

NAFA ISLAMIC PRINCIPAL PROTECTED FUND-II



HALF YEARLY REPORT
DECEMBER 31, 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Ms. Mehnaz Salar	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
Ms. Mehnaz Salar	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 Shahra-e-Faisal, Karachi.

Bankers to the Fund

JS Bank Limited
Meezan Bank Limited
Habib Bank Limited
United Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Allied Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank Limited



Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.02,
Beaumont Road,
Karachi - 75530, Pakistan.

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed condensed financial statements of **NAFA Islamic Principal Protected Fund - II** (NIPPF - II) for the half year ended December 31, 2020.

Fund's Performance

The size of NAFA Islamic Principal Protected Fund-II stood at Rs. 95 million at 31 Dec, 2020. During the period, the unit price of NAFA Islamic Principal Protected Fund-II has increased from Rs. 102.4623 on June 30, 2020 to Rs. 114.0995 on December 31, 2020, thus showing an increase of 11.3%. The Benchmark during the same period increase by 11.6%. Thus, the Fund has underperformed its Benchmark by 0.3% during the period under review. Since inception (June 27, 2014), the unit price of the Fund has shown a growth of 95.3% as compared to 70.9% increase in its Benchmark. Thus, the Fund has outperformed its Benchmark by 24.4%. This performance is net of management fee and all other expenses.

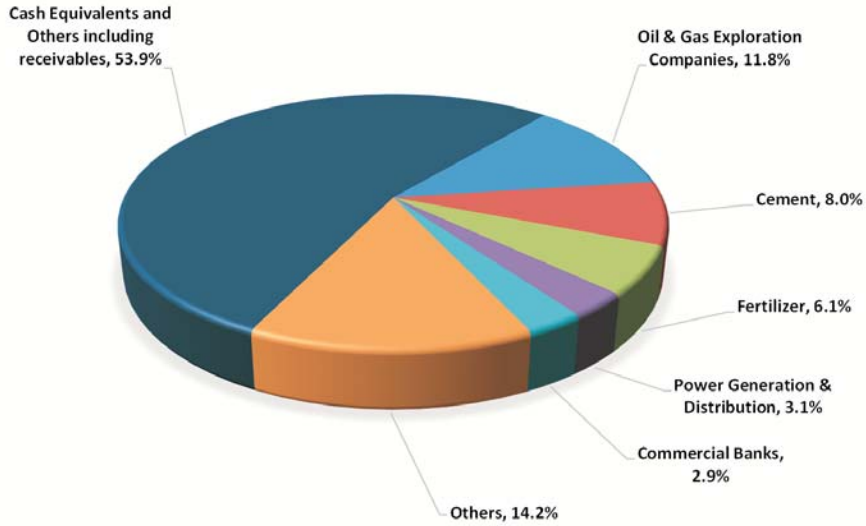
During 1HFY2021, riding on the positive momentum, the stock market delivered robust returns as the benchmark KMI-30 Index surged by around 29%. To recall, the market staged a sharp recovery after Coronavirus-induced sell-off of equities in March 2020. The rally at the local bourse is attributable to the unprecedented monetary and fiscal policy response; gradual lifting of the lockdown; and earlier than expected arrival of the effective vaccines.

The unprecedented policy measures on the fiscal and monetary fronts cushioned the economy from the Coronavirus shock. The SBP slashed the Policy Rate by a cumulative 6.25% and emended prudential regulations to provide relief for loan repayments and the government launched a massive stimulus package of Rs. 1.2 trillion. On the healthcare front, active cases of Covid-19 declined significantly after peaking in July; the fatality rate fell sharply; and infection ratios also dropped to a low single-digit. Improvement on the pandemic front allowed re-opening of the economy, which gathered steam as evidenced by the frequently released economic data such as cement dispatches, retail fuel sales, and sale of automobiles. SBP-IBA survey shows that business confidence also reached at a two year high after bottoming in April 2020. External account also remained beneficiary of the Coronavirus pandemic as workers' remittances have shown a hefty 25% growth in 1HFY21 on a year-on-year basis. Resultantly, the country has posted a current account surplus of USD 1.1 billion in the 1HFY2021 versus a current account deficit of USD 2.0 billion in corresponding period last year. Despite elevated food prices, average inflation also eased off somewhat. The encouraging development on the healthcare front, improving economic activity, promising corporate earnings prospects, and attractive market valuations buoyed market sentiments.

Looking at the sector wise performance of the market, Automobiles, Cable & Elec. Goods, Cements, Engineering, Glass & Ceramics, Paper & Board, Refineries, Technology and Textiles outperformed the market, while Fertilizers, Food & Personal Care, Insurance, Oil & Gas Exploration, Pharmaceuticals, Power Generation and Distribution, Sugar, and Transport sectors lagged behind. In terms of participant-wise activity, Individuals remained the largest buyers during the period under review with net inflows of USD 159 million. Alongside, Companies and Insurance were also large net buyers, adding positions worth USD 91 million and USD 83 million, respectively. On the other hand, Foreigners and Banks/DFIs were the largest sellers in the market with net outflows amounting to USD 279 million and USD 69 million, respectively.

During 1HFY21, the SBP held two Monetary Policy Committee (MPC) meetings wherein it left the Policy Rate unchanged at 7%, citing the prevailing accommodative monetary policy stance appropriate for the nascent economic recovery. Inflation as measured by the CPI clocked-in at 8% for December 2020, owing to supply side issues and rise in prices of perishable food items.

The Fund has earned total income of Rs. 14.472 million during the period. After accounting for expenses of Rs. 1.993 million, the net income is Rs. 12.479 million. The asset allocation of the Fund as on December 31, 2020 is as follows:



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: **February 26, 2021**
 Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2020ء کو ختم ہونے والی ششماہی کے لئے NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II- (NIPPF-II) کے جائزہ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

31 دسمبر 2020 کو NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II- (NIPPF-II) کا ساٹھ سو 95 ملین روپے رہا۔ اس مدت کے دوران، اسلامک پرنسپل پروٹیکٹڈ فنڈ II- کے یونٹ کی قیمت 30 جون 2020 کو 102.4623 روپے (Ex-Div) سے بڑھ کر 31 دسمبر 2020 کو 114.0995 روپے ہو گئی، لہذا 11.3% کا اضافہ ظاہر کر رہی ہے۔ اسی مدت کے دوران بیچ مارک میں اضافہ 11.6% ہوا۔ چنانچہ زبر جائزہ مدت کے دوران فنڈ نے اپنے بیچ مارک سے 0.3% کی بہتر کارکردگی کا مظاہرہ کیا۔ اپنے آغاز (27 جون 2014) کے وقت سے فنڈ کی یونٹ قیمت نے اپنے بیچ مارک میں 70.9% اضافہ کے مقابلے 95.3% کی نمو دکھائی۔ لہذا فنڈ نے اپنے بیچ مارک سے 24.4% سے بہتر کارکردگی دکھائی۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

اسٹاک مارکیٹ نے مالی سال 2021 کی پہلی ششماہی کے دوران مضبوط کارکردگی کا تاثر دیا جیسا کہ بیچ مارک KMI-30 انڈیکس میں 29 فیصد کا اضافہ ہوا۔ کورونا وائرس کے تناظر میں مارچ 2020 میں ایکویٹی کی فروخت کے بعد مارکیٹ تیزی سے بحالی کا مظاہرہ کیا۔ مقامی سطح پر ہونے والی باغیغہ معمولی مالیاتی اور مالی پالیسی کے ردعمل، لاک ڈاؤن کو بتدریج اٹھانے، اور موثر ویکسینوں کی توقع سے قبل آمدنی باعث پیدا ہوئی ہے۔

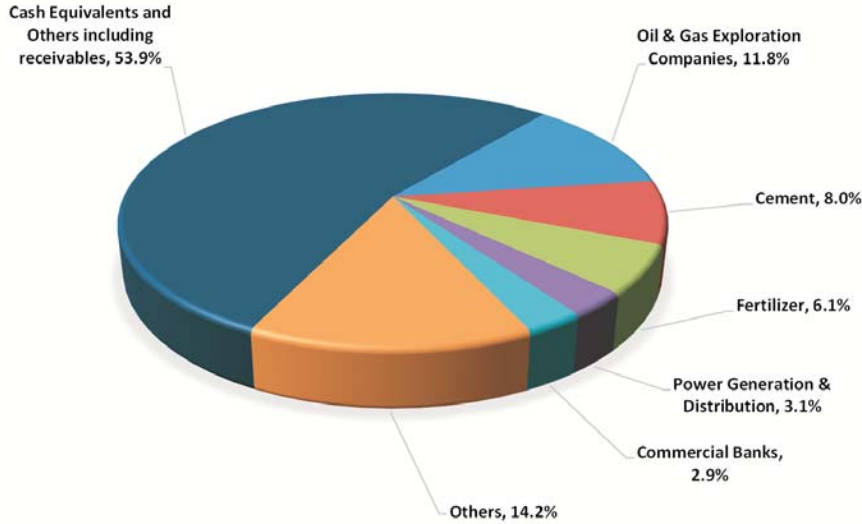
مالی اور مالیاتی محاذوں پر غیر معمولی پالیسی اقدامات نے معیشت کو کورونا وائرس کے خطرات سے تحفظ دیا۔ اسٹیٹ بینک نے پالیسی شرح میں مجموعی طور پر 6.25 فیصد کمی کی اور قرضوں کی ادائیگیوں میں مدد دینے کے لئے احتیاطی ضوابط میں ترمیم کی اور حکومت نے 1.2 ٹریلین روپے کے ایک محرک پیکیج کا آغاز کیا۔ صحت کی دیکھ بھال کے حوالے سے، جولائی میں بلندی پر پہنچنے کے بعد کوویڈ-19 کے فعال کیسز میں نمایاں کمی واقع ہوئی، اموات کی شرح میں تیزی سے کمی آئی اور انفیکشن کا تناسب بھی کم ہو کر واحد ہندسے پر آ گیا۔ وہابی محاذ پر بہتری نے معیشت کو دوبارہ کھولنے کی اجازت دی، سہنت کی ترسیل، خوردہ ایندھن کی فروخت اور آٹوموبائل کی فروخت کے لئے جاری کردہ معاشی اعداد و شمار اس بات کا ثبوت دیتے ہیں۔ SBP-IBA سروے ظاہر کرتا ہے کہ اپریل 2020 میں چٹائی سطح پر پہنچنے کے بعد کاروباری اعتماد بھی دو سال کی بلند ترین سطح پر پہنچ گیا۔ بیرونی اکاؤنٹ اب تک کورونا وائرس میں فائدہ مند رہا ہے کیونکہ کارکنوں کی تسلیات زرنے سالانہ بنیاد پر مالی سال 2021 کی پہلی ششماہی میں 25 فیصد کا نمایاں اضافہ ظاہر کیا ہے۔ نتیجتاً ملک نے مالی سال 2021 کی پہلی ششماہی میں 1.1 ملین امریکی ڈالر کا کرنٹ اکاؤنٹ سرپلس درج کر لیا ہے جبکہ گزشتہ سال کے اسی عرصے میں کرنٹ اکاؤنٹ خسارہ 2.0 ملین امریکی ڈالر تھا۔ خوراک کی بلند ترین قیمتوں کے باوجود، اوسط افراط زر میں بھی کسی حد تک کمی آئی ہے۔ صحت کی دیکھ بھال کے محاذ پر حوصلہ افزاء، بہتری، معاشی سرگرمیوں میں بہتری، کارپوریٹ آمدنی کے امکانات کا وعدہ، اور مارکیٹ کی پُرکشش قیمتوں نے مارکیٹ کے بڑھنے کو فروغ دیا۔

مارکیٹ کی سیکٹر وائز کارکردگی کے تناظر میں، آٹوموبائل، کیبل اور الیکٹریک کا سامان، سہنت، انجینئرنگ، بیشہ اور سرائیکس، کاغذ اور بورڈ، ریٹائنرز، بیکیٹا لوجی اور نیٹ ورکس نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کھاد، خوراک اور ذاتی نگہداشت، انشورنس، آئل اینڈ گیس ایکسپلوریشن، دواسازی، بجلی پیداوار اور تقسیم کرنے، چینی اور ٹرانسپورٹ کے شعبے پیچھے رہے۔ شریک و سرگرمی کے لحاظ سے، زبر جائزہ مدت کے دوران انفرادی سرمایہ کار یا 159 ملین امریکی ڈالر کی خالص انفلوئز کے ساتھ بڑے خریدار رہے۔ اس کے علاوہ کمیونیز اور انشورنس بھی خالص خریدار تھے، جنہوں نے بالترتیب 91 ملین امریکی ڈالر اور 83 ملین امریکی ڈالر کا اضافہ کیا۔ دوسری طرف، غیر ملکی اور بینک/DFIs مارکیٹ میں بالترتیب 279 ملین امریکی ڈالر اور 69 ملین امریکی ڈالر کے خالص آؤٹ فلوز کے ساتھ بڑے فروخت کنندگان رہے۔

سال 2021 کی پہلی ششماہی میں اسٹیٹ بینک آف پاکستان نے مانیٹری پالیسی کمیٹی (MPC) کے دو اجلاس طلب کئے جس میں موجودہ معاشی بحالی کے لئے موزوں مانیٹری پالیسی کا حوالہ دیتے ہوئے، پالیسی کی شرح 7% کو تبدیل نہیں کیا۔ ایشیائی خورد و نوش کی قیمتوں میں اضافے اور رسد کی فراہمی جیسے مسائل کے باعث CPI افراط زر کی شرح دسمبر 2020 میں 8 فیصد رہی۔

NAFA اسلامک پرنسپل پروٹیکٹڈ فنڈ II کو موجودہ مدت کے دوران 14.472 ملین روپے کی مجموعی آمدنی ہوئی ہے۔ 1.993 ملین روپے کے مجموعی اخراجات متہا کرنے کے بعد خالص آمدنی 12.479 ملین روپے ہے۔

31 دسمبر 2020 کے مطابق فنڈ کی ایسٹ ایلوکیشن حسب ذیل ہے:



اظہار شکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ میٹجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 26 فروری 2021ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Principal Protected Fund - II (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 six months period ended December 31, 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.

Badiuddin Akber

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, February 26, 2021



INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNITHOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NAFA Islamic Principal Protected Fund - II** ("the Fund") as at 31 December 2020 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management Company is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting.

Other matter

The figures for the three months period ended 31 December 2020 and 31 December 2019 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' review report is **Amyr Malik**.

Date: February 26, 2021
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2020

		31 December 2020	30 June 2020
		(Un-audited)	(Audited)
	<i>Note</i>	(Rupees in '000)	
Assets			
Bank balances	6	60,943	89,900
Investments	7	43,589	36,253
Dividend and profit receivables		869	867
Security deposits		2,600	2,600
Prepayment		15	-
Receivable against sale of investments		3,180	-
Total assets		111,196	129,620
Liabilities			
Payable to NBP Fund Management Limited - Management Company	8	501	466
Payable to Central Depository Company of Pakistan Limited - Trustee	9	15	14
Payable to Securities and Exchange Commission of Pakistan	10	12	22
Accrued expenses and other liabilities	11	16,115	16,777
Total liabilities		16,643	17,279
Net assets		94,553	112,341
Unit holders' fund (as per statement attached)		94,553	112,341
Contingency and commitment	12	(Number of units)	
Number of units in issue		829,344	1,096,416
		(Rupees)	
Net assets value per unit		114.0095	102.4623

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE SIX AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2020

	Note	Six months period ended		Three months period ended	
		2020	2019	2020	2019
----- (Rupees in '000) -----					
Income					
Dividend income		1,362	1,521	1,075	1,129
Gain/ (loss) on sale of investments - net		1,161	(167)	761	94
Profit on bank deposits		2,769	5,375	1,404	2,300
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7.2	9,180	11,289	2,441	12,293
Total income		14,472	18,018	5,681	15,816
Expenses					
Remuneration of NBP Fund Management Limited - Management Company	8.1	725	726	363	406
Sindh Sales Tax on remuneration of the Management Company	8.2	94	94	47	52
Remuneration to Central Depository Company of Pakistan Limited - Trustee		78	71	39	37
Sindh Sales Tax on remuneration of Trustee	9.1	10	9	5	4
Annual fee - Securities and Exchange Commission of Pakistan		12	11	6	6
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	71	55	41	29
Selling and marketing expenses	8.4	240	219	121	114
Charity expense	11.3	55	35	55	35
Auditors' remuneration		167	143	84	72
Securities transaction cost		24	33	8	5
Settlement and bank charges		200	211	95	106
Listing fee		12	11	6	5
Shariah Advisor fee		8	10	3	5
Printing and professional charges		42	-	42	-
Total expenses		1,738	1,628	915	876
Net income from operating activities		12,734	16,390	4,766	14,940
Provision for Sindh Workers' Welfare Fund	11.1	(255)	(328)	(96)	(299)
Net income for the period before taxation		12,479	16,062	4,670	14,641
Taxation	14	-	-	-	-
Net income for the period		12,479	16,062	4,670	14,641
Allocation of net income for the period					
Net income for the period		12,479	16,062	4,670	14,641
Income already paid on units redeemed		(2,902)	(90)	(2,759)	(90)
		9,577	15,972	1,911	14,551
Accounting income available for distribution:					
-Relating to capital gains		7,942	11,241	939	11,241
-Excluding capital gains		1,635	4,731	972	3,310
		9,577	15,972	1,911	14,551

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2020

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	----- (Rupees in '000) -----			
Net income for the period	12,479	16,062	4,670	14,641
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>12,479</u>	<u>16,062</u>	<u>4,670</u>	<u>14,641</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	Six months period ended					
	2020			2019		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the period	(13,103)	125,444	112,341	(16,864)	123,189	106,325
Redemption of 267,072 units (2019: 32,252 units)						
- Capital value	(27,365)	-	(27,365)	(3,233)	-	(3,233)
- Element of income	-	(2,902)	(2,902)	22	(90)	(68)
Total payments on redemption of units	(27,365)	(2,902)	(30,267)	(3,211)	(90)	(3,301)
Total comprehensive income for the period	-	12,479	12,479	-	16,062	16,062
Distribution during the period	-	-	-	-	-	-
Net assets at end of the period	(40,468)	135,021	94,553	(20,075)	139,161	119,086
Undistributed income brought forward						
- Realised		122,055			128,256	
- Unrealised		3,389			(5,067)	
		<u>125,444</u>			<u>123,189</u>	
Accounting income available for distribution:						
- Relating to capital gains		7,942			11,241	
- Excluding capital gains		1,635			4,731	
		<u>9,577</u>			<u>15,972</u>	
Undistributed income carried forward		<u>135,021</u>			<u>139,161</u>	
Undistributed income carried forward						
- Realised		125,841			127,872	
- Unrealised		9,180			11,289	
		<u>135,021</u>			<u>139,161</u>	
----- (Rupees) -----						
Net assets value per unit at beginning of the period			<u>102.4623</u>			<u>100.2278</u>
Net assets value per unit at end of the period			<u>114.0095</u>			<u>115.7778</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

	31 December	
	2020	2019
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	12,479	16,062
Adjustments for:		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(9,180)	(11,289)
	3,299	4,773
(Increase) / decrease in assets		
Investments - net	1,844	(18,505)
Dividend and profit receivables	(2)	206
Prepayments	(15)	(11)
Receivable from sale of investments	(3,180)	-
	(1,353)	(18,310)
(Decrease) / increase in liabilities		
Payable to NBP Fund Management Limited - Management Company	35	(99)
Payable to Central Depository Company of Pakistan Limited - Trustee	1	2
Payable to Securities and Exchange Commission of Pakistan	(10)	(77)
Accrued expenses and other liabilities	(662)	459
	(636)	285
Net cash generated from / (used in) operating activities	1,310	(13,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payment against redemption of units	(30,267)	(3,301)
Net cash (used in) financing activities	(30,267)	(3,301)
Net decrease in cash and cash equivalents during the period	(28,957)	(16,553)
Cash and cash equivalents at beginning of the period	89,900	95,050
Cash and cash equivalents at end of the period	60,943	78,497

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THESE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Islamic Principal Protected Fund-II (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 07 May 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 29 April 2014 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of MUFAP.
- 1.3 The Fund has been categorised as an open-end "Shariah Compliant Capital Protected Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited.
- 1.4 The objective of NAFA Islamic Principal Protection Fund - II is to earn a potentially high return through dynamic asset allocation between shariah compliant equities and money market investment avenues, while providing principal protection to its unit holders. Principal protection means that the net realisable value of the Fund shall not fall below the initial investment value (adjusted for distributions / redemptions during the life of the Fund), provided that the units are held till the completion of the initial maturity of the Fund. The duration of the Fund is perpetual. The Initial Maturity of the Fund is two years from the commencement of the launch of the Fund.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned and maintained an asset manager rating of AM1 to the Management Company. The Fund has not yet been rated.
- 1.6 Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.
- 1.7 Sub-regulation 54 (3a) of the NBFC Regulations, 2008 states, "the minimum size of an Open-End Scheme shall be one hundred million rupees at all times during the life of the scheme". As at 31 December 2020, the net assets of the Fund amounted to Rs. 94.5 million (30 June 2020:Rs 112 million).
- 1.8 **Impact of COVID- 19 on the condensed interim financial statements**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk



pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

In case where requirements differ, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, and the NBFC Regulations have been followed.

2.1.1 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the year ended 30 June 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last annual financial statements.

2.1.2 The condensed interim financial statements are being submitted to the unit holders as required under Regulation 38 (2) (f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

2.2 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are certain amendments which are effective from annual period beginning on or after 1 July 2020. These amendments are not likely to have an impact on the Fund's financial statements. Therefore, these are not stated in these condensed interim financial statements.

2.3 Standards, interpretations and amendments to published accounting and reporting 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 January 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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.
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
 - 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.
 - **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.
- 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.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns" regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10" and IAS 28) - The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- 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 above amendments are effective from annual period beginning on or after 01 January 2021 and are not likely to have an impact on Fund's condensed interim financial statements.

2.4 Functional and presentation currency

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



3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund as at and for the year ended 30 June 2020.

4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed interim 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 condensed interim 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 are the same as those that applied to annual financial statements as at and for the year ended 30 June 2020.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2020.

6 BANK BALANCES

	31 December 2020 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
In current accounts	126	121
In savings accounts	60,817	89,779
	60,943	89,900

6.1 These carry a rate of return ranging from 5.68% to 7% (30 June 2020: 3.02% to 14.45%) per annum.

7 INVESTMENTS

Financial assets at fair value through profit or loss

	31 December 2020 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
Listed equity securities	43,589	36,253

7.1 Investment in listed equity securities

All shares have a nominal face value of Rs.10 each.

Name of the Investee Company	As at 01 July 2020	Purchases during the period	Bonus Shares issued during the period	Right shares purchased/ subscribed during the period	Sales during the period	As at 31 December 2020	Market value /carrying value as at 31 December 2020	Market value as a percentage of net assets	Market value as a percentage of total investments	*Percentage of the paid up capital of the investee company held
	(Number of shares)						(Rupees in '000)	(%)		
Pharmaceuticals										
The Searle Company Limited	943	500	-	378	300	1,521	379	0.40	0.87	-
AGP Limited NC	3,000	2,000	-	-	-	5,000	570	0.60	1.31	-
	3,943	2,500	-	378	300	6,521	949	1	2	



Name of the Investee Company	As at 01 July 2020	Purchases during the period	Bonus Shares issued during the period	Right shares purchased/subscribed during the period	Sales during the period	As at 31 December 2020	Market value /carrying value as at 31 December 2020	Market value as a percentage of net assets	Market value as a percentage of total investments	*Percentage of the paid up capital of the investee company held
	(Number of shares)					(Rupees in '000)	(%)			
Commercial Banks										
Meezan Bank Limited	28,687	-	2,619	-	4,700	26,606	2,779	2.94	6.38	-
Cement										
Lucky Cement Limited	6,300	-	-	-	100	6,200	4,316	4.54	9.90	-
Kohat Cement Co. Ltd.	15,830	-	-	-	900	14,930	3,273	3.46	7.51	-
	22,130	-	-	-	1,000	21,130	7,589	8.00	17.41	
Fertilizer										
Engro Corporation Limited	17,390	3,800	-	-	6,900	14,290	4,392	4.65	10.08	-
Engro Fertilizers Limited	31,000	26,500	-	-	36,300	21,200	1,341	1.42	3.08	-
	48,390	30,300	-	-	43,200	35,490	5,733	6.07	13.16	
Power Generation & Distribution										
The Hub Power Company Limited	33,659	7,000	-	-	4,000	36,659	2,908	3.08	6.67	-
Textile Composite										
Nishat Mills Limited	20,500	-	-	-	1,000	19,500	1,985	2.10	4.55	-
Kohinoor Mills Limited	4,737	-	-	-	-	4,737	323	0.34	0.74	-
	25,237	-	-	-	1,000	24,237	2,308	2.44	5.29	
Oil & Gas Marketing Companies										
Pakistan State Oil Company Limited	10,020	-	-	-	1,000	9,020	1,942	2.05	4.46	-
Sui Northern Gas Pipelines	7,500	-	-	-	3,200	4,300	191	0.20	0.44	-
Hascol Petroleum Limited	1,121	-	-	-	-	1,121	16	0.02	0.04	-
	18,641	-	-	-	4,200	14,441	2,149	2.27	4.94	
Engineering										
Mughal Iron and Steel Industries Limited	27,226	-	-	-	5,000	22,226	1,683	1.78	3.86	-
International Steels Ltd	100	-	-	-	-	100	9	0.01	0.02	-
	27,326	-	-	-	5,000	22,326	1,692	1.79	3.88	
Glass & Ceramics										
Tariq Glass industries Limited	14,250	-	-	-	3,500	10,750	944	1.00	2.17	-
Technology & Communication										
Systems Limited	5,900	-	-	-	1,000	4,900	2,054	2.17	4.71	-
Refinery										
National Refinery Limited	200	-	-	-	200	-	-	-	-	-
Chemical										
Engro Polymer & Chemicals	55,529	-	-	-	14,000	41,529	1,973	2.09	4.51	0.46
Oil & Gas Exploration Companies										
Oil & Gas Development Company Limited	18,900	-	-	-	-	18,900	1,961	2.07	4.50	-
Pakistan Oilfields Limited	4,750	3,700	-	-	1,000	7,450	2,946	3.12	6.76	-
Pakistan Petroleum Limited	24,328	2,900	-	-	1,200	26,028	2,351	2.49	5.39	-
Mari Petroleum Limited	3,132	-	-	-	200	2,932	3,928	4.15	9.01	-
	51,110	6,600	-	-	2,400	55,310	11,186	11.83	25.66	
Transport										
P. N. S. C. NC	17,000	-	-	-	2,500	14,500	1,325	1.40	3.04	-
Total - 31 December 2020	352,002	46,400	2,619	378	87,000	314,399	43,589	46	100	
Carrying value before fair value adjustment as at 31 December 2020							34,409			

* Nil value due to rounding off.



7.1.1 Investments include shares with market value of Rs. 6.028 million (30 June 2020: Rs. 5.562 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 October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

7.1.2 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. Accordingly, the investee company(s) have withheld the shares equivalent to 5% of bonus announcement amounting to Rs. 0.525 million (30 June 2020: 0.305 million) and not deposited in CDC account of department of Income Tax.

7.2 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

	Note	For the six months ended	
		31 December 2020	31 December 2019
		(Unaudited)	
		(Rupees in '000)	
Market value of investments	7.1	43,589	53,482
Less: carrying value of investments	7.1	(34,409)	(42,193)
		9,180	11,289

8 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

	Note	31 December 2020	30 June 2020
		(Unaudited)	(Audited)
		(Rupees in '000)	
Management remuneration	8.1	127	115
Sindh sales tax on management remuneration	8.2	16	15
Sales Tax Payable on sales and transfer load		196	196
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	41	28
Selling and marketing expenses	8.4	121	112
		501	466

8.1 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 charged remuneration at a rate of 2% on equity component and 12% of net income excluding equity component, subject to a minimum of 0.5% of net assets and maximum of 1% of net assets of the Fund.

8.2 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 period, Sindh sales tax at the rate of 13% (30 June 2020: 13%) was charged on management remuneration and sales load.



8.3 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. Accordingly, such expense has been charged at the rate of 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 (1)/2019, has substituted clause (s) of sub regulation 3 of 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 0.15 % of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services.

8.4 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 up to 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. However, the management company has continued to charge selling and marketing expenses at the rate of 0.4 % per annum of average net assets of the Fund or actual expenses whichever is lower.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	31 December	30 June
			2020 (Unaudited)	2020 (Audited)
			(Rupees in '000)	
	Trustee Remuneration		13	12
	Sindh Sales Tax on Trustee remuneration	9.1	<u>2</u>	<u>2</u>
			<u>15</u>	<u>14</u>

9.1 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 period, Sindh Sales Tax at the rate of 13% (30 June 2020: 13%) was charged on trustee remuneration.

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, with effective from 1 July 2019 a collective scheme categorized as an equity scheme is required to pay an annual fee to SECP at the rate of 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	31 December	30 June
			2020 (Unaudited)	2020 (Audited)
			(Rupees in '000)	
	Provision for Sindh Workers' Welfare Fund	11.1	4,119	3,864
	Federal Excise Duty on management remuneration	11.2	8,151	8,151
	Federal Excise Duty on sales load	11.2	2,703	2,703
	Auditors' remuneration		259	280
	Charity payable	11.3	633	596
	Brokerage fee		-	1
	Settlement and bank charges		157	120
	Withholding tax		2	866
	Capital gain tax		-	6
	Printing charges		17	52
	Legal fees		58	130
	Shariah advisor fee		16	8
			<u>16,115</u>	<u>16,777</u>



- 11.1** 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. 5.070 million and a provision for SWWF of Rs. 3.592 million up to 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis.

Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 4.9662 per unit (June 2020: Rs 3.5242 per unit).

- 11.2** The status of Federal Excise Duty (FED) is same as disclosed in annual financial statements for the year ended 30 June 2020. 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. 8.151 million (30 June 2020: 8.151 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 9.8288 (30 June 2020: Rs. 7.4342) per unit.
- 11.3** This represents the haram portion of the dividend income determined on the rates specified by Shariah advisor.

12 CONTINGENCY AND COMMITMENT

There was no other contingency and commitment outstanding as at 31 December 2020 (30 June 2020: Nil).

13 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 3.24% per annum. Total expense ratio (excluding government levies) is 2.62% per annum.

14 TAXATION

- 14.1** The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the



Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company intends to distribute its accounting income as per its distribution policy for the year ending 30 June 2021 if require to ensure the compliance of this clause. Accordingly, no provision for taxation has been made in these condensed interim financial statements.

14.2 Income already paid on redemption of units

Distribution of income by collective investment schemes includes (a) the income already distributed upon redemption of units and (b) the amount of income distributed by way of cash dividend.

Open end mutual funds continuously offer issuance and redemption of units at prevailing Net Assets Value (NAV) applicable at the time of offer and redemption. The unit-holder who invests in the open end mutual fund during the year and redeems during the same year has effectively taken his due share of income for the year and the differential amount (proceeds received less original investment) is and should be treated as "distribution of profit". In case of unit holder who existed at the beginning of the year and makes redemption during the year, the amount representing his due share of income from the current year's income is and should be considered as "distribution of profit".

In few mutual funds, the said exemption has been denied by the Additional Commissioner – Audit (AC), on the ground that the amount paid as income on units redeemed by investors during the tax year cannot be treated as distribution of income as per criteria envisaged under Clause 99 of Part 1 of the Second Schedule of the Ordinance and AC due to this, commented that the distribution by the Fund fell short of 90% distribution threshold.

In response to the order, the management filed appeal with Commissioner Appeal office. The Commissioner Appeals upheld Assessment Order passed by AC. The Fund has now initiated appeal in Appellate Tribunal, which is pending adjudication.

Meanwhile, the management filed petition for stay in High Court of Sindh (SHC), and stay order has been granted by SHC. In its judgment, SHC held that since the subject matter is pending before Appellate Tribunal, therefore, the recovery of impugned demand will not be enforced till the final decision of Tribunal.

Further, the issue of distribution of income is also being contested by MUFAP on behalf of the mutual funds industry at various regulatory and Government levels and management is hopeful that the matter will be resolved soon as the matter has merely arisen due to incorrect interpretation by the relevant commissioners as to what construes as distribution of profit by an open end mutual fund. SECP agrees with MUFAP's interpretation and is also actively following up with FBR to resolve the matter at the earliest.

Based on the opinion of the tax advisor, the management believes that the fund has distributed required amount of income to be eligible for tax exemption under clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001 and hence, no provision for taxation is required to be made in these condensed interim financial statements.

15 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

15.1 Connected persons include NBP Fund Management Limited being the Management Company (NBP Funds), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, 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 10 percent or more units of the Fund.

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



15.3 Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

15.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:

15.5 Transactions during the period:	Six months period ended (Un-audited)	
	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited (Management Company)		
Remuneration of NBP Fund Management Limited - Management Company	725	726
Sindh Sales Tax on remuneration to Management Company	94	94
Allocation of expenses related to registrar services, accounting, operation and valuation services	71	55
Selling and marketing expenses	240	219
Central Depository Company of Pakistan Limited (Trustee)		
Trustee Remuneration	78	71
Sales tax on remuneration to Trustee	10	9
National Clearing Company of Pakistan Limited (Common Directorship)		
NCCPL charges	184	184
Pakistan Stock Exchange Limited (Common Directorship)		
Listing fee	12	20
Taurus Securities Limited (Subsidiary of NBP)		
Brokerage expense	-	4
The Hub Power Company Limited (Common Directorship)*		
Investments made: 7,000 shares (2019: 3,500 shares)	588	-
Investments sold: 4,000 shares (2019: 7,000 shares)	308	-
Dividend received	163	-
Persons holding directly or indirectly 10% or more of the units in issue / net assets of the Fund		
City School Provident Fund Trust		
Units redeemed: 250,875 (2019: Nil units)	28,464	-
15.6 Amounts outstanding as at period / year end:	31 December 2020 (Unaudited)	30 June 2020 (Audited)
	(Rupees in '000)	
NBP Fund Management Limited (Management Company)		
Remuneration of the Management Company	127	115
Sindh Sales Tax on remuneration of the Management Company	16	15
Allocation of expenses related to registrar services, accounting, operation and valuation services	41	28
Selling and marketing expense	121	112
Sales tax payable on sales and transfer load	196	196



	31 December 2020 (Unaudited) (Rupees in '000)	30 June 2020 (Audited)
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration Payable	13	12
Sindh Sales Tax on Trustee remuneration	2	2
Security deposit	100	100
Employees of the Management Company		
Units held: 2,489 (30 June 2020: 2,489 units)	284	255
The Hub Power Company Limited (Common Directorship)*		
Investments held: 36,659 shares (30 June 2020: 33,659 shares)	2,908	-
International Steels Limited (Common Directorship)*		
Investments held: 100 shares (30 June 2020: 100 shares)	9	-
National Clearing Company of Pakistan Limited (Common Directorship)		
NCCPL charges payable	84	55
Security deposit	2,500	2,500
Persons holding directly or indirectly 10% or more of the units in issue / net assets of the Fund		
Mehreen Dawood		
Units held: 226,687 (30 June 2020: 226,687 units)	25,844	23,227
City School Provident Fund Trust		
Units held: 250,876 (30 June 2020: 501,751 units)	28,602	51,411
Novartis Pharma (Pakistan) Limited - Provident Fund Trust		
Units held: 115,864 (30 June 2020: 115,864 units)	13,210	11,872
Taimur Dawood		
Units held: 111,320 (30 June 2020: 111,320 units)	12,692	11,406

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

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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:

		31 December 2020 (Un-audited)						
		Carrying amount			Fair value			
Note		At fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
On-balance sheet financial instruments								
Financial assets measured at fair value								
	Investment - Listed equity securities	43,589	-	43,589	43,589			43,589
Financial assets not measured at fair value								
16.1	Bank balances	-	60,943	60,943				
	Dividend and profit receivable	-	869	869				
	Security deposits	-	2,600	2,600				
	Receivable against sale of investments		3,180	3,180				
		43,589	67,592	111,181				
Financial liabilities not measured at fair value								
16.1	Payable to NBP Fund Management Limited - Management Company	-	501	501				
	Payable to Central Depository Company of Pakistan	-	15	15				
	Accrued expenses and other liabilities	-	1,140	1,140				
		-	1,656	1,656				
		30 June 2020 (Audited)						
		Carrying amount			Fair value			
Note		At fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
On-balance sheet financial instruments								
Financial assets measured at fair value								
	Investment - Listed equity securities	36,253	-	36,253	36,253			36,253
Financial assets not measured at fair value								
16.1	Bank balances	-	89,900	89,900				
	Dividend and profit receivable	-	867	867				
	Security deposits	-	2,600	2,600				
		36,253	93,367	129,620				



30 June 2020 (Audited)						
Carrying amount			Fair value			
At fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<i>Note</i> ----- (Rupees in '000) -----						
Financial liabilities not measured at fair value 16.1						
Payable to NBP Fund Management Limited - Management Company	-	466	466			
Payable to Central Depository Company of Pakistan	-	14	14			
Accrued expenses and other liabilities	-	1,187	1,187			
	-	1,667	1,667			

16.1 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.

16.2 Financial instruments not measured at FVTPL include net assets attributable to unitholders. The Fund routinely redeems 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 condensed interim 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.

17 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 26, 2021 by the Board of Directors of the Management Company.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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