------|



## 6.1 Investment in listed equity securities

All shares have a nominal face value of Rs.10 each except for the shares of Agriauto Industries Limited, Al-Ghazi Tractors Limited, Habib Sugar Mills Limited, Shabbir Tiles & Ceramics Limited and Thal Limited which have a face value of Rs 5 each and K-Electric Limited which have a face value of Rs 3.5 each.

| Name of the Investee Company                          | As at 1 July 2019 | Purchases during the year | Bonus shares issued during the year | Right shares purchased/subscribed during the year | Sales during the year | As at 30 June 2020 | Market value /carrying value as at 30 June 2020 | Market value as a percentage of net assets | Market value as a percentage of total investment | Percentage of the paid up capital of the investee company held |
|---|-------------------|---------------------------|-------------------------------------|---|-----------------------|--------------------|---|--|--|--|
|   |                   |                           |                                     |   |                       |                    |   |  |  |  |
| <b>Oil Refinery</b>                                   |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Attock Refinery Limited                               | 69,200            | -                         | -                                   | -   | 69,200                | -                  | -   | -  | -  | -  |
|   | <b>69,200</b>     | -                         | -                                   | -   | <b>69,200</b>         | -                  | -   | -  | -  | -  |
| <b>Oil and Gas Exploration Companies</b>              |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Oil & Gas Development Company Limited                 | 4,051,400         | 2,851,000                 | -                                   | -   | 3,904,923             | 2,997,477          | 326,725   | 6.79                                       | 6.96   | 0.07   |
| Pakistan Oilfields Limited                            | 460,040           | 806,700                   | -                                   | -   | 665,265               | 601,475            | 210,895   | 4.36                                       | 4.52   | 0.21   |
| Pakistan Petroleum Limited (refer note 6.1.2)         | 2,956,710         | 3,950,300                 | 550,382                             | -   | 2,936,800             | 4,520,592          | 392,297   | 8.15                                       | 8.36   | 0.17   |
| Mari Petroleum Limited (refer note 6.1.2)             | 222,431           | 149,540                   | 22,773                              | -   | 55,330                | 339,414            | 419,736   | 8.72                                       | 8.94   | 0.25   |
|   | <b>7,690,581</b>  | <b>7,757,540</b>          | <b>573,155</b>                      | -   | <b>7,562,318</b>      | <b>8,458,958</b>   | <b>1,349,653</b>                                | <b>28.02</b>                               | <b>28.78</b>                                     |  |
| <b>Oil and Gas Marketing Companies</b>                |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Pakistan State Oil Company Limited (refer note 6.1.2) | 611,044           | 1,068,000                 | 96,809                              | -   | 1,073,900             | 701,953            | 111,021   | 2.31                                       | 2.36   | 0.15   |
| Attock Petroleum Limited                              | 33,950            | -                         | -                                   | -   | -                     | 33,950             | 10,361  | 0.22                                       | 0.22   | 0.03   |
| Sui Northern Gas Pipelines                            | 992,200           | 2,859,000                 | -                                   | -   | 1,610,000             | 2,241,200          | 122,369   | 2.54                                       | 2.61   | 0.35   |
| Hascol Petroleum Limited (refer note 6.1.1)           | 21,032            | -                         | -                                   | -   | 19,449                | 1,583              | 22  | -  | -  | -  |
| Shell (Pakistan) Limited NC                           | -                 | 4,700                     | -                                   | -   | 1,400                 | 3,300              | 603   | 0.01                                       | 0.01   | -  |
|   | <b>1,658,226</b>  | <b>3,931,700</b>          | <b>96,809</b>                       | -   | <b>2,704,749</b>      | <b>2,981,986</b>   | <b>244,376</b>                                  | <b>5.08</b>                                | <b>5.20</b>                                      |  |
| <b>Fertilizer</b>                                     |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Engro Corporation Limited                             | 1,577,020         | 1,064,410                 | -                                   | -   | 1,119,332             | 1,522,098          | 445,853   | 9.26                                       | 9.50   | 0.26   |
| Engro Fertilizers Limited                             | 5,142,500         | 4,823,500                 | -                                   | -   | 6,586,000             | 3,380,000          | 203,746   | 4.23                                       | 4.34   | 0.25   |
| Fatima Fertilizer Company Limited                     | 9,500             | -                         | -                                   | -   | 9,500                 | -                  | -   | -  | -  | -  |
|   | <b>6,729,020</b>  | <b>5,887,910</b>          | -                                   | -   | <b>7,714,832</b>      | <b>4,902,098</b>   | <b>649,599</b>                                  | <b>13.49</b>                               | <b>13.84</b>                                     |  |
| <b>Investment Company</b>                             |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Dawood Hercules Corporation Limited                   | 12,000            | -                         | -                                   | -   | -                     | 12,000             | 1,535   | 0.03                                       | 0.03   | -  |
|   | <b>12,000</b>     | -                         | -                                   | -   | -                     | <b>12,000</b>      | <b>1,535</b>                                    | <b>0.03</b>                                | <b>0.03</b>                                      |  |
| <b>Chemical</b>                                       |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Engro Polymer & Chemicals                             | 2,245,480         | 6,010,000                 | -                                   | -   | 4,483,500             | 3,771,980          | 94,224  | 1.96                                       | 2.01   | 0.41   |
| Dynea Pakistan Limited NC                             | -                 | 17,500                    | -                                   | -   | -                     | 17,500             | 1,887   | 0.04                                       | 0.04   | 0.09   |
| Lotte Chemical Limited                                | 3,190,000         | -                         | -                                   | -   | 3,190,000             | -                  | -   | -  | -  | -  |
| I.C.I Pakistan Limited                                | -                 | 78,900                    | -                                   | -   | 13,000                | 65,900             | 45,781  | 0.95                                       | 0.98   | 0.07   |
|   | <b>5,435,480</b>  | <b>6,106,400</b>          | -                                   | -   | <b>7,686,500</b>      | <b>3,855,380</b>   | <b>141,892</b>                                  | <b>2.95</b>                                | <b>3.03</b>                                      |  |
| <b>Automobile Parts and Accessories</b>               |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Baluchistan Wheels Limited                            | 10,000            | 500                       | -                                   | -   | -                     | 10,500             | 638   | 0.01                                       | 0.01   | 0.08   |
| Agriauto Industries Limited                           | 26,100            | 5,100                     | -                                   | -   | -                     | 31,200             | 5,678   | 0.12                                       | 0.12   | 0.11   |
| Thal Limited  | -                 | 142,400                   | -                                   | -   | 3,700                 | 138,700            | 45,070  | 0.94                                       | 0.96   | 0.17   |
|   | <b>36,100</b>     | <b>148,000</b>            | -                                   | -   | <b>3,700</b>          | <b>180,400</b>     | <b>51,386</b>                                   | <b>1.07</b>                                | <b>1.09</b>                                      |  |
| <b>Cement</b>   |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Cherat Cement Company Limited                         | -                 | 227,000                   | -                                   | -   | 81,000                | 146,000            | 12,727  | 0.26                                       | 0.27   | 0.08   |
| D.G. Khan Cement Company Limited                      | 191,000           | 2,234,000                 | -                                   | -   | 2,088,000             | 337,000            | 28,756  | 0.60                                       | 0.61   | 0.08   |
| Fauji Cement Company Limited                          | 700,000           | 10,146,000                | -                                   | -   | 7,391,500             | 3,454,500          | 58,312  | 1.21                                       | 1.24   | 0.25   |
| Kohat Cement Company Limited                          | 377,710           | 1,439,500                 | -                                   | -   | 392,000               | 1,425,210          | 195,895   | 4.07                                       | 4.17   | 0.71   |
| Lucky Cement Limited                                  | 380,700           | 788,151                   | -                                   | -   | 558,800               | 610,051            | 281,587   | 5.85                                       | 6.00   | 0.19   |
| Maple Leaf Cement Factory Limited (refer note 6.1.1)  | 1,526,001         | 5,244,000                 | -                                   | 297,501   | 5,270,500             | 1,797,002          | 46,686  | 0.97                                       | 0.99   | 0.16   |
| Pioneer Cement Limited                                | 445,100           | 420,000                   | -                                   | -   | 865,100               | -                  | -   | -  | -  | -  |
|   | <b>3,620,511</b>  | <b>20,498,651</b>         | -                                   | <b>297,501</b>                                    | <b>16,646,900</b>     | <b>7,769,763</b>   | <b>623,963</b>                                  | <b>12.96</b>                               | <b>13.28</b>                                     |  |
| <b>Paper and Board</b>                                |                   |                           |                                     |   |                       |                    |   |  |  |  |
| Cherat Packaging Limited (refer note 6.1.2)           | 293,559           | -                         | 19,356                              | -   | 253,400               | 59,515             | 6,972   | 0.14                                       | 0.15   | 0.14   |
| Packages Limited                                      | -                 | 153,700                   | -                                   | -   | 27,600                | 126,100            | 43,783  | 0.91                                       | 0.93   | 0.14   |
| Roshan Packages Limited NC                            | -                 | 919,500                   | -                                   | -   | 45,000                | 874,500            | 19,606  | 0.41                                       | 0.42   | 0.62   |
|   | <b>293,559</b>    | <b>1,073,200</b>          | <b>19,356</b>                       | -   | <b>326,000</b>        | <b>1,060,115</b>   | <b>70,361</b>                                   | <b>1.46</b>                                | <b>1.50</b>                                      |  |



| Name of the Investee Company                        | As at 1 July 2019  | Purchases during the year | Bonus shares issued during the year | Right shares purchased/ subscribed during the year | Sales during the year | As at 30 June 2020 | Market value /carrying value as at 30 June 2020 | Market value as a percentage of net assets | Market value as a percentage of total investment | Percentage of the paid up capital of the investee company held |
|---|--------------------|---------------------------|-------------------------------------|--|-----------------------|--------------------|---|--|--|--|
|   | (Number of shares) |                           |                                     |  |                       |                    | (Rupees in '000)                                | (%)  |  |  |
| <b>Automobile Assembler</b>                         |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Honda Atlas Cars (Pakistan) Limited.                | -                  | 379,700                   | -                                   | -  | 129,200               | 250,500            | 48,517  | 1.01                                       | 1.03   | 0.18   |
| Millat Tractors Limited                             | -                  | 119,250                   | -                                   | -  | 41,250                | 78,000             | 55,080  | 1.14                                       | 1.17   | 0.16   |
| Al-Ghazi Tractors Limited                           | -                  | 3,900                     | -                                   | -  | 3,900                 | -                  | -   | -  | -  | -  |
| Indus Motor Company Limited                         | -                  | 8,700                     | -                                   | -  | -                     | 8,700              | 8,656   | 0.18                                       | 0.18   | 0.01   |
|   | -                  | <b>511,550</b>            | -                                   | -  | <b>174,350</b>        | <b>337,200</b>     | <b>112,253</b>                                  | <b>2.33</b>                                | <b>2.38</b>                                      |  |
| <b>Pharmaceuticals</b>                              |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Abbot Laboratories (Pakistan) Limited               | 22,150             | -                         | -                                   | -  | 17,200                | 4,950              | 3,282   | 0.07                                       | 0.07   | 0.01   |
| GlaxoSmithKline (Pakistan) Limited                  | 103,200            | 197,000                   | -                                   | -  | -                     | 300,200            | 52,259  | 1.09                                       | 1.11   | 0.09   |
| Ferozsons Laboratories Limited                      | 65,900             | 122,200                   | -                                   | -  | 140,100               | 48,000             | 14,421  | 0.30                                       | 0.31   | 0.16   |
| The Searle Company Limited                          | 1,917              | 513,600                   | -                                   | -  | 13,000                | 502,517            | 100,117   | 2.08                                       | 2.13   | 0.24   |
|   | <b>193,167</b>     | <b>832,800</b>            | -                                   | -  | <b>170,300</b>        | <b>855,667</b>     | <b>170,079</b>                                  | <b>3.54</b>                                | <b>3.62</b>                                      |  |
| <b>Engineering</b>                                  |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Mughal Iron and Steel Industries Limited            | 330,823            | 1,614,500                 | -                                   | -  | 302,500               | 1,642,823          | 65,516  | 1.36                                       | 1.40   | 0.65   |
| International Industries Limited (refer note 6.1.2) | 166,500            | 220,000                   | 10,200                              | -  | 396,700               | -                  | -   | -  | -  | -  |
| International Steels Limited                        | 394,900            | 1,997,500                 | -                                   | -  | 1,880,400             | 512,000            | 26,445  | 0.55                                       | 0.56   | 0.12   |
| Ittefaq Iron Industries                             | -                  | 2,717,500                 | -                                   | -  | 203,000               | 2,514,500          | 17,375  | 0.36                                       | 0.37   | 1.74   |
| Amreli Steels Limited                               | -                  | 2,510,500                 | -                                   | -  | 799,500               | 1,711,000          | 55,847  | 1.16                                       | 1.19   | 0.58   |
|   | <b>892,223</b>     | <b>9,060,000</b>          | <b>10,200</b>                       | -  | <b>3,582,100</b>      | <b>6,380,323</b>   | <b>165,183</b>                                  | <b>3.43</b>                                | <b>3.52</b>                                      |  |
| <b>Textile Composite</b>                            |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Nishat Mills Limited                                | 2,124,900          | 2,783,600                 | -                                   | -  | 2,889,700             | 2,018,800          | 157,487   | 3.27                                       | 3.35   | 0.57   |
| Kohinoor Textile Mills Limited                      | 855,533            | -                         | -                                   | -  | 424,000               | 431,533            | 15,324  | 0.32                                       | 0.33   | 0.14   |
| Interloop Limited                                   | 946,662            | 426,000                   | -                                   | -  | 175,000               | 1,197,662          | 52,601  | 1.09                                       | 1.12   | 0.14   |
|   | <b>3,927,095</b>   | <b>3,209,600</b>          | -                                   | -  | <b>3,488,700</b>      | <b>3,647,995</b>   | <b>225,412</b>                                  | <b>4.68</b>                                | <b>4.80</b>                                      |  |
| <b>Food and Personal Care Products</b>              |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Al Shaheer Corporation Limited (refer note 6.1.1)   | 1,223,338          | 319,500                   | -                                   | 343,084  | 823,500               | 1,062,422          | 12,154  | 0.25                                       | 0.26   | 0.53   |
| Al-Tahir Limited (refer note 6.1.2)                 | 509,365            | 1,383,500                 | 91,537                              | -  | 135,000               | 1,849,402          | 31,865  | 0.66                                       | 0.68   | 1.15   |
|   | <b>1,732,703</b>   | <b>1,703,000</b>          | <b>91,537</b>                       | <b>343,084</b>                                     | <b>958,500</b>        | <b>2,911,824</b>   | <b>44,019</b>                                   | <b>0.91</b>                                | <b>0.94</b>                                      |  |
| <b>Technology and Communication</b>                 |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Systems Limited                                     | 551,650            | 61,000                    | -                                   | -  | 56,500                | 556,150            | 102,154   | 2.12                                       | 2.18   | 0.45   |
| NetSol Technologies Limited                         | 753,900            | -                         | -                                   | -  | 736,500               | 17,400             | 865   | 0.02                                       | 0.02   | 0.02   |
| Avanceon Limited (refer note 6.1.2)                 | 263,475            | -                         | 1,034                               | -  | 253,140               | 11,369             | 402   | 0.01                                       | 0.01   | 0.01   |
|   | <b>1,569,025</b>   | <b>61,000</b>             | <b>1,034</b>                        | -  | <b>1,046,140</b>      | <b>584,919</b>     | <b>103,421</b>                                  | <b>2.15</b>                                | <b>2.21</b>                                      |  |
| <b>Power Generation and Distribution</b>            |                    |                           |                                     |  |                       |                    |   |  |  |  |
| The Hub Power Company Limited                       | 4,440,284          | 3,685,000                 | -                                   | -  | 2,912,414             | 5,212,870          | 377,933   | 7.85                                       | 8.05   | 0.40   |
| K-Electric Limited*                                 | 3,951,500          | 6,374,500                 | -                                   | -  | 7,193,000             | 3,133,000          | 9,430   | 0.20                                       | 0.20   | 0.01   |
|   | <b>8,391,784</b>   | <b>10,059,500</b>         | -                                   | -  | <b>10,105,414</b>     | <b>8,345,870</b>   | <b>387,363</b>                                  | <b>8.05</b>                                | <b>8.25</b>                                      |  |
| <b>Commercial Banks</b>                             |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Meezan Bank Limited                                 | 3,483,431          | 1,359,499                 | -                                   | -  | 1,566,000             | 3,276,930          | 225,617   | 4.69                                       | 4.81   | 0.25   |
|   | <b>3,483,431</b>   | <b>1,359,499</b>          | -                                   | -  | <b>1,566,000</b>      | <b>3,276,930</b>   | <b>225,617</b>                                  | <b>4.69</b>                                | <b>4.81</b>                                      |  |
| <b>Glass and Ceramics</b>                           |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Tariq Glass industries Limited (refer note 6.1.2)   | 655,800            | 256,000                   | 364,900                             | -  | 125,000               | 1,151,700          | 74,308  | 1.54                                       | 1.58   | 1.05   |
| Shabbir Tiles and Ceramics Limited                  | 26,500             | -                         | -                                   | -  | -                     | 26,500             | 212   | -  | -  | 0.01   |
| Ghani Global Glass Limited NC                       | -                  | 66,500                    | -                                   | -  | -                     | 66,500             | 795   | 0.02                                       | 0.02   | 0.07   |
| Ghani Value Glass Limited NC                        | -                  | 8,500                     | -                                   | -  | -                     | 8,500              | 314   | 0.01                                       | 0.01   | 0.01   |
|   | <b>682,300</b>     | <b>331,000</b>            | <b>364,900</b>                      | -  | <b>125,000</b>        | <b>1,253,200</b>   | <b>75,629</b>                                   | <b>1.57</b>                                | <b>1.61</b>                                      |  |





| Name of the Investee Company                                   | As at 1 July 2019  | Purchases during the year | Bonus shares issued during the year | Right shares purchased/ subscribed during the year | Sales during the year | As at 30 June 2020 | Market value /carrying value as at 30 June 2020 | Market value as a percentage of net assets | Market value as a percentage of total investment | Percentage of the paid up capital of the investee company held |
|--|--------------------|---------------------------|-------------------------------------|--|-----------------------|--------------------|---|--|--|--|
|  | (Number of shares) |                           |                                     |  |                       |                    | (Rupees in '000)                                | (%)  |  |  |
| <b>Transport</b>   |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Pakistan National Shipping Corporation Limited                 | 17,000             | -                         | -                                   | -  | -                     | 17,000             | 1,285   | 0.03                                       | 0.03   | 0.01   |
| <b>Cable and Electric Goods</b>                                |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Pak Elektron Limited   | -                  | 1,930,000                 | -                                   | -  | 1,930,000             | -                  | -   | -  | -  | -  |
| <b>Sugar &amp; Allied Industries</b>                           |                    |                           |                                     |  |                       |                    |   |  |  |  |
| Faran Sugar Mills Limited                                      | -                  | 327,500                   | -                                   | -  | -                     | 327,500            | 12,936  | 0.27                                       | 0.28   | 1.31   |
| Habib Sugar Mills Limited                                      | -                  | 250,500                   | -                                   | -  | -                     | 250,500            | 7,390   | 0.15                                       | 0.16   | 0.17   |
| Mirpurkhas Sugar Mills Limited (refer note 6.1.2)              | -                  | 1,000                     | 100                                 | -  | 1,100                 | -                  | -   | -  | -  | -  |
|  | -                  | 579,000                   | 100                                 | -  | 1,100                 | 578,000            | 20,326  | 0.42                                       | 0.44   |  |
| <b>Miscellaneous</b>   |                    |                           |                                     |  |                       |                    |   |  |  |  |
| EcoPack Limited (refer note 6.1.2)                             | 2,083              | -                         | 208                                 | -  | -                     | 2,291              | 50  | -  | -  | 0.01   |
| Synthetic Products Enterprises Limited (refer note 6.1.2)      | 1,302,600          | 265,000                   | 19,304                              | -  | 820,000               | 766,904            | 31,888  | 0.66                                       | 0.68   | 0.87   |
|  | 1,304,683          | 265,000                   | 19,512                              | -  | 820,000               | 769,195            | 31,938  | 0.66                                       | 0.68   |  |
| <b>Total - 30 June 2020</b>                                    | <b>47,738,088</b>  | <b>75,305,350</b>         | <b>1,176,602</b>                    | <b>640,585</b>                                     | <b>66,681,803</b>     | <b>58,178,822</b>  | <b>4,695,290</b>                                | <b>98.00</b>                               | <b>100.00</b>                                    |  |
| Carrying value before fair value adjustment as at 30 June 2020 |                    |                           |                                     |  |                       |                    | <u>4,746,831</u>                                |  |  |  |

**6.1.1** Investments include shares with market value of Rs. 439.42 million (30 June 2019: Rs. 137.164 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated 23th October 2007 issued by the Securities and Exchange Commission of Pakistan.

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

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

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

Accordingly, the investee company(s) has withheld the shares equivalent to 5% of bonus announcement amounting to Rs. 3.202 million (30 June 2019: 10.150 million) and not deposited in CDC account of department of Income Tax.



| 7 | <b>DIVIDEND AND PROFIT RECEIVABLE</b>            | <b>Note</b> | <b>2020</b>      | <b>2019</b>  |
|---|--|-------------|------------------|--------------|
|   |  |             | (Rupees in '000) |              |
|   | Dividend receivable on Equity Securities         |             | 24               | 1,184        |
|   | Profit receivable on Savings Deposits            |             | 1,167            | 3,274        |
|   |  |             | <u>1,191</u>     | <u>4,458</u> |
| 8 | <b>ADVANCE, DEPOSITS AND PREPAYMENT</b>          |             |                  |              |
|   | Advance tax                                      | 8.1         | 4,476            | 1,458        |
|   | Security deposits with:                          |             |                  |              |
|   | - National Clearing Company of Pakistan Limited  |             | 2,530            | 2,530        |
|   | - Central Depository Company of Pakistan Limited |             | 103              | 103          |
|   | Prepaid Mutual Fund Rating fee                   |             | 119              | 109          |
|   |  |             | <u>7,228</u>     | <u>4,200</u> |

8.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposit paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends and profit on bank deposits as at 30 June 2020 amounts to Rs. 1.458 million (2019: Rs. 1.458 million).

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

| 9 | <b>PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>                                 | <b>Note</b> | <b>2020</b>      | <b>2019</b>   |
|---|--|-------------|------------------|---------------|
|   |  |             | (Rupees in '000) |               |
|   | Management remuneration  | 9.1         | 5,954            | 7,225         |
|   | Sindh Sales Tax on management remuneration   | 9.2         | 774              | 939           |
|   | Selling and marketing expenses   | 9.3         | 16,313           | 10,394        |
|   | Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.4         | 1,133            | 2,598         |
|   | Sales load and others  |             | 2,241            | 2,202         |
|   | Other Payable  |             | 20               | 20            |
|   |  |             | <u>26,435</u>    | <u>23,378</u> |

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



- 9.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on management remuneration and sales load.
- 9.3** As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme upto 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived capping for charging selling and marketing expense. Subsequently, the Management Company has revised selling and marketing expenses rate during the period and charged accordingly as follows:

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

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

| 10 | PAYABLE TO CENTRAL DEPOSITORY<br>COMPANY OF PAKISTAN LIMITED - TRUSTEE | Note | 2020             | 2019       |
|----|--|------|------------------|------------|
|    |  |      | (Rupees in '000) |            |
|    | Trustee remuneration   | 10.1 | 479              | 443        |
|    | Sindh Sales Tax on Trustee remuneration                                | 10.2 | 62               | 58         |
|    |  |      | <u>541</u>       | <u>501</u> |

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

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

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

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



The remuneration is paid to the Trustee monthly in arrears.

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

## **11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, a collective scheme categorized as an equity scheme is required to pay an annual fee to SECP. An amount equal to 0.095 percent per annum of the average net assets of the Fund has been charged till 30 June 2019 and with effective from 1 July 2019 SECP has revised its fee rate to 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears.

## **12 PAYABLE AGAINST REDEMPTION OF UNITS**

This includes an amount of Rs. 1.333 million, Rs. 5.598 million, Rs. 1.018 million, Rs. 0.425 million, Rs. 3.345 million, Rs. 0.500 million, Rs. 9.635 million and Rs. 1.083 million payable on account of conversion of units from NBP Financial Sector Income Fund, NBP Islamic Mahana Amdani Fund, NBP Islamic Money Market Fund, NBP Islamic Savings Fund, NBP Islamic Energy Fund, NBP Mahana Amdani Fund, NBP Money Market Fund and NBP Riba Free Savings Fund respective to the Fund.

## **13 ACCRUED EXPENSES AND OTHER LIABILITIES**

|   | <i>Note</i> | <b>2020</b>             | <b>2019</b> |
|---|-------------|-------------------------|-------------|
|   |             | <b>(Rupees in '000)</b> |             |
| Provision for Sindh Workers' Welfare Fund                             | 13.1        | <b>44,440</b>           | 44,440      |
| Brokerage fee   |             | <b>895</b>              | 311         |
| Federal excise duty payable on remuneration of the management company | 13.2        | <b>8,209</b>            | 8,209       |
| Federal excise duty payable on Sales Load                             |             | <b>2,327</b>            | 2,327       |
| Auditors' remuneration  |             | <b>408</b>              | 458         |
| Settlement charges  |             | <b>38</b>               | 133         |
| Withholding tax   |             | <b>182</b>              | 150         |
| Printing charges  |             | <b>2</b>                | 61          |
| Capital gain tax  |             | <b>973</b>              | 8           |
| Bank charges  |             | <b>51</b>               | 42          |
| Legal fees  |             | <b>86</b>               | 12          |
| Charity Payable   |             | <b>9,203</b>            | 7,489       |
| Shariah Advisor fee payable   |             | <b>671</b>              | 950         |
|   |             | <b>67,485</b>           | 64,590      |

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

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is



payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

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

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

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 45.575 million and a provision for SWWF of Rs. 107.215 million upto 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.0873 per unit (2019: Re. 0.0982).

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

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

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

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 8.209 million (30 June 2019: Rs. 8.209 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Re. 0.0161 (30 June 2019: Re. 0.0181) per unit.

Federal Excise Duty on management remuneration and Federal Excise Duty on sales load has been reclassified from payable to NBP fund management limited - Management Company to accrued expenses and other liabilities in order to give better presentation and accordingly comparatives have been rearranged.

## **14 CONTINGENCY AND COMMITMENT**

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



| 15 NUMBER OF UNITS IN ISSUE                   | 2020               | 2019               |
|---|--------------------|--------------------|
|   | (Number of units)  |                    |
| Total units in issue at beginning of the year | 452,452,689        | 561,880,644        |
| Add: Units issued                             | 870,091,265        | 412,871,633        |
| Less: Units redeemed                          | (813,747,745)      | (522,299,588)      |
| Total units in issue at end of the year       | <u>508,796,209</u> | <u>452,452,689</u> |

| 16 AUDITORS' REMUNERATION                                   | 2020             | 2019       |
|---|------------------|------------|
|   | (Rupees in '000) |            |
| Annual audit fee  | 332              | 332        |
| Half yearly review fee                                      | 132              | 132        |
| Out of pocket expenses and others including government levy | 149              | 98         |
|   | <u>613</u>       | <u>562</u> |

## 17 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year ended 30 June 2020, the Fund has incurred net loss therefore no distribution has been made. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2020.

| 18 RECONCILIATION OF RECEIVABLE AND LIABILITY ARISING OUT OF FINANCING ACTIVITIES | Receivable against sale of units | Payable against redemption of units | Total        |
|---|----------------------------------|-------------------------------------|--------------|
|   | (Rupees in '000)                 |                                     |              |
| Balance as at 1 July 2019   | -                                | -                                   | -            |
| Receivable against issuance of units  | 8,516,779                        | -                                   | 8,516,779    |
| Payable against redemption of units   | -                                | 7,718,059                           | (7,718,059)  |
|   | 8,516,779                        | 7,718,059                           | 798,720      |
| Amount received on issuance of units  | (8,482,582)                      | -                                   | (8,482,582)  |
| Amount paid on redemption of units  | -                                | (7,688,191)                         | 7,688,191    |
|   | (8,482,582)                      | (7,688,191)                         | (794,391)    |
| <b>Balance as at 30 June 2020</b>   | <u>34,197</u>                    | <u>29,868</u>                       | <u>4,329</u> |

## 19 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies), incurred during the year divided by average net asset value for the year ) is 3.76% per annum. Total expense ratio (excluding government levies) is 3.53% per annum.



## 20 FINANCIAL INSTRUMENTS BY CATEGORY

|  | As at 30 June 2020  |  |                  |
|--|---|--|------------------|
|  | At<br>amortised<br>cost                                   | At<br>fair value<br>through<br>profit or loss          | Total            |
| ----- (Rupees in '000) -----   |   |  |                  |
| <b>Assets</b>  |   |  |                  |
| Bank balances  | 191,363   | -  | 191,363          |
| Investments  | -   | 4,695,290  | 4,695,290        |
| Dividend and profit receivable   | 1,191   | -  | 1,191            |
| Receivables from funds under management by<br>Management Company against conversion of units | 34,197  | -  | 34,197           |
| Receivable against sale of investments   | 10,845  | -  | 10,845           |
| Deposits   | 2,633   | -  | 2,633            |
|  | <u>240,229</u>  | <u>4,695,290</u>                                       | <u>4,935,519</u> |
|  | As at 30 June 2020  |  |                  |
|  | At fair value<br>through profit<br>or loss                | At<br>amortised<br>cost                                | Total            |
| ----- (Rupees in '000) -----   |   |  |                  |
| <b>Liabilities</b>   |   |  |                  |
| Payable to NBP Fund Management Limited -<br>Management Company                               | -   | 26,435   | 26,435           |
| Payable to Central Depository Company of<br>Pakistan Limited - Trustee                       | -   | 541  | 541              |
| Payable against redemption of units  | -   | 29,868   | 29,868           |
| Accrued expenses and other liabilities   | -   | 11,354   | 11,354           |
|  | <u>-</u>  | <u>68,198</u>  | <u>68,198</u>    |
|  | As at 30 June 2019  |  |                  |
|  | At Amortised<br>Cost                                      | Mandatorily at<br>fair value through<br>profit or loss | Total            |
| ----- (Rupees in '000) -----   |   |  |                  |
| <b>Assets</b>  |   |  |                  |
| Bank balances  | 266,185   | -  | 266,185          |
| Investments  | 3,900,022   | -  | 3,900,022        |
| Dividend and profit receivable   | -   | 4,458  | 4,458            |
| Receivable against sale of investments   | -   | 39,695   | 39,695           |
| Deposits   | -   | 2,633  | 2,633            |
|  | <u>4,166,207</u>  | <u>46,786</u>  | <u>4,212,993</u> |
|  | As at 30 June 2019  |  |                  |
|  | Mandatorily at<br>fair value<br>through profit or<br>loss | At Amortised<br>Cost                                   | Total            |
| ----- (Rupees in '000) -----   |   |  |                  |
| <b>Liabilities</b>   |   |  |                  |
| Payable to NBP Fund Management Limited - Management Company                                  | -   | 23,378   | 23,378           |
| Payable to Central Depository Company of Pakistan Limited - Trustee                          | -   | 501  | 501              |
| Accrued expenses and other liabilities   | -   | 9,456  | 9,456            |
|  | <u>-</u>  | <u>33,335</u>  | <u>33,335</u>    |



## 21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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

**21.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.

**21.3** Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

**21.4** The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:

| <b>21.5 Details of transactions with connected persons are as follows:</b>                         | <b>2020</b>             | <b>2019</b> |
|--|-------------------------|-------------|
|  | <b>(Rupees in '000)</b> |             |
| <b>NBP Fund Management Limited - Management Company</b>  |                         |             |
| Remuneration of NBP Fund Management Limited - Management Company                                   | <b>69,200</b>           | 111,590     |
| Sindh Sales Tax on remuneration to Management Company  | <b>8,996</b>            | 14,507      |
| Selling and marketing expenses   | <b>58,041</b>           | 22,318      |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | <b>4,572</b>            | 5,580       |
| Sales load and others  | <b>14,000</b>           | -           |
| <b>Employees of the Management Company</b>   |                         |             |
| Issue of 69,974,912 units (2019: 21,014,666 units)   | <b>671,202</b>          | 224,969     |
| Redemption of 63,878,865 units (2019: 22,160,039 units)  | <b>614,067</b>          | 241,474     |
| <b>NBP Fund Management Limited - Management Company (Employee Provident Fund)</b>                  |                         |             |
| Redemption of Nil units (2019: 280,828 units)  | -                       | 2,898       |
| <b>Portfolio Managed by the management Company</b>   |                         |             |
| Issue of Nil units (2019: 26,731,489 units)  | -                       | 296,377     |
| Redemption of Nil units (2019: 9,461,322 units)  | -                       | 92,164      |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>                                    |                         |             |
| Remuneration of the Trustee  | <b>5,572</b>            | 6,580       |
| Sindh Sales Tax on remuneration to Trustee   | <b>724</b>              | 855         |
| CDS charges  | <b>1,202</b>            | 1,424       |
| <b>National Clearing Company of Pakistan Limited</b>   |                         |             |
| NCCPL Charges  | <b>779</b>              | -           |
| <b>Pakistan Stock Exchange Limited**</b>   |                         |             |
| Listing fee  | <b>25</b>               | -           |
| <b>Mr. Murtaza Ali - Company Secretary / Chief Operating Officer of the Management Company</b>     |                         |             |
| Issue of Nil units (2019: 8,798 units)   | -                       | 100         |
| Redemption of 42 units (2019: 68,300 units)  | -                       | 764         |





|   | 2020             | 2019    |
|---|------------------|---------|
|   | (Rupees in '000) |         |
| <b>Jubilee Life Insurance Company Limited - Common directorship</b>   |                  |         |
| Purchase of Nil Shares( 2019:22,662,170)                              | -                | 250,000 |
| <b>National bank of Pakistan- Parent company</b>                      |                  |         |
| Profits on Bank deposits  | 20               | 13      |
| <b>Cherat Packaging Limited*</b>                                      |                  |         |
| Nil shares purchased (2019: 109,400 shares)                           | -                | 17,003  |
| 253,400 shares sold (2019: 105,000 shares)                            | -                | 17,830  |
| Dividend Income   | -                | 2,154   |
| <b>Cherat Cement Company Limited*</b>                                 |                  |         |
| 81,000 shares sold (2019: 780,300 shares)                             | -                | 52,909  |
| Dividend Income   | -                | 1,977   |
| <b>International Industries Limited*</b>                              |                  |         |
| 220,000 shares purchased (2019: 140,600 shares)                       | -                | 22,688  |
| 396,700 shares sold (2019: 70,700 shares)                             | -                | 8,026   |
| Dividend Income   | -                | 1,221   |
| <b>International Steel Limited</b>                                    |                  |         |
| 1,997,500 shares purchased (2019: 2,538,200 shares)                   | 102,400          | 211,038 |
| 1,880,400 shares sold (2018: 3,553,700 shares)                        | 81,893           | 248,784 |
| Dividend Income   | 430              | 5,910   |
| <b>Pak American Fertilizers Ltd Provident Fund Trust</b>              |                  |         |
| Issue of 1,186,228 units (2019: Nil Units)                            | 11,950           | -       |
| Redemption of 180,061 units (2019: Nil Units)                         | 1,954            | -       |
| <b>Getz Pharma (Pvt) Limited Employees Gratuity Fund</b>              |                  |         |
| Redemption of 416,547 units (2019: Nil Units)                         | 3,561            | -       |
| <b>Telenor Pakistan (Pvt) Ltd Employees Provident Fund (Islamic)</b>  |                  |         |
| Issue of 2,803,546 units (2019: Nil Units)                            | 24,966           | -       |
| Redemption of 1,744,089 units (2019: Nil Units)                       | 17,985           | -       |
| <b>Telenor Employees Gratuity Fund</b>                                |                  |         |
| Issue of 2,747,456 units (2019: Nil Units)                            | 26,000           | -       |
| <b>Gul Ahmed Textile Mills Limited Employees Provident Fund Trust</b> |                  |         |
| Issue of 5,221,245 units (2019: Nil Units)                            | 56,800           | -       |
| Redemption of 1,489,321 units (2019: Nil Units)                       | 15,910           | -       |
| <b>Rousch (Pakistan) Power Limited Employees Gratuity Fund</b>        |                  |         |
| Issue of 170,348 units (2019: Nil Units)                              | 1,876            | -       |
| Redemption of 170,348 units (2019: Nil Units)                         | 1,440            | -       |
| <b>Rousch (Pakistan) Power Limited Employees Provident Fund</b>       |                  |         |
| Issue of 364,967 units (2019: Nil Units)                              | 4,019            | -       |
| Redemption of 364,967 units (2019: Nil Units)                         | 3,079            | -       |



|   | 2020             | 2019   |
|---|------------------|--------|
|   | (Rupees in '000) |        |
| <b>Hub Power Company Limited**</b>  |                  |        |
| Issue of 3,685,000 units (2019: Nil units)  | 301,062          | -      |
| Redemption of 2,912,414 units (2019: Nil units)   | 225,836          | -      |
| <b>Summit Bank Limited*</b>   |                  |        |
| Profit on bank deposit  | -                | 14     |
| <b>Bank Islami Pakistan Limited</b>   |                  |        |
| Profit on bank deposits   | 16,104           | 27,755 |
| <b>Taurus Securities Limited</b>  |                  |        |
| Brokerage charges   | 946              | 518    |
| <b>CDC Trustee NBP Balance Fund</b>   |                  |        |
| Purchase of equity securities : 278,000 shares (2019: Nil)  | 32,684           | -      |
| <b>CDC Trustee NBP Sarmaya Izafa Fund</b>   |                  |        |
| Purchase of equity securities : 249,500 shares (2019: Nil)  | 27,457           | -      |
| <b>21.6 Balances at year end</b>  |                  |        |
| <b>NBP Fund Management Limited - Management Company</b>   |                  |        |
| Management remuneration payable   | 5,954            | 7,225  |
| Sindh Sales tax payable   | 774              | 939    |
| Other payable   | 20               | 20     |
| Allocation of expenses related to registrar services,<br>accounting, operation and valuation services | 1,133            | 2,598  |
| Selling and marketing expenses  | 16,313           | 10,394 |
| Sales load payable  | 2,241            | 2,202  |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>                                       |                  |        |
| Remuneration Payable  | 479              | 443    |
| Sindh Sales Tax on Trustee remuneration   | 62               | 58     |
| Security deposit  | 103              | 103    |
| <b>Employees of the Management Company</b>  |                  |        |
| Units held: 7,666,693 (2019: 1,384,419 units)   | 72,552           | 12,609 |
| <b>National Clearing Company of Pakistan Limited</b>  |                  |        |
| Security deposits   | 2,530            | 2,530  |
| NCCPL charges payable   | 53               | 48     |
| <b>NBP Fund management Limited- employees provident fund</b>  |                  |        |
| Units held: 114,845 (2019: 114,845 units)   | 1,087            | 1,046  |
| <b>International Industries Limited*</b>  |                  |        |
| Shares held: Nil (2019: 166,500 shares)   | -                | 12,832 |



|  | 2020             | 2019    |
|--|------------------|---------|
|  | (Rupees in '000) |         |
| <b>International Steels Limited</b>  |                  |         |
| Shares held: 512,000 (2019: 394,900 shares)                                | 26,445           | 15,681  |
| <b>Portfolio Managed by the Management Company</b>                         |                  |         |
| Units held: Nil (2019: 36,992,244 units)                                   | -                | 336,915 |
| <b>Pak American Fertilizers Limited - Provident Fund Trust</b>             |                  |         |
| Units held: 1,006,167 units (2019: Nil Units)                              | 9,522            | -       |
| <b>Telenor Pakistan Private Limited Employees Provident Fund (Islamic)</b> |                  |         |
| Units held: 3,285,883 units (2019: Nil Units)                              | 31,095           | -       |
| <b>Gul Ahmed Textile Mills Limited Employees Provident Fund Trust</b>      |                  |         |
| Units held: 3,731,924 units (2019: Nil Units)                              | 35,316           | -       |
| <b>Telenor Employees Gratuity Fund</b>                                     |                  |         |
| Units held: 2,747,456 units (2019: Nil Units)                              | 26,000           | -       |
| <b>Hub Power company Limited**</b>   |                  |         |
| Units held: 5,212,870 (2019: Nil units)                                    | 377,933          | -       |
| <b>Jubilee Life Insurance Company Limited - Common directorship</b>        |                  |         |
| Shares held: Nil ( 2019:22,662,170)  | -                | 206,400 |
| <b>National bank of Pakistan- Parent company</b>                           |                  |         |
| Bank balance   | 3,617            | 6,784   |
| <b>Cherat Packaging Pakistan Limited*</b>                                  |                  |         |
| Shares held: 59,514 (2019: 293,559 shares)                                 | -                | 23,673  |
| <b>Taurus Securities Limited</b>   |                  |         |
| Brokerage payable  | 70               | 17      |
| <b>Summit Bank Limited*</b>  |                  |         |
| Bank balance   | -                | 8,670   |
| Profit receivable  | -                | 4       |
| <b>Bank Islami Pakistan Limited - common directorship</b>                  |                  |         |
| Bank balance   | 161,350          | 84,372  |
| Profit receivable  | 768              | 2,668   |
| <b>Rohma Amjad</b>   |                  |         |
| Units held: 1,553 units (2019: Nil Units)                                  | 15               | -       |
| <b>Receivables from funds against conversion of units</b>                  |                  |         |
| NBP Stock Fund   | 26,000           | -       |
| NBP Islamic Savings Fund   | 3,899            | -       |
| NBP Islamic Mahana Amdani Fund   | 2,000            | -       |
| NBP Mahana Amdani Fund   | 2,298            | -       |



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

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

## 22 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      | Sajjad Anwar*       | CFA and MBA                                       | 20                  |
| 3      | Asim Wahab Khan     | CFA   | 14                  |
| 4      | Muhammad Ali Bhabha | CFA, MBA, FRM and MS                              | 25                  |
| 5      | Hassan Raza         | ACCA, BSC and CFA                                 | 9                   |

Mr. Sajjad Anwar Javed is the Manager of the Fund. He is also managing NAFA Islamic Principal Protected Fund II, NAFA Islamic Active Allocation Plan I, NAFA Islamic Active Allocation Plan II, NAFA Islamic Active Allocation Plan III, NAFA Islamic Active Allocation Plan IV, NAFA Islamic Active Allocation Plan V, NAFA Islamic Active Allocation Plan VI, NAFA Islamic Active Allocation Plan VII, NAFA Islamic Active Allocation Plan VIII, NAFA Islamic Capital Preservation Plan I, NAFA Islamic Capital Preservation Plan II, NAFA Islamic Capital Preservation Plan III, NAFA Islamic Capital Preservation Plan IV, NBP Islamic Capital Preservation Plan V, NBP Islamic Pension Fund and NBP Pension Fund.

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

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

| S. No | Particulars                           | Percentage (%) |
|-------|---------------------------------------|----------------|
| 1     | Taurus Securities Limited             | 7.11           |
| 2     | Arif Habib Securities Limited         | 5.86           |
| 3     | Ismail Iqbal Securities (Pvt) Limited | 5.08           |
| 4     | Alfalah Securities (Pvt) Limited      | 4.8            |
| 5     | Topline Securities Limited            | 4.56           |
| 6     | Bma Capital Management Limited        | 4.51           |
| 7     | Efg Hermes Pakistan Limited           | 4.44           |
| 8     | Foundation Securities                 | 4.43           |
| 9     | Optimus Capital Management Limited    | 4.31           |
| 10    | Intermarket Securities                | 4.01           |

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

| S. No | Particulars                                    | Percentage (%) |
|-------|--|----------------|
| 1     | Taurus Securities Limited                      | 6.58           |
| 2     | Arif Habib Securities Limited                  | 5.67           |
| 3     | Alfalah Securities (Private) Limited           | 4.66           |
| 4     | Optimus Capital Management Limited             | 3.95           |
| 5     | Topline Securities (Private) Limited           | 3.71           |
| 6     | Foundation Securities                          | 3.53           |
| 7     | Next Capital Limited                           | 3.51           |
| 8     | Aqeel Karim Dehdi Securities (Private) Limited | 3.46           |
| 9     | BMA Capital Management Limited                 | 3.45           |
| 10    | EFG Hermes Pakistan Limited                    | 3.44           |



## 24 PATTERN OF UNIT HOLDING

| Category                           | As at 30 June 2020     |                                    |                         |
|------------------------------------|------------------------|------------------------------------|-------------------------|
|                                    | Number of unit holders | Investment amount (Rupees in '000) | Percentage investment % |
| Individuals                        | 3,917                  | 2,226,000                          | 46.23                   |
| Associated Companies and Directors | 1                      | 1,087                              | 0.02                    |
| Insurance Companies                | 5                      | 559,544                            | 11.62                   |
| Retirement Funds                   | 50                     | 532,490                            | 11.06                   |
| Public Limited Companies           | 2                      | 634,342                            | 13.17                   |
| Others                             | 35                     | 861,408                            | 17.89                   |
|                                    | <b>4,010</b>           | <b>4,814,871</b>                   | <b>100.00</b>           |

| Category                           | As at 30 June 2019     |                                    |                         |
|------------------------------------|------------------------|------------------------------------|-------------------------|
|                                    | Number of unit holders | Investment amount (Rupees in '000) | Percentage investment % |
| Individuals                        | 3,828                  | 1,512,746                          | 36.71                   |
| Associated Companies and Directors | 1                      | 1,046                              | 0.03                    |
| Insurance companies                | 8                      | 582,454                            | 14.13                   |
| Retirement funds                   | 57                     | 486,484                            | 11.81                   |
| Listed companies                   | 2                      | 610,506                            | 14.82                   |
| Others                             | 37                     | 927,554                            | 22.51                   |
|                                    | <b>3,933</b>           | <b>4,120,790</b>                   | <b>100.00</b>           |

## 25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

| Name of Director                        | Number of Meetings                 |          |               | Meetings not attended |
|---|------------------------------------|----------|---------------|-----------------------|
|   | Held during tenure of directorship | Attended | Leave granted |                       |
| Mr. Shaikh Muhammad Abdul Wahid Sethi   | 4                                  | 4        | -             | -                     |
| Mr. Saad ur Rahman Khan [Note 25.2]     | 3                                  | 2        | 1             | 74th Meeting          |
| Mr. Syed Hasan Irtiza Kazmi [Note 25.2] | 3                                  | 3        | -             | -                     |
| Mr. Nasir Husain [Note 25.1]            | 1                                  | -        | 1             | 72nd Meeting          |
| Mr. Abdul Hadi Palekar [Note 25.1]      | 1                                  | -        | 1             | 72nd Meeting          |
| Mr. Ali Saigol                          | 4                                  | 4        | -             | -                     |
| Mr. Imran Zaffar                        | 4                                  | 4        | -             | -                     |
| Mr. Kamal Amir Chinoy [Note 25.1]       | 1                                  | 1        | -             | -                     |
| Mr. Khalid Mansoor [Note 25.2]          | 3                                  | 3        | -             | -                     |
| Mr. Humayun Bashir                      | 4                                  | 4        | -             | -                     |
| Mr. Shehryar Faruque [Note 25.1]        | 1                                  | 1        | -             | -                     |
| Mr. Saad Amanullah Khan Note 25.2]      | 3                                  | 3        | -             | -                     |
| Dr. Amjad Waheed                        | 4                                  | 4        | -             | -                     |



- 25.1** Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque retired from the Board with effect from 04 October 2019.
- 25.2** Mr. Saad ur Rahman Khan, Syed Hasan Irtiza Kazmi, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan opted as Director on the Board with effect from 04 October 2019.

## **26 FINANCIAL RISK MANAGEMENT**

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

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

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

The Fund primarily invests in a portfolio of listed equity securities. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

### **26.1 Market risk**

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

#### **26.1.1 Currency risk**

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

#### **26.1.2 Interest rate risk**

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



## a) Sensitivity analysis for variable rate instruments

Presently, the fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 1.700 million (2019: 0.444 million).

## b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

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

| As at 30 June 2020  |                                  |                                     |                |                                      |                  |
|---|----------------------------------|-------------------------------------|----------------|--------------------------------------|------------------|
| Yield / interest rate (%)   | Exposed to yield / interest risk |                                     |                | Not exposed to yield / interest risk | Total            |
|   | Upto three months                | Over three months and upto one year | Over one year  |                                      |                  |
| ----- (Rupees in '000) -----  |                                  |                                     |                |                                      |                  |
| <b>On-balance sheet financial instruments</b>   |                                  |                                     |                |                                      |                  |
| <b>Financial Assets</b>   |                                  |                                     |                |                                      |                  |
| Bank balances   | 7.00 - 14.50                     | 170,041                             | -              | 21,322                               | 191,363          |
| Investments   |                                  | -                                   | -              | 4,695,290                            | 4,695,290        |
| Dividend and profit receivable  |                                  | -                                   | -              | 1,191                                | 1,191            |
| Receivables from funds under management by Management Company against conversion of units |                                  | -                                   | -              | 34,197                               | 34,197           |
| Receivable against sale of investments  |                                  | -                                   | -              | 10,845                               | 10,845           |
| Advance, deposits and prepayment  |                                  | -                                   | -              | 2,633                                | 2,633            |
|   |                                  | <u>170,041</u>                      | <u>-</u>       | <u>4,765,478</u>                     | <u>4,935,519</u> |
| <b>Financial Liabilities</b>  |                                  |                                     |                |                                      |                  |
| Payable to NBP Fund Management Limited - Management Company                               |                                  | -                                   | -              | 26,435                               | 26,435           |
| Payable to Central Depository Company of Pakistan Limited - Trustee                       |                                  | -                                   | -              | 541                                  | 541              |
| Payable against redemption of units   |                                  | -                                   | -              | 29,868                               | 29,868           |
| Accrued expenses and other liabilities  |                                  | -                                   | -              | 11,354                               | 11,354           |
|   |                                  | <u>-</u>                            | <u>-</u>       | <u>68,198</u>                        | <u>68,198</u>    |
| <b>On-balance sheet gap</b>   |                                  | <u>170,041</u>                      | <u>-</u>       | <u>4,697,280</u>                     | <u>4,867,321</u> |
| <b>Off-balance sheet financial instruments</b>  |                                  |                                     |                |                                      |                  |
|   |                                  | <u>-</u>                            | <u>-</u>       | <u>-</u>                             | <u>-</u>         |
| <b>Off-balance sheet gap</b>  |                                  | <u>-</u>                            | <u>-</u>       | <u>-</u>                             | <u>-</u>         |
| <b>Total interest rate sensitivity gap</b>  |                                  | <u>170,041</u>                      | <u>-</u>       | <u>-</u>                             | <u>-</u>         |
| <b>Cumulative interest rate sensitivity gap</b>   |                                  | <u>170,041</u>                      | <u>170,041</u> | <u>170,041</u>                       | <u>-</u>         |



| As at 30 June 2019   |                                  |   |                  |   |                  |                  |
|--|----------------------------------|---|------------------|---|------------------|------------------|
| Yield /<br>interest<br>rate (%)  | Exposed to yield / interest risk |   |                  | Not exposed<br>to yield /<br>interest<br>risk | Total            |                  |
|  | Upto three<br>months             | Over three<br>months and<br>upto one year | Over one<br>year |   |                  |                  |
| ----- (Rupees in '000) -----   |                                  |   |                  |   |                  |                  |
| <b>On-balance sheet financial instruments</b>                          |                                  |   |                  |   |                  |                  |
| <b>Financial Assets</b>  |                                  |   |                  |   |                  |                  |
| Bank balances  | 9.5% - 13.5%                     | 221,758                                   | -                | -   | 44,427           | 266,185          |
| Investments  |                                  | -   | -                | -   | 3,900,022        | 3,900,022        |
| Dividend and profit receivable   |                                  | -   | -                | -   | 4,458            | 4,458            |
| Receivable against sale of investments                                 |                                  | -   | -                | -   | 39,695           | 39,695           |
| Advance, deposits and prepayment                                       |                                  | -   | -                | -   | 2,633            | 2,633            |
|  |                                  | <u>221,758</u>                            | <u>-</u>         | <u>-</u>                                      | <u>3,991,235</u> | <u>4,212,993</u> |
| <b>Financial Liabilities</b>   |                                  |   |                  |   |                  |                  |
| Payable to NBP Fund Management Limited<br>- Management Company         |                                  | -   | -                | -   | 23,378           | 23,378           |
| Payable to Central Depository Company<br>of Pakistan Limited - Trustee |                                  | -   | -                | -   | 501              | 501              |
| Accrued expenses and other liabilities                                 |                                  | -   | -                | -   | 9,456            | 9,456            |
|  |                                  | -   | -                | -   | 33,335           | 33,335           |
| On-balance sheet gap   |                                  | <u>221,758</u>                            | <u>-</u>         | <u>-</u>                                      | <u>3,957,900</u> | <u>4,179,658</u> |
| Off-balance sheet financial instruments                                |                                  | -   | -                | -   | -                | -                |
| Off-balance sheet gap  |                                  | <u>-</u>                                  | <u>-</u>         | <u>-</u>                                      | <u>-</u>         | <u>-</u>         |
| Total interest rate sensitivity gap                                    |                                  | <u>221,758</u>                            | <u>-</u>         | <u>-</u>                                      |                  |                  |
| Cumulative interest rate sensitivity gap                               |                                  | <u>221,758</u>                            | <u>221,758</u>   | <u>221,758</u>                                |                  |                  |

### 26.1.3 Price risk

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

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

The Fund manages the risk by limiting exposure to any single investee company to the extent of 15% of issued capital of that investee company and the net assets of the Fund with overall limit of 40% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations). The Fund also manages its exposure to price risk by diversifying its portfolio within the eligible stocks prescribed in the Fund's Constitutive Documents, the NBFC Regulations and circulars issued by SECP from time to time. (Refer note 6.1 for exposure limits).

In case of 5% increase / decrease in KMI 30 index on 30 June 2020, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 234.764 million (2019: Rs. 195.001 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.





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

## 26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its bank balances. Risks attributable to bank balances are managed by maintaining balances in banks with a reasonably high credit rating.

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

| <b>Balances with banks</b> | <b>2020</b>             | <b>2019</b>    |
|----------------------------|-------------------------|----------------|
|                            | <b>(Rupees in '000)</b> |                |
| AAA                        | 12,406                  | 16,112         |
| AA+                        | 1,505                   | 3,214          |
| AA-                        | 2,395                   | 21,523         |
| AA                         | 4,422                   | 500            |
| A+                         | 161,743                 | 214,898        |
| A-                         | 508                     | 1,220          |
| A                          | 50                      | 48             |
| <b>Suspended</b>           | <b>8,334</b>            | <b>8,670</b>   |
|                            | <b>191,363</b>          | <b>266,185</b> |

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

### **Concentration of the credit risk**

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

## 26.3 Liquidity risk

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

### **Management of liquidity risk**

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



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

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

### **Maturity analysis for financial liabilities**

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

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

|   | <b>30 June 2020</b>      |  |                      |          |
|---|--------------------------|--|----------------------|----------|
| <b>Total</b>  | <b>Upto three months</b> | <b>Over three months and upto one year</b> | <b>Over one year</b> |          |
| ----- (Rupees in '000) -----  |                          |  |                      |          |
| <b>Financial liabilities</b>  |                          |  |                      |          |
| Payable to NBP Fund Management Limited - Management Company         | 26,435                   | 26,435                                     | -                    | -        |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 541                      | 541  | -                    | -        |
| Payable against redemption of units                                 | 29,868                   | 29,868                                     | -                    | -        |
| Accrued expenses and other liabilities                              | 11,354                   | 11,354                                     | -                    | -        |
|   | <u>68,198</u>            | <u>68,198</u>                              | <u>-</u>             | <u>-</u> |
| Unit holders' fund  | <u>4,814,871</u>         | <u>4,814,871</u>                           | <u>-</u>             | <u>-</u> |
|   | <b>30 June 2019</b>      |  |                      |          |
| <b>Total</b>  | <b>Upto three months</b> | <b>Over three months and upto one year</b> | <b>Over one year</b> |          |
| ----- (Rupees in '000) -----  |                          |  |                      |          |
| <b>Financial liabilities</b>  |                          |  |                      |          |
| Payable to NBP Fund Management Limited - Management Company         | 23,378                   | 23,378                                     | -                    | -        |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 501                      | 501  | -                    | -        |
| Accrued expenses and other liabilities                              | 9,456                    | 9,456                                      | -                    | -        |
|   | <u>33,335</u>            | <u>33,335</u>                              | <u>-</u>             | <u>-</u> |
| Unit holders' fund  | <u>4,120,790</u>         | <u>4,120,790</u>                           | <u>-</u>             | <u>-</u> |



## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

|   |      | 30 June 2020                          |                |           |            |         |         |           |
|---|------|---------------------------------------|----------------|-----------|------------|---------|---------|-----------|
|   |      | Carrying value                        |                |           | Fair value |         |         |           |
|   |      | At fair value through profit and loss | Amortized cost | Total     | Level 1    | Level 2 | Level 3 | Total     |
| <b>On-balance sheet financial instruments</b>   |      | (Rupees in '000)                      |                |           |            |         |         |           |
| <b>Financial assets measured at fair value</b>  |      |                                       |                |           |            |         |         |           |
| Investment  |      |                                       |                |           |            |         |         |           |
| - Listed equity securities  |      | 4,695,290                             | -              | 4,695,290 | 4,695,290  | -       | -       | 4,695,290 |
| <b>Financial assets not measured at fair value</b>  |      |                                       |                |           |            |         |         |           |
| Bank balances   | 27.1 | -                                     | 191,363        | 191,363   |            |         |         |           |
| Dividend and profit receivable  |      | -                                     | 1,191          | 1,191     |            |         |         |           |
| Receivables from funds under management by Management Company against conversion of units |      | -                                     | 34,197         | 34,197    |            |         |         |           |
| Receivable against sale of investments  |      | -                                     | 10,845         | 10,845    |            |         |         |           |
| Deposits  |      | -                                     | 2,633          | 2,633     |            |         |         |           |
|   |      | -                                     | 240,229        | 240,229   |            |         |         |           |
| <b>Financial liabilities not measured at fair value</b>                                   |      |                                       |                |           |            |         |         |           |
| Payable to NBP Fund Management Limited - Management Company                               | 27.1 | -                                     | 26,435         | 26,435    |            |         |         |           |
| Payable to Central Depository Company of Pakistan Limited - Trustee                       |      | -                                     | 541            | 541       |            |         |         |           |
| Payable against redemption of units   |      | -                                     | 29,868         | 29,868    |            |         |         |           |
| Accrued expenses and other liabilities  |      | -                                     | 11,354         | 11,354    |            |         |         |           |
|   |      | -                                     | 68,198         | 68,198    |            |         |         |           |



|   | 30 June 2019                          |                |           |            |         |         |                  |
|---|---------------------------------------|----------------|-----------|------------|---------|---------|------------------|
|   | Carrying value                        |                |           | Fair value |         |         |                  |
|   | At fair value through profit and loss | Amortized cost | Total     | Level 1    | Level 2 | Level 3 | Total            |
|   |                                       |                |           |            |         |         | (Rupees in '000) |
| <b>On-balance sheet financial instruments</b>                       |                                       |                |           |            |         |         |                  |
| <b>Financial assets measured at fair value</b>                      |                                       |                |           |            |         |         |                  |
| Investment  |                                       |                |           |            |         |         |                  |
| - Listed equity securities  | 3,900,022                             | -              | 3,900,022 | 3,900,022  | -       | -       | 3,900,022        |
| <b>Financial assets not measured at fair value</b>                  |                                       |                |           |            |         |         |                  |
| Bank balances   | -                                     | 266,185        | 266,185   |            |         |         |                  |
| Dividend and profit receivable                                      | -                                     | 4,458          | 4,458     |            |         |         |                  |
| Receivable against sale of investments                              |                                       | 39,695         | 39,695    |            |         |         |                  |
| Deposits  | -                                     | 2,742          | 2,742     |            |         |         |                  |
|   | -                                     | 313,080        | 313,080   |            |         |         |                  |
| <b>Financial liabilities not measured at fair value</b>             |                                       |                |           |            |         |         |                  |
| Payable to NBP Fund Management                                      |                                       |                |           |            |         |         |                  |
| Limited - Management Company  | -                                     | 23,378         | 23,378    |            |         |         |                  |
| Payable to Central Depository Company of Pakistan Limited - Trustee |                                       |                |           |            |         |         |                  |
|   | -                                     | 501            | 501       |            |         |         |                  |
| Accrued expenses and other liabilities                              |                                       |                |           |            |         |         |                  |
|   | -                                     | 9,456          | 9,456     |            |         |         |                  |
|   | -                                     | 33,335         | 33,335    |            |         |         |                  |

**27.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**27.2** Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

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

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

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

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

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

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



## 29 Impact of COVID-19

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

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

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- c) Time for announcement of daily NAV as per the regulatory requirements is extended from 18:30 pm to the start of the next working day.

### Operational risk management

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

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

## 30 DATE OF AUTHORISATION FOR ISSUE

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

| Particulars  | For the year ended 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 the period from January 07, 2015 to June 30, 2015 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|
| Net assets at the year / period ended (Rs '000)  | 4,814,871                        | 4,120,790                        | 6,403,926                        | 8,292,693                        | 1,752,387                        | 1,251,505   |
| Net income for the year / period ended (Rs '000)   | (104,639)                        | (1,227,620)                      | (1,204,742)                      | 1,908,452                        | 175,090                          | 117,766   |
| Net Asset Value per unit at the year / period ended (Rs)   | 9.4633                           | 9.1077                           | 11.3973                          | 13.1045                          | 11.4401                          | 11.0214   |
| Offer Price per unit   | 9.7841                           | 9.4171                           | 11.7837                          | 13.5487                          | 11.8940                          | 11.4625   |
| Redemption Price per unit  | 9.4633                           | 9.1077                           | 11.3973                          | 13.1045                          | 11.4401                          | 11.0214   |
| Ex - Highest offer price per unit (Rs.)  | 11.9900                          | 12.2350                          | 13.7611                          | 17.5864                          | 12.2366                          | 11.5485   |
| Ex - Lowest offer price per unit (Rs.)   | 7.3512                           | 9.2067                           | 10.8435                          | 12.1402                          | 9.7911                           | 9.1008  |
| Ex - Highest redemption price per unit (Rs.)   | 11.5969                          | 11.8338                          | 13.3099                          | 14.6687                          | 11.7697                          | 11.1042   |
| Ex - Lowest redemption price per unit (Rs.)  | 7.1102                           | 8.9048                           | 10.4880                          | 9.9859                           | 9.4175                           | 8.7476  |
| Opening Nav of Fiscal Year   | 9.1077                           | 11.3973                          | 13.0678                          | 9.8933                           | 10.1340                          | 9.7766  |
| Total return of the fund   | 3.90%                            | -20.09%                          | -12.78%                          | 32.46%                           | 12.89%                           | 11.39%  |
| Capital growth   | 3.90%                            | -20.09%                          | -12.78%                          | 11.47%                           | 5.43%                            | 8.80%   |
| Income distribution as a % of e x nav  |                                  |                                  |                                  | 20.99%                           | 7.46%                            | 2.59%   |
| Income distribution as a % of par value  |                                  |                                  |                                  | 20.77%                           | 8.50%                            | 2.53%   |
| <b>Distribution</b>  |                                  |                                  |                                  |                                  |                                  |   |
| Interim distribution per unit  |                                  |                                  | -                                | 2.0765                           | 0.8500                           | 0.1160  |
| Final distribution per unit  |                                  |                                  | -                                | 0.0332                           | -                                | 0.1369  |
| <b>Distribution Dates</b>  |                                  |                                  |                                  |                                  |                                  |   |
| Interim  |                                  |                                  |                                  | 19-Jun-17                        | 30-Jun-16                        | 30-Jun-15   |
| Final  |                                  |                                  |                                  | 15-Sep-17                        |                                  | 14-Jul-15   |
| <b>Average annual return of the fund (launch date January 09, 2015)</b>  |                                  |                                  |                                  |                                  |                                  |   |
| (Since inception to June 30, 2020)   | 3.48%                            |                                  |                                  |                                  |                                  |   |
| (Since inception to June 30, 2019)   |                                  | 3.39%                            |                                  |                                  |                                  |   |
| (Since inception to June 30, 2018)   |                                  |                                  | 11.35%                           |                                  |                                  |   |
| (Since inception to June 30, 2017)   |                                  |                                  |                                  | 22.90%                           |                                  |   |
| (Since inception to June 30, 2016)   |                                  |                                  |                                  |                                  | 16.81%                           |   |
| (Since inception to June 30, 2015)   |                                  |                                  |                                  |                                  |                                  | 11.40%  |
| Portfolio Composition ( Please see Fund Manager Report)  |                                  |                                  |                                  |                                  |                                  |   |
| <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> |                                  |                                  |                                  |                                  |                                  |   |



## PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

| NBP Islamic Stock Fund |             |             |         |          |
|------------------------|-------------|-------------|---------|----------|
|                        | Resolutions | For         | Against | Abstain* |
| <b>Number</b>          | <b>4</b>    | <b>4</b>    | Nil     | N/A      |
| <b>(%)</b>             | <b>100%</b> | <b>100%</b> | -       | -        |

## Head Office

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

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

**Toll Free:** 0800-20002

**Sms:** INVEST to 9995

**Fax:** 021-35825335

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

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

 /nbpffunds