

NBP ISLAMIC REGULAR INCOME FUND



HALF YEARLY REPORT
DECEMBER 31, 2019



MISSION STATEMENT

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

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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

MCB Bank Limited
Meezan Bank Limited
Bank Al Habib Limited
National Bank of Pakistan
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Silk Bank Limited
United Bank Limited
Sindh Bank Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
Al Baraka Bank of Pakistan

NBP ISLAMIC REGULAR INCOME FUND

(FORMERLY; NBP AITEMAAD REGULAR PAYMENT FUND)



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 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:

NBP City Branch, Hussain-e-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed condensed financial statements of **NBP Islamic Regular Income Fund (NIRIF)** (Formerly: NBP Aitemaad Regular Payment Fund) (NARPF) for the half year ended December 31, 2019.

Fund's Performance

The size of NBP Islamic Regular Income Fund (Formerly: NBP Aitemaad Regular Payment Fund) has increased from Rs. 107 million to Rs. 120 million during the period, i.e. an increase of 13%. During the period, the unit price of NBP Islamic Regular Income Fund has increased from Rs. 8.2777 on June 30, 2019 to Rs. 9.8102 on December 31, 2019, thus showing an increase of 18.5%. The Benchmark for the same period has increased by 19.0%. Thus, the Fund has underperformed its Benchmark by 0.5% during the period under review. Since inception, the unit price of NBP Islamic Regular Income Fund has decreased from Rs. 10.0000 on October 31, 2018 to Rs. 9.8102 on December 31, 2019, thus showing a decrease of 1.9%. The Benchmark for the same period has decreased by 4.0%. Thus, the Fund has outperformed its Benchmark by 2.1% during the period under review. This performance is net of management fee and all other expenses.

Reversing the negative trend of the last two years, the market staged a strong recovery as the benchmark KMI-30 Index surged by 22.0% during 1HFY2020, however the period was characterized with large swings. Despite flurry of positive developments that included accord of the IMF for USD 6 billion Extended Funds facility (EFF); commencement of Saudi oil facility worth USD 3.3 billion; and USD 500 million flow of funds from Qatar; the market started off the period under review on a frail note. The benchmark KMI-30 Index declined by around 17% by mid-August as investors remained concerned over slowdown in economic activity. The deteriorating Pakistan-India relations over repealing of article 370 in Kashmir by the latter triggered panic selling with the Index hitting multi-year low of 28,765 points on August 16, 2019. Consequently, the attractive valuations prompted value buying and the shift in investors' mood was also supported by improving macroeconomic indicators, mainly on external account front, as the current account deficit declined massively by 74% to USD 2.2 billion during 1HFY2020, from USD 8.6 billion in same period last year. Resumption of foreign currency inflows from multilateral donor agencies and portfolio inflows in government securities boosted the SBP's FX reserves to USD 11.3 billion, the highest level since April 2018. Sharply falling yields on the longer tenure government securities (PIBs), a harbinger to reversal of monetary tightening cycle, also buoyed market sentiment. As a result, the market staged robust rally, surging by 41.6% from the bottom in mid-August, taking 1HFY2020 return to 22.0%.

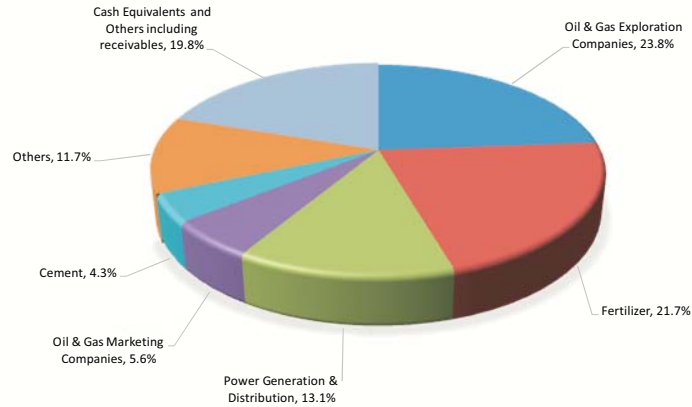
In terms of sectoral performance, Engineering, Pharmaceuticals, Paper & Board, Chemicals and Transport out-performed the market, while Automobile, Commercial Banks, Power Generation & Distribution lagged behind. On the participant-wise activity, Individuals remained major buyers with net inflows of USD 140 million, along with Other Organizations that accumulated positions worth USD 14 million. On the other hand, Banks/DFIs, Mutual Funds, and Insurance were net sellers with net outflows to the tune of USD 91 million, USD 53 million, and USD 20 million, respectively.

During 1HFY20, the State Bank of Pakistan (SBP) held three bi-monthly Monetary Policy Committee (MPC) meetings. To contain inflationary pressures, the SBP in its Monetary Policy Meeting in July 2019, increased the policy rate by 100bps to 13.25%. In the later two Monetary Policy Statements, the SBP left the Policy Rate unchanged despite uptick in inflation. The market saw an increase in the issuance of debt securities in the primary market, although it remained under-supplied against the large and growing demand. In the secondary market, the trading activity in the Corporate Sukuks remained skewed towards high quality debt issues with cumulative traded value of around Rs. 3.9 billion compared to Rs. 4.8 billion in the same period last year.

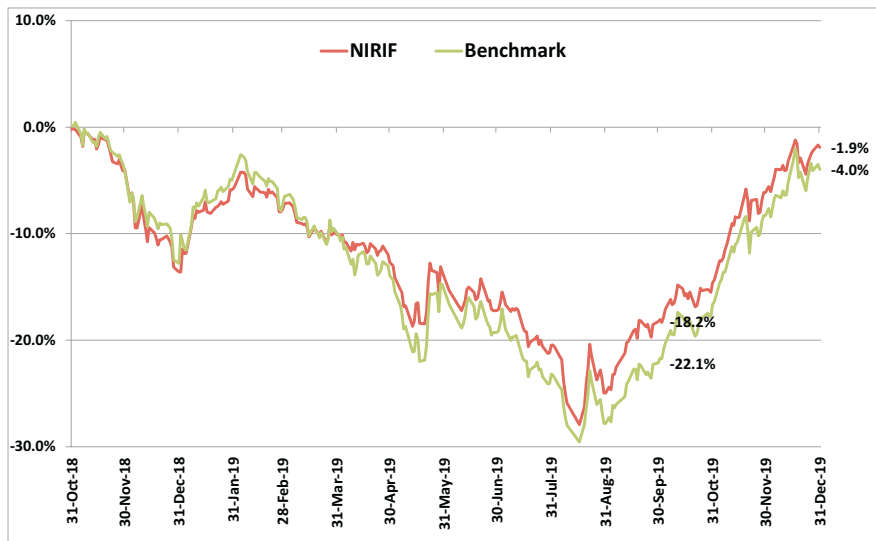
The Fund has earned a total income of Rs. 21.00 million during the period. After deducting total expenses of Rs. 1.73 million, the net income is Rs. 19.27 million.

The asset allocation of the Fund as on December 31, 2019 is as follows:

NBP ISLAMIC REGULAR INCOME FUND (FORMERLY; NBP AITEMAAD REGULAR PAYMENT FUND)



NIRIF Performance versus Benchmark (Since Inception)



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 27, 2020
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ میٹجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے NBP اسلامک ریگولر انکم فنڈ (NIRIF) (سابقہ: NBP اعتماد ریگولر پیمنٹ فنڈ) (NARPF) کے جائزہ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

موجودہ مدت کے دوران NBP اسلامک ریگولر انکم فنڈ (سابقہ: NBP اعتماد ریگولر پیمنٹ فنڈ) کا سائز 107 ملین روپے سے بڑھ کر 120 ملین روپے ہو گیا ہے یعنی 13% کا اضافہ۔ زیر جائزہ مدت کے دوران، NBP اسلامک ریگولر انکم فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 8.2777 روپے سے بڑھ کر 31 دسمبر 2019 کو 9.8102 روپے ہو گئی، لہذا 18.5% کا اضافہ دکھایا۔ فنڈ کا بیچ مارک اسی مدت میں 19.0% سے بڑھا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران اپنے بیچ مارک سے 0.5% کی اہتر کارکردگی دکھائی۔ 31 اکتوبر 2018 کو اپنے قیام کے وقت سے NBP اعتماد اسلامک ریگولر انکم فنڈ کے یونٹ کی قیمت 10.00 روپے سے کم ہو کر 31 دسمبر 2019 کو 9.8102 روپے ہو چکی ہے اور لہذا 1.9% کی کمی دکھائی۔ اسی مدت میں بیچ مارک 4.0% کم ہوا۔ لہذا فنڈ نے زیر جائزہ مدت کے دوران اپنے بیچ مارک میں 2.1% بہتر کارکردگی دکھائی۔ یہ کارکردگی میٹجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

گذشتہ دو برسوں کے منفی رجحان کو ختم کرتے ہوئے مالی سال 2020 کی پہلی ششماہی میں مارکیٹ مستحکم ہوئی اور KMI-30 انڈیکس میں 22 فی صد اضافہ ہوا تاہم اس دوران مارکیٹ میں اتار چڑھاؤ آتے رہے۔ آئی ایم ایف سے 6 ملین ڈالر کے توسیعی قرضہ (EFF) کی منظوری، سعودی عرب سے 3.3 بلین ڈالر مالیت کی پٹرولیم مصنوعات کی فراہمی اور قطر سے 500 ملین ڈالر جیسی پُر جوش مثبت پیش رفت کے باوجود زیر جائزہ مدت کا آغاز ست روی کا شکار رہا۔ سرمایہ کاروں کا سست معاشی سرگرمیوں کے تحفظات کے باعث وسط اگست تک KMI-30 انڈیکس میں 17 فی صد کمی واقع ہوئی۔ کشمیر میں آریٹل 370 کے نفاذ پر پاک بھارت کشیدگی کی وجہ سے 16 اگست 2019ء کو انڈیکس گذشتہ برسوں کی کم ترین سطح 44,929 پوائنٹس تک پہنچ گیا۔ نتیجتاً، پُرکشش قیمتوں نے خریداری کی حوصلہ افزائی کی اور بہتر معاشی اشاروں نے سرمایہ کاروں کے مزاج میں تبدیلی کی جسکی بنیادی وجہ بیرونی اکاؤنٹ میں بہتری تھی جیسا کہ بڑے پیمانے پر کرنٹ اکاؤنٹ خسارہ مالی سال 2020 کی پہلی ششماہی کے دوران 74 فی صد کم ہوا یعنی 2.2 بلین ڈالر ہو گیا جو گذشتہ برس کی اسی مدت میں 8.6 بلین ڈالر تھا۔ کثیر طرفہ ڈونر ایجنسیوں سے غیر ملکی تریلیات زر کا آغاز اور حکومتی سیکورٹیز کے پورٹ فولیو میں اضافہ کی وجہ سے اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر میں 11.3 بلین ڈالر تک اضافہ ہوا جو اپریل 2018ء سے بلند ترین سطح ہے۔ طویل مدتی حکومتی سیکورٹیز (PIB) میں تیزی سے کمی معاشی تناؤ کو ختم کرنے کا پیش خیمہ ثابت ہوا جس کی وجہ سے مارکیٹ میں استحکام آیا۔ نتیجتاً، وسط اگست میں مارکیٹ میں کم ترین سطح سے 41.6 فی صد کا مضبوط اضافہ دیکھا گیا اور مالی سال 2020 کی پہلی ششماہی میں مارکیٹ میں 22 فی صد اضافہ رہا۔

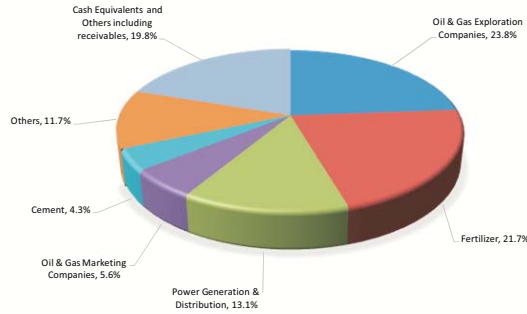
شعبہ جاتی کارکردگی کے تناظر میں انجینئرنگ، فارماسیوٹیکلز، کاغذ اور پورڈ، کیمیکلز اور ٹرانسپورٹ نے مارکیٹ میں بہتر کارکردگی کا مظاہرہ کیا جبکہ آٹوموبائل، کمرشل بینک، پاور جنریشن اور ڈسٹری بیوٹن نے ان کی پیروی کی۔ شریک دار سرگرمیوں کے تناظر میں انفرادی شرکت دار 140 ملین ڈالر کے مجموعی ان فلو کے ساتھ بڑے خریدار رہے جب کہ دیگر اداروں نے 14 ملین ڈالر کے ساتھ پوزیشن مستحکم کی۔ دوسری جانب، بینک/DFI، میوچل فنڈز اور انشورنس بالترتیب 91 ملین ڈالر، 53 ملین ڈالر اور 20 ملین ڈالر کے مجموعی آؤٹ فلو کے ساتھ بڑے فروخت کنندگان رہے۔

مالی سال 2020 کی پہلی ششماہی میں اسٹیٹ بینک آف پاکستان نے تین دو ماہی معاشی پالیسی کمیٹی (MPC) کے اجلاس طلب کئے۔ افراط زر کو قابو کرنے کے لئے SBP نے جولائی 2019ء میں منعقدہ مانیٹری پالیسی کے اجلاس میں پالیسی ریٹ کو 100bps کے اضافہ کے ساتھ 13.25 فی صد تک بڑھا دیا۔ دیگر دو مانیٹری پالیسی بیانات میں افراط زر میں اضافہ کے باوجود SBP نے پالیسی ریٹ کو مستحکم رکھا۔ بنیادی مارکیٹ میں debt سیکورٹیز کے اجراء میں اضافہ ہوا اگرچہ بڑھتی ہوئی طلب کے مقابلہ میں اس کی رسد کم رہی۔ ثانوی مارکیٹ میں کارپوریٹ سکوک کی تجارتی سرگرمیوں کا رجحان بہتر معیار کے debt اجراء کی طرف رہا اور تجارتی حجم گزشتہ سال 4.8 بلین روپے کے

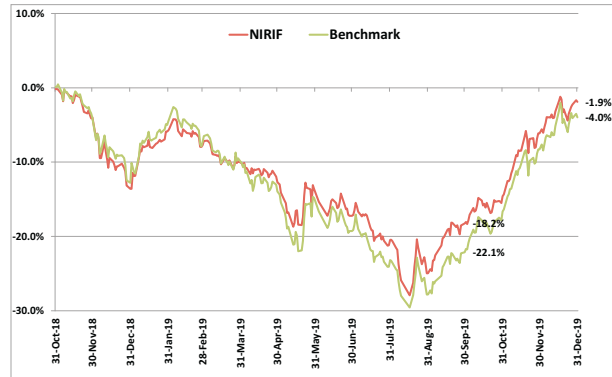
مقابلہ میں 3.9 بلین روپے رہا۔

فونڈ نے موجودہ مدت کے دوران 21.00 بلین روپے کی مجموعی آمدنی کمائی ہے۔ 1.73 بلین روپے کے مجموعی اخراجات متہا کرنے کے بعد خالص آمدنی 19.27 بلین روپے ہے۔

فونڈ کی ایسٹ ایلوکیشن 31 دسمبر 2019 کو بمطابق ذیل ہے:



NIRIF کی کارکردگی بمقابلہ بیچ مارک



اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایپیکس 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 رٹرنس 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 فونڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 27 فروری 2020ء

مقام: کراچی

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

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 NBP Islamic Regular Income Fund [formerly NBP Aitemaad Regular Payment 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 for the period ended December 31, 2019 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, 2020

INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNITHOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NBP Islamic Regular Income Fund** (formerly; NBP Aitemaad Regular Payment Fund) ("the Fund") as at 31 December 2019 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 information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information 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 information 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 information is 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 2019 in the interim financial information 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 **Muhammad Nadeem**.

Date: February 28, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2019

| | Note | 31 December 2019 Unaudited (Rupees in '000) | 30 June 2019 Audited |
|--|------|--|----------------------------|
| Assets | | | |
| Bank balances | 6 | 23,735 | 24,651 |
| Investments | 7 | 96,118 | 81,380 |
| Dividend and profit receivables | | 221 | 875 |
| Preliminary expenses and floatation costs | 8 | 775 | 877 |
| Advance, deposit and prepayment | | 537 | 523 |
| Total assets | | 121,386 | 108,306 |
| Liabilities | | | |
| Payable to NBP Fund Management Limited - Management Company | 9 | 549 | 1,248 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 10 | 23 | 20 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 11 | 68 |
| Accrued expenses and other liabilities | 12 | 933 | 447 |
| Total liabilities | | 1,516 | 1,783 |
| Net assets | | 119,870 | 106,523 |
| Unit holders' fund (as per statement attached) | | 119,870 | 106,523 |
| Contingency and commitment | 13 | | |
| | | (Number of units) | |
| Number of units in issue | | 12,218,955 | 12,868,673 |
| | | (Rupees) | |
| Net assets value per unit | | 9.8102 | 8.2777 |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019

| | Note | For the six months period ended 31 December 2019 | For the three months period ended 31 December 2019 | For the period from 31 October 2018 to 31 December 2018 |
|--|------|---|--|---|
| (Rupees in '000) | | | | |
| Income | | | | |
| Dividend income | | 4,634 | 2,390 | 1,247 |
| (Loss) / gain on sale of investments - net | | (115) | 831 | (312) |
| Profit on bank deposits | | 1,607 | 730 | 320 |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 7.2 | 14,873 | 17,751 | (14,349) |
| Total income / (loss) | | 20,999 | 21,702 | (13,094) |
| Expenses | | | | |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 10.1 | 108 | 57 | 32 |
| Sindh Sales Tax on remuneration of Trustee | 10.2 | 14 | 7 | 4 |
| Annual fee - Securities and Exchange Commission of Pakistan | 11 | 11 | 6 | 15 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.2 | 54 | 28 | 16 |
| Selling and Marketing expense | 9.3 | 595 | 338 | - |
| Auditors' remuneration | | 165 | 61 | 226 |
| Securities transaction cost | | 51 | 39 | 112 |
| Settlement and bank charges | | 20 | - | 31 |
| Charity Expense | 12.2 | 130 | 130 | - |
| Listing fee | | 11 | 3 | 7 |
| Professional charges | | 10 | - | 28 |
| Amortisation of preliminary expenses and floatation costs | 8 | 102 | 51 | 34 |
| Shariah advisor fee | | 9 | 4 | 3 |
| Printing and other charges | | 56 | - | 20 |
| Total expenses | | 1,336 | 724 | 528 |
| Net income / (loss) from operating activities | | 19,663 | 20,978 | (13,622) |
| Provision for Sindh Workers' Welfare Fund | 12.1 | (393) | (393) | - |
| Net income / (loss) for the period before taxation | | 19,270 | 20,585 | (13,622) |
| Taxation | 14 | - | - | - |
| Net income / loss for the period after taxation | | 19,270 | 20,585 | (13,622) |
| Allocation of net income for the period | | | | |
| Net income for the period | | 19,270 | 20,585 | - |
| Income already paid on units redeemed | | (550) | (550) | - |
| | | 18,720 | 20,035 | - |
| Accounting income available for distribution: | | | | |
| -Relating to capital gains | | 14,533 | 14,533 | - |
| -Excluding capital gains | | 4,187 | 5,502 | - |
| | | 18,720 | 20,035 | - |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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 2019

| | For the six months period ended 31 December 2019 | For the three months period ended 31 December 2019 | For the period from 31 October 2018 to 31 December 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Net income / (Loss) for the period | 19,270 | 20,585 | (13,622) |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive Income / (Loss) for the period | 19,270 | 20,585 | (13,622) |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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 2019

| | For the six months period ended 31 December 2019 | For the period from 31 October 2018 to 31 December 2018 |
|---|---|--|
| Note | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income / (loss) from operating activities | 19,270 | (13,622) |
| Adjustments for: | | |
| Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | (14,873) | 14,349 |
| Preliminary and floatation cost | 102 | 34 |
| | <u>4,499</u> | <u>761</u> |
| Decrease / (increase) in assets | | |
| Investments - net | 135 | (88,591) |
| Dividend and profit receivable | 654 | (315) |
| Preliminary and floatation cost | - | (1,011) |
| Advances, deposit and prepayment | (14) | (288) |
| | <u>775</u> | <u>(90,205)</u> |
| (Decrease) / Increase in liabilities | | |
| Payable to NBP Fund Management Limited - Management Company | (699) | 1,188 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 3 | 17 |
| Payable to Securities and Exchange Commission of Pakistan | (57) | 15 |
| Accrued expenses and other liabilities | 486 | 304 |
| | <u>(267)</u> | <u>1,524</u> |
| Net cash generated from / (used) in operating activities | <u>5,007</u> | <u>(87,920)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amounts received on issue of units | 97,944 | 101,394 |
| Payments against redemption of units | (103,867) | (1,295) |
| Net cash (used) in / from financing activities | <u>(5,923)</u> | <u>100,099</u> |
| Net (decrease) / increase in cash and cash equivalents during the period | <u>(916)</u> | <u>12,179</u> |
| Cash and cash equivalents at beginning of the period | 24,651 | - |
| Cash and cash equivalents at end of the period | <u>6</u> <u>23,735</u> | <u>12,179</u> |

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

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 2019**

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** The NBP Islamic Regular Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 07 August 2018 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and accordingly the Trust Deed was executed on 09 August 2018. The effective date of change of name of the Fund is 31 May 2019.
- 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 is an open-ended mutual fund classified as an "Shariah Compliant Asset Allocation Fund" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The core objective of the Fund, is to provide regular monthly payments to investors by investing in Shariah Compliant Debt, Money Market and Equity investment avenues.
- 1.5** The units of the Fund was initially subscribed by the Management Company and its employees at initial price of Rs. 10 per unit and the Fund received an amount of Rs. 101.027 million. Initial public offering (IPO) at initial price of Rs.10 was made on 31 October 2018. The total amount received upto the close of IPO was Rs. 101.027 million. Accordingly, the Fund commenced its business activities.
- 1.6** The Pakistan Credit Rating Agency Limited (PACRA) has assigned and maintained an asset manager rating of 'AM1' to the Management Company. The Fund has not yet been rated.
- 1.7** 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.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The condensed interim financial information has 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** This condensed interim financial information does 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 2019. 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 This condensed interim financial information is 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 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore these are not stated in this condensed interim financial information.

2.3 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 January 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.
- 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.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- 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. The Fund shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the condensed interim financial information of the Fund.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Fund's condensed interim financial information.

2.4 Functional and presentation currency

This condensed interim financial information is 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 this condensed interim financial information 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 2019.

4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed interim financial information, 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 information 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 2019.

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 2019.

6 BANK BALANCES

| | | 31 December 2019 Unaudited (Rupees in '000) | 30 June 2019 Audited |
|---------------------|-------------|--|-------------------------------------|
| | Note | | |
| In current accounts | | 48 | 13 |
| In savings accounts | 6.1 & 6.2 | <u>23,687</u> | <u>24,638</u> |
| | | <u>23,735</u> | <u>24,651</u> |

6.1 These carry a rate of return ranging from 7.05% to 13.35% (June 2019: 3% to 13.5%) per annum.

6.2 This includes cheques amounting to Rs. 0.030 million (30 June 2019: Rs. Nil) received on account of issuance of units as at period / year end.

7 INVESTMENTS

| | | 31 December 2019 Unaudited (Rupees in '000) | 30 June 2019 Audited |
|--|-------------|--|-------------------------------------|
| | Note | | |
| Financial assets at fair value through profit or loss | | | |
| Listed equity securities | 7.1 | <u>96,118</u> | <u>81,380</u> |

NBP ISLAMIC REGULAR INCOME FUND (FORMERLY; NBP AITEMAAD REGULAR PAYMENT FUND)



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 2019 | 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 2019 | Market value /carrying value as at 31 December 2019 | 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) | ----- (%) ----- | | |
| Oil and Gas Exploration Company | | | | | | | | | | |
| Pakistan Oilfields Limited | 28,600 | 4,200 | - | - | - | 32,800 | 14,652 | 12.22 | 15.24 | 0.01 |
| Pakistan Petroleum Limited | 56,600 | 14,000 | 9,520 | - | 24,200 | 55,920 | 7,669 | 6.40 | 7.98 | - |
| Oil & Gas Development Company Limited | 100,700 | 8,500 | - | - | 65,300 | 43,900 | 6,248 | 5.21 | 6.50 | - |
| | 185,900 | 26,700 | 9,520 | - | 89,500 | 132,620 | 28,569 | 23.83 | 29.72 | |
| Oil and Gas Marketing Company | | | | | | | | | | |
| Sui Northern Gas Pipelines | - | 4,500 | - | - | - | 4,500 | 343 | 0.29 | 0.36 | - |
| Pakistan State Oil Company Limited | 3,600 | 7,000 | 2,120 | - | - | 12,720 | 2,438 | 2.03 | 2.54 | - |
| Attock Petroleum Limited | 10,700 | - | - | - | - | 10,700 | 3,957 | 3.30 | 4.12 | 0.01 |
| | 14,300 | 11,500 | 2,120 | - | - | 27,920 | 6,738 | 5.62 | 7.02 | |
| Fertilizer | | | | | | | | | | |
| Engro Corporation Limited | 46,860 | 1,900 | - | - | 3,500 | 45,260 | 15,626 | 13.04 | 16.26 | 0.01 |
| Engro Fertilizers Limited | 169,000 | 37,500 | - | - | 65,500 | 141,000 | 10,354 | 8.64 | 10.77 | 0.01 |
| | 215,860 | 39,400 | - | - | 69,000 | 186,260 | 25,980 | 21.68 | 27.03 | |
| Cement | | | | | | | | | | |
| Lucky Cement Limited | 4,900 | 3,000 | - | - | - | 7,900 | 3,384 | 2.82 | 3.52 | - |
| Kohat Cement Company Limited | 22,800 | - | - | - | - | 22,800 | 1,765 | 1.47 | 1.84 | 0.01 |
| | 27,700 | 3,000 | - | - | - | 30,700 | 5,149 | 4.29 | 5.36 | |
| Automobile Assembler | | | | | | | | | | |
| Agriauto Industries Limited | - | 4,000 | - | - | - | 4,000 | 800 | 0.67 | 0.83 | 0.01 |
| Millat Tractors Limited | - | 3,200 | - | - | - | 3,200 | 2,254 | 1.88 | 2.35 | 0.01 |
| | - | 7,200 | - | - | - | 7,200 | 3,054 | 2.55 | 3.18 | |
| Textile Composite | | | | | | | | | | |
| Nishat Mills Limited | 28,000 | 6,500 | - | - | - | 34,500 | 3,662 | 3.05 | 3.81 | 0.01 |
| Technology and Communication | | | | | | | | | | |
| Pakistan Telecommunication Company Limited | 492,500 | - | - | - | - | 492,500 | 4,610 | 3.85 | 4.80 | 0.01 |
| Power Generation and Distribution | | | | | | | | | | |
| Saif Power Ltd | - | 29,500 | - | - | - | 29,500 | 618 | 0.53 | 0.63 | 0.01 |
| The Hub Power Company Limited | 147,972 | 14,000 | - | - | - | 161,972 | 15,120 | 12.61 | 15.73 | 0.01 |
| | 147,972 | 43,500 | - | - | - | 191,472 | 15,738 | 13.14 | 16.36 | |
| Sugar & Allied Industries | | | | | | | | | | |
| Faran Sugar Mills Limited | - | 7,000 | - | - | - | 7,000 | 531 | 0.44 | 0.55 | 0.03 |
| Habib Sugar Mills Limited | - | 11,500 | - | - | - | 11,500 | 440 | 0.37 | 0.46 | 0.02 |
| Mirpurkhas Sugar Mills Limited | - | 500 | - | - | - | 500 | 50 | 0.04 | 0.05 | - |
| | - | 19,000 | - | - | - | 19,000 | 1,021 | 0.85 | 1.06 | |
| Transport | | | | | | | | | | |
| Pakistan National Shipping Corporation | - | 17,000 | - | - | - | 17,000 | 1,597 | 1.33 | 1.66 | 0.01 |
| Total - 31 December 2019 | 1,112,232 | 173,800 | 11,640 | - | 158,500 | 1,139,172 | 96,118 | 80.19 | 100.00 | |

Carrying value before fair value adjustment as at 31 December 2019

81,245

| 7.2 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' | 31 December 2019 | 31 December 2018 |
|---|----------------------|------------------------|
| | Unaudited | Audited |
| | (Rupees in '000) | |
| Market value of investments | 96,118 | 74,242 |
| Less: carrying value of investments | <u>(81,245)</u> | <u>(88,591)</u> |
| | <u>14,873</u> | <u>(14,349)</u> |

8 PRELIMINARY EXPENSES AND FLOTATION COSTS

| | | |
|-----------------------------------|-------------------|-------------------|
| Opening Balance | 877 | - |
| Incurred during the period | - | 1,011 |
| Less: Amortisation for the period | <u>(102)</u> | <u>(34)</u> |
| Balance at end of the period | <u>775</u> | <u>977</u> |

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years as per the requirements set out in the Trust Deed.

9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

| | 31 December 2019 | 30 June 2019 |
|--|-------------------|---------------------|
| | Unaudited | Audited |
| | (Rupees in '000) | |
| Sales load and others | 2 | 1 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 29 | 56 |
| Preliminary expenses and floatation costs | - | 1,011 |
| Selling and Marketing | 338 | - |
| Other payable | <u>180</u> | <u>180</u> |
| | <u>549</u> | <u>1,248</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 is entitled to charge remuneration at the rate of 2% till 11 July 2019 and with effective from 12 July 2019 the Management Company has revised its rates and entitled to charge remuneration at the rate of 1.5% of the average annual net assets of the Fund. However, the Management Company has waived and not charged remuneration amounted to Rs. 0.828 million during the period.

9.2 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.

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 31 December 2019 | 1.35% of net assets or actual expenses whichever is lower. |

| 10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | Note | 31 December 2019 Unaudited (Rupees in '000) | 30 June 2019 Audited |
|---|------|--|----------------------------|
| Trustee Remuneration | 10.1 | 20 | 18 |
| Sindh Sales Tax on Trustee remuneration | 10.2 | 3 | 2 |
| | | 23 | 20 |

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. |

However, 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 exceeding Rs. 1,000 million. |

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 period, Sindh Sales Tax at the rate of 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 at an amount equal to 0.095 percent per annum of the average net assets of the Fund 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 ACCRUED EXPENSES AND OTHER LIABILITIES | Note | 31 December 2019 Unaudited (Rupees in '000) | 30 June 2019 Audited |
|---|------|--|----------------------------|
| Provision for SWWF | 12.1 | 393 | - |
| Auditors' remuneration | | 185 | 273 |
| Bank charges | | 8 | 3 |
| Settlement charges | | 11 | 6 |
| Charity payable | 12.2 | 205 | 75 |
| Shariah Advisor Fee | | 21 | 12 |
| Legal fees | | 60 | 50 |
| Printing charges | | 10 | 26 |
| Withholding charges | | 40 | 2 |
| | | 933 | 447 |

- 12.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act.

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of financial institutions. The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014. Accordingly provision for SWWF since inception of the Fund has been made.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the current period the net asset value of the Fund as at 31 December 2019 would higher by Rs. 0.0322 per unit (30 June 2019: Nil).

- 12.2** This represents the haram portion of the dividend income determined on the rates specified by Shariah advisor.

13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 31 December 2019 (30 June 2019 : Nil)

14 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since, the Management Company intends to distribute its accounting income as per its distribution policy for the year ending 30 June 2020 if require to ensure the compliance of this clause. Accordingly, no provision for taxation has been made in these condensed interim financial information.

15 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 2.96% per annum. Total expense ratio (excluding government levies) is 2.18% per annum.

16 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 16.1** 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, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and officers of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 16.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 16.3** Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 16.4** The details of significant transactions carried out by the Fund with connected persons and balances with them at period end are as follows:

16.5 Transactions during the period:

For the six months period ended 31 December 2019 Unaudited **For the period from 31 October 2018 to 31 December 2018 Audited**
(Rupees in '000)

NBP Fund Management Limited - Management Company

| | | |
|--|---------------|---------|
| Issue of 12,209,553 units (2018: 10,002,193 units) | 97,893 | 100,022 |
| Redemption of 12,209,553 units (2018: nil) | 97,893 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 54 | 16 |
| Sales load and others | 2 | 2 |
| Selling and marketing expense | 595 | - |

Employees of the Management Company

| | | |
|--|---|-----|
| Units issued: NIL (2018:52,743 units) | - | 525 |
| Units redeemed: NIL (2018: 52,743 units) | - | 524 |

Bank Islami Pakistan Limited

| | | |
|-------------------------|------------|----|
| Markup on bank balances | 399 | 52 |
|-------------------------|------------|----|

Central Depository Company of Pakistan Limited - Trustee

| | | |
|--------------------------------------|------------|----|
| Trustee Remuneration | 108 | 32 |
| Sales tax on remuneration to Trustee | 14 | 4 |
| CDC charges | 6 | 12 |

National Bank of Pakistan Limited - Islamic Banking

| | | |
|-------------------------|---|---|
| Markup on bank balances | - | 1 |
|-------------------------|---|---|

Pakistan Stock Exchange Limited (Common Directorship)

| | | |
|------------------|-----------|---|
| Listing Fee paid | 20 | - |
|------------------|-----------|---|

Taurus Securities Limited

| | | |
|-------------------|----------|---|
| Brokerage charges | 5 | 8 |
|-------------------|----------|---|

International Industries Limited*

| | | |
|---|---|-------|
| Shares purchased: Nil (2018: 22,000 shares) | - | 2,034 |
|---|---|-------|

The Hub Power Company Limited**

| | | |
|--------------------------|--------------|---|
| Shares Purchased: 14,000 | 1,151 | - |
|--------------------------|--------------|---|

16.6 Amounts outstanding as at period / year end:

31 December 2019 Unaudited **30 June 2019 Audited**
(Rupees in '000)

NBP Fund Management Limited - Management Company

| | | |
|--|----------------|---------|
| Units held:12,209,553 (2019: 12,209,553 units) | 119,778 | 101,067 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 29 | 56 |
| Preliminary expenses and floatation costs | - | 1,011 |
| Sales load and others | 2 | 1 |
| Selling and Marketing | 338 | - |
| Other payable | 180 | 180 |

| | 31 December 2019 | 30 June 2019 |
|---|-----------------------------|-------------------------|
| | Unaudited | Audited |
| | (Rupees in '000) | |
| National Bank of Pakistan Limited - Islamic Banking | | |
| Bank Balance | 14 | 13 |
| Markup on bank balance | 2 | 2 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration Payable | 20 | 18 |
| Sindh Sales Tax on Trustee remuneration | 3 | 2 |
| CDC charges | 11 | 6 |
| Security deposit | 100 | 100 |
| Bank Islami Pakistan Limited | | |
| Bank balance | 21,926 | 23,736 |
| Markup on bank balance | 65 | 247 |
| The Hub Power Company Limited** | | |
| Shares held : 161,972 | 15,120 | - |

* Current balance with this party has not been disclosed as it did not remain connected person and related party as at the period end.

** Comparative balance with this party has not been disclosed as the party was not related party in the last term.

17 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).

NBP ISLAMIC REGULAR INCOME FUND

(FORMERLY; NBP AITEMAAD REGULAR PAYMENT FUND)



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

| (Unaudited) | | | | | | | |
|--|----------------|---------------|---------------|---------------|----------|----------|---------------|
| 31 December 2019 | | | | | | | |
| Carrying amount | | | | Fair value | | | |
| At fair value through profit or loss | Amortised Cost | Total | Level 1 | Level 2 | Level 3 | Total | |
| Note ----- (Rupees in '000) ----- | | | | | | | |
| On-balance sheet financial instruments | | | | | | | |
| Financial assets measured at fair value | | | | | | | |
| Investments | | | | | | | |
| - Listed equity securities | 96,118 | - | 96,118 | 96,118 | - | - | 96,118 |
| | <u>96,118</u> | <u>-</u> | <u>96,118</u> | <u>96,118</u> | <u>-</u> | <u>-</u> | <u>96,118</u> |
| Financial assets not measured at fair value | | | | | | | |
| 17.1 Bank balances | - | 23,735 | 23,735 | - | - | - | - |
| Dividend and profit receivable | - | 221 | 221 | - | - | - | - |
| Security deposit | - | 100 | 100 | - | - | - | - |
| | <u>-</u> | <u>24,056</u> | <u>24,056</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | |
| 17.1 Payable to NBP Fund Management Limited - Management Company | - | 549 | 549 | - | - | - | - |
| Payable to Central Depository Company of Pakistan | - | 23 | 23 | - | - | - | - |
| Accrued expenses and other liabilities | - | 500 | 500 | - | - | - | - |
| | <u>-</u> | <u>1,072</u> | <u>1,072</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Audited | | | | | | | |
| 30 June 2019 | | | | | | | |
| Carrying amount | | | | Fair value | | | |
| 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 | | | | | | | |
| Investments | | | | | | | |
| - Listed equity securities | 81,380 | - | 81,380 | 81,380 | - | - | 81,380 |
| | <u>81,380</u> | <u>-</u> | <u>81,380</u> | <u>81,380</u> | <u>-</u> | <u>-</u> | <u>81,380</u> |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances | - | 24,651 | 24,651 | - | - | - | - |
| Dividend and profit receivable | - | 875 | 875 | - | - | - | - |
| Security deposit | - | 100 | 100 | - | - | - | - |
| | <u>-</u> | <u>25,626</u> | <u>25,626</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | |
| Payable to NBP Fund Management Limited - Management Company | - | 1,248 | 1,248 | - | - | - | - |
| Payable to Central Depository Company of Pakistan | - | 20 | 20 | - | - | - | - |
| Accrued expenses and other liabilities | - | 445 | 445 | - | - | - | - |
| | <u>-</u> | <u>1,713</u> | <u>1,713</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

- 17.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.
- 17.2** 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 condensed interim financial information. 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.

18 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on **February 27, 2020** 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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