

NBP ISLAMIC REGULAR INCOME FUND



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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



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:

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



Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



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



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Second Annual Report of **NBP Islamic Regular Income Fund (NIRIF)** for the year ended June 30, 2020.

The objective of NBP Islamic Regular Income Fund is to provide regular payments to investors by investing in Shariah Compliant Debt, Money Market & Equity investment avenues.

Fund's Performance

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

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

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

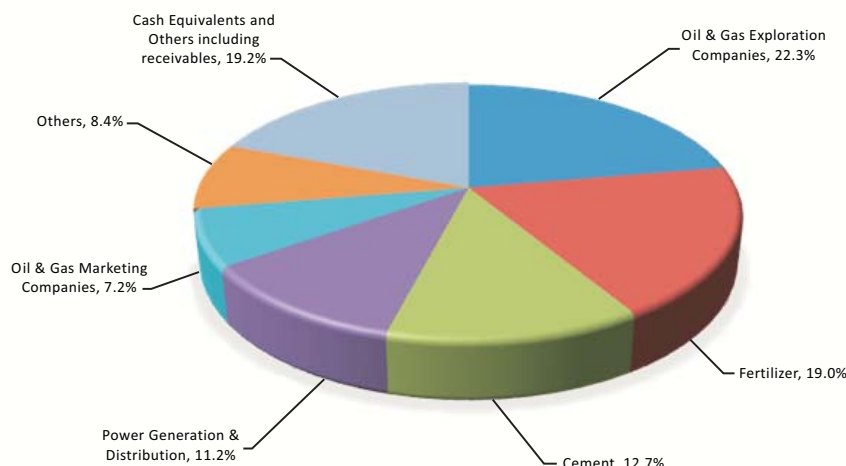
During the fiscal year, NBP Islamic Regular Income Fund increased by 7.6% versus the benchmark increased by 10.8%. Thus, the Fund underperformed the benchmark by 3.2% during the year. The drag on the Fund performance was on account of lagged performance of some of its key holdings belonging to defensive sectors that continued to trade at steep valuation discount compared to the market, during the period under review. We expect these stocks to exhibit strong performance going ahead given their undemanding valuations. Since its launch (October 31, 2018), the Fund has decreased by 10.9%. The Benchmark during the same period was decreased by 10.5%. Thus to date underperformance is 0.4%. This underperformance is net of management fee and all other expenses. The Fund size is 110 million as of June 30, 2020.

NBP Islamic Regular Income Fund has earned a total income of Rs. 11.237 million during the year. After deducting total expenses of Rs. 2.997million, the net income is Rs. 8.240 million. During the year, the unit price of NBP Islamic Regular Income Fund has increased from Rs. 7.8432 (Ex-Div) on June 30, 2019 to Rs. 8.4379 on June 30, 2020. The resultant



per unit gain is Rs. 0.5947 (7.58%).

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



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 5.61% of the opening ex-NAV (4.64% of the par value) for the period ended June 30, 2020.

Taxation

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

Auditors

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

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses



- and minor children are disclosed in note 21 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: September 17, 2020
Place: Karachi.



ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز این بی پی اسلامک ریگولر انکم فنڈ (NIRIF) کی دوسری سالانہ رپورٹ برائے ختمہ سال 30 جون 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔
این بی پی اسلامک ریگولر انکم فنڈ کا مقصد شریعہ کمپلائنس ڈیپٹ، جمنی مارکیٹ اور ایکویٹی انویسٹمنٹ ایونیوز میں سرمایہ کاری کے ذریعے انویسٹرز کو ریگولر انکم فراہم کرنا ہے۔

فنڈ کی کارکردگی

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

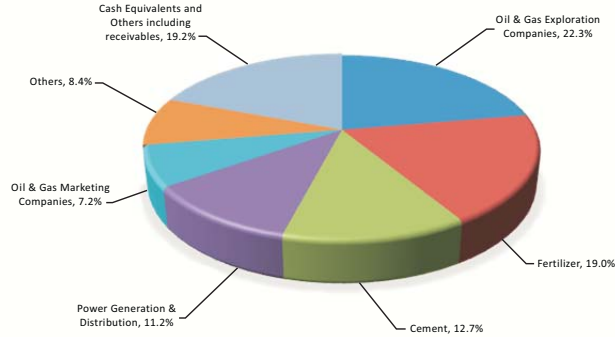
اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے جمنی بیٹ کے اندیشہ، اور T-Bills سے ہارٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک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

زیر جائزہ مالی سال کے دوران شعبہ دار کارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسریز، سیمینٹ، کیمیکلز، انجینئرنگ، کھاد، دواسازی، کانڈاکٹور بورڈ، بیکننگ اور گلاس اینڈ سٹریکس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کرسٹل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوشن، اور نیٹ ورکس کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 بلین امریکی ڈالر کے خالص انفلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 بلین امریکی ڈالر کے ساتھ پوزیشن منظم کی دوسری جانب غیر ملکی سرمایہ کار 285 بلین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک/DFIs اور میوچل فنڈز جی بالترتیب 55 بلین امریکی ڈالر اور 50 بلین امریکی ڈالر کے خالص آؤٹ فلوز کے ساتھ نمایاں فروخت کنندہ رہے۔

مالی سال کے دوران، NBP اسلامک ریگولر انکم فنڈ 10.8% بیچ مارک اضافے کے مقابلے 7.6% زیادہ ہوا۔ لہذا، زیر جائزہ مالی سال کے دوران فنڈ نے اپنے بیچ مارک سے 3.2% کی ایتر کارکردگی ظاہر کی۔ فنڈ کی یہ خراب کارکردگی حفاظتی شعبوں میں کلیدی ہولڈنگز کی خراب کارکردگی کے باعث رہی جسے زیر جائزہ خطرناکی مدت کے دوران بلا امتیاز فروخت کر دیا گیا۔ ہم توقع کرتے ہیں کہ جب ان حصص کی غیر متنزبل قیمتوں کا اندازہ ہوگا تو یہ سرمایہ کاروں کے جذبات میں بہتری کے ساتھ کھوئے ہوئے مقام کو دوبارہ حاصل کر لیں گے۔ اپنے آغاز (31 اکتوبر 2018) سے، فنڈ نے 10.9% کی گامی ہار کی۔ اسی مدت کے دوران بیچ مارک 10.5% سے کم ہوا۔ چنانچہ اب تک ایتر کارکردگی 0.4% ہے۔ یہ کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 30 جون 2020 کو 110 بلین ہے۔

این بی پی اسلامک ریگولر انکم فنڈ کو مالی سال کے دوران 11.237 ملین روپے کی مجموعی آمدنی ہوئی ہے۔ 2.997 ملین روپے کے مجموعی اخراجات متہا کرنے کے بعد خالص آمدنی 8.240 ملین روپے ہے۔ سال کے دوران این بی پی اسلامک ریگولر انکم فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 7.8432 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 8.4379 روپے ہو گئی۔ اس کے نتیجے میں فی یونٹ منافع 0.5947 (7.58%) ہے۔

این بی پی اسلامک ریگولر انکم فنڈ کی ایسٹ ایلوکیٹیشن 30 جون 2020 کو بمطابق ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اویونگ ex-NAV کا 5.61% (بنیادی قدر کا 4.64%) نقد ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

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

آڈیٹ

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

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

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، یکیش فلو اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شاریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیمپل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 25 میں کی گئی ہے۔



- 11 پونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز ہی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔
- 13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

نام	کیٹگری
<ul style="list-style-type: none"> •1 جناب خالد منصور •2 جناب سعد امان اللہ خان •3 جناب ہمایوں بشیر 	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
<ul style="list-style-type: none"> •1 شیخ محمد عبدالواحد سیٹھی (چیئرمین) •2 جناب سعد الرحمان خان •3 جناب سید حسن الرضی کاظمی •4 جناب علی سیگل •5 جناب عمران ظفر 	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے بیٹھمنٹ 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 ٹرسٹی کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Regular Income Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

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

Abdul Samad
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NBP Islamic Regular Income Fund

NBP Islamic Regular Income Fund (NIRIF) is an Open-ended Shariah Compliant Asset Allocation Fund.

Investment Objective of the Fund

The objective of NBP Islamic Regular Income Fund is to provide regular payments to investors by investing in Shariah Compliant Debt, Money Market & Equity investment avenues.

Benchmark

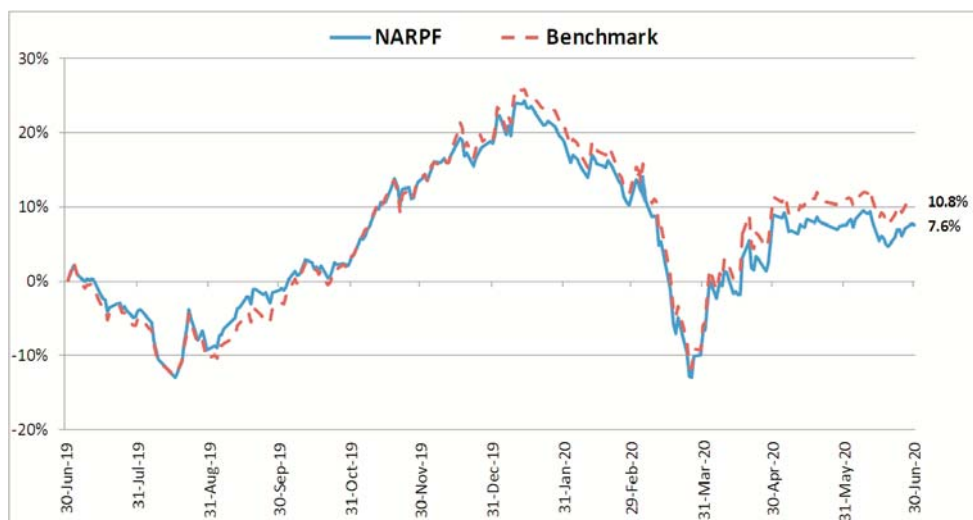
Daily weighted return of KMI-30 Index & 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP, based on Fund's actual allocation.

Fund performance review

This is the second annual report of the Fund. During the fiscal year, NBP Islamic Regular Income Fund increased by 7.6% versus the benchmark increased by 10.8%. Thus, the Fund underperformed the benchmark by 3.2% during the year. Since its launch (October 31, 2018), the Fund has decreased by 10.9%. The Benchmark during the same period was decreased by 10.5%. Thus to date underperformance is 0.4%. This underperformance is net of management fee and all other expenses. The Fund size is 110 million as of June 30, 2020.

NIRIF underperformed during the year as Fund was overweight in key stocks in Technology & Communication, Textile Composite, and Power Generation & Distribution Companies sectors that underperformed the market and underweight in key stocks in Fertilizer, Oil & Gas Exploration Companies, and Cement sectors that outperformed the market, which contributed to the underperformance.

NIRIF Performance vs. Benchmark during FY20



Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating



Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

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

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

Trading activity in Corporate Sukuks witnessed a notable increase of 127% with a cumulative traded value of around Rs. 27 billion in FY2020 compared to Rs. 12 billion in FY2019. Fresh issuance of Ijara Sukuk coupled with the issuance of government-guaranteed energy sector Sukuk and Shariah Compliant Commercial Papers helped the undersupplied market for long-term and short-term shariah-compliant debt instruments. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	80.7%	76.4%
Cash Equivalents	20.2%	23.1%
Other Net Liabilities	(0.9%)	0.5%
Total	100.00%	100.00%

Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Jun-20	4.644%	8.8470	8.3826

Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
1-1000	1
1001-5000	2
5001-10000	1
10001-50000	3
50001-100000	2
100001-500000	-
500001-1000000	0
1000001-5000000	-
5000001-10000000	-
10000001-100000000	1
100000001-1000000000	-
Total	10

During the period under question:

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

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 0.168 Million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.0129 / 0.17%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

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

For and behalf of the board

Date: September 17, 2020
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer



REPORT OF THE SHARI'AH ADVISOR

August 31, 2020/ Muharram 11, 1442

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Second year of operations of NBP Islamic Regular Income Fund (NIRIF). This report is being issued in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

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

Company Name	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	Share Price (B)
						Net Liquid Assets per Share (A)	
Engro Corporation Limited	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
The Hub Power Co. Ltd.*	Power Generation & Distribution Companies	32.34%	0.00%	7.32%	53.77%	(43.08)	
Pakistan Oilfields Limited.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Oil & Gas Development Company Limited**	Oil & Gas Exploration Companies	0.00%	7.95%	7.76%	33.64%	90.21	142.32
Engro Fertilizer Limited	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	
Lucky Cement Limited	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
Pakistan Petroleum Limited	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137



- * Debt is considered excluding circular debt.
- ** OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.
- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIRIF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NIRIF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

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

During the year, fund booked charity of amounting PKR 179,581/- wherein amount available for disbursement is PKR 202,051/-, which is inclusive of PKR 81,236/- provisional amount of previous year adjusted after availability of the respective financial statements.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board



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

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

Applicable Criteria

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

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

Responsibilities of the Management Company

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

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

Our Independence and Quality Control

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

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

Our responsibilities

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

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with Shariah principles and guidelines whether due to fraud or error. In making those risk assessments, we have



considered internal control relevant to financial arrangements and transactions having Shariah implications, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

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

Conclusion

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

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

Date: September 30, 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



INDEPENDENT AUDITORS' REPORT

To the Unit Holders of the NBP Islamic Regular Income Fund Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Other Information

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

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

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



Report on Other Legal and Regulatory Requirements

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

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

Date: September 30, 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020 (Rupees in '000)	2019
Assets			
Bank balances	5	22,096	24,651
Investments	6	88,443	81,380
Dividend and profit receivable	7	158	875
Preliminary expenses and floatation costs	8	674	877
Advance and deposit	9	526	523
Total assets		111,897	108,306
Liabilities			
Payable to NBP Fund Management Limited - Management Company	10	618	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee	11	20	20
Payable to Securities and Exchange Commission of Pakistan	12	22	68
Accrued expenses and other liabilities	13	1,697	447
Total liabilities		2,357	1,783
Net assets		109,540	106,523
Unit holders' fund (as per statement attached)		109,540	106,523
Contingency and commitment	14		
			(Number of units)
Number of units in issue	17	12,981,879	12,868,673
			(Rupees)
Net assets value per unit		8.4379	8.2777

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June
Note	(Rupees in '000)	
Income		
Dividend income	5,949	3,496
Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - net	2,718	(5,568)
Profit on bank deposits	2,998	1,682
Net unrealised diminution on re-measurement of investments at FVTPL	<u>(428)</u>	<u>(17,906)</u>
Total Income / (loss)	11,237	(18,296)
Expenses		
Remuneration to Central Depository Company of Pakistan Limited - Trustee	11.1 219	144
Sindh Sales Tax on remuneration of Trustee	11.2 28	19
Annual fee - Securities and Exchange Commission of Pakistan	12 22	68
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.2 109	72
Selling and marketing expenses	10.3 1,363	-
Auditors' remuneration	19 336	410
Securities transaction cost	182	186
Settlement and bank charges	26	50
Charity expense	180	75
Listing fee	22	20
Professional charges	50	50
Amortisation of preliminary expenses and floatation costs	8 203	134
Shariah advisor fee	16	12
Printing and other charges	73	36
	2,829	1,276
Net income / (loss) from operating activities	8,408	(19,572)
Provision for Sindh Workers' Welfare Fund	(168)	-
Net Income/ (loss) for the year / period before taxation	8,240	(19,572)
Taxation	15 -	-
Net Income/ (loss) for the year/ period	8,240	(19,572)
Allocation of net income for the year		
Net income for the year	8,240	-
Income already paid on units redeemed	(36)	-
	8,204	-
Accounting income available for distribution:		
- Relating to capital gains	2,688	-
- Excluding capital gains	5,516	-
	8,204	-

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

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

Chief Financial Officer

Chief Executive Officer

Director



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
	(Rupees in '000)	
Net income / (loss) for the year / period	8,240	(19,572)
Other comprehensive income for the year/ period	-	-
Total comprehensive income / (loss) for the year / period	<u>8,240</u>	<u>(19,572)</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



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

Note	For the year ended 30 June 2020			For the period from 31 October 2018 to 30 June 2019		
	Value	Accumulated loss	Total	Value	Accumulated loss	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	126,095	(19,572)	106,523	-	-	-
Issue of 13,641,225 (June 2019 : 37,437,951) units						
- Capital value	112,919	-	112,919	374,380	-	374,380
- Element of loss	(2,632)	-	(2,632)	(37,966)	-	(37,966)
Total proceeds on issuance of units	110,287	-	110,287	336,414	-	336,414
Redemption of 13,528,019 (June 2019 : 24,569,278) units						
- Capital value	(111,981)	-	(111,981)	(245,693)	-	(245,693)
- Element of income	2,237	(36)	2,201	35,374	-	35,374
Total payments on redemption of units	(109,744)	(36)	(109,780)	(210,319)	-	(210,319)
Interim distribution for the year ended 30 June 2020						
- Cash distribution	-	(5,705)	(5,705)	-	-	-
- Refund of capital	(25)	-	(25)	-	-	-
	(25)	(5,705)	(5,730)			
Total comprehensive income / (loss) for the year / period	-	8,240	8,240	-	(19,572)	(19,572)
Net assets at end of the year / period	126,613	(17,073)	109,540	126,095	(19,572)	106,523
Accumulated loss brought forward						
- Realised		(1,666)			-	
- Unrealised		(17,906)			-	
		(19,572)			-	
Total comprehensive income for the year						
Accounting income available for distribution						
- Relating to capital gains		2,688			-	
- Excluding capital gains		5,516			-	
		8,204			-	
Total comprehensive loss for the period		-			(19,572)	
Interim distribution for the year ended 30 June 2020						
- Cash distribution		(5,705)			-	
Accumulated loss carried forward		(17,073)			(19,572)	
Accumulated loss carried forward						
- Realised		(16,645)			(1,666)	
- Unrealised		(428)			(17,906)	
		(17,073)			(19,572)	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			8.2777			-
Net assets value per unit at end of the year / period			8.4379			8.2777

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

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

Chief Financial Officer

Chief Executive Officer

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
<i>Note</i>	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income/ (loss) for the year / period before taxation	8,240	(19,572)
Adjustments		
Net unrealised diminution on re-measurement of investments at FVTPL	428	17,906
Amortization of preliminary expense and floatation cost	203	134
	<u>8,871</u>	<u>(1,532)</u>
(Increase) / decrease in assets		
Investments - net	(7,491)	(99,286)
Dividend and profit receivable	717	(875)
Preliminary expenses and floatation cost	-	(1,011)
Advances, deposit and prepayment	(3)	(523)
	<u>(6,777)</u>	<u>(101,695)</u>
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - Management Company	(630)	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee	-	20
Payable to Securities and Exchange Commission of Pakistan	(46)	68
Accrued expenses and other liabilities	1,250	447
	<u>574</u>	<u>1,783</u>
Net cash generated / (used) in operating activities	<u>2,668</u>	<u>(101,444)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issue of units	110,262	336,414
Payments against redemption of units	(109,780)	(210,319)
Distribution paid	(5,705)	-
Net cash (used in) / from financing activities	<u>(5,223)</u>	<u>126,095</u>
Net (decrease) / increase in cash and cash equivalents during the period	<u>(2,555)</u>	<u>24,651</u>
Cash and cash equivalents at beginning of the year / period	24,651	-
Cash and cash equivalents at end of the year / period	<u>5</u> <u>22,096</u>	<u>24,651</u>

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

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

Chief Financial Officer

Chief Executive Officer

Director



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

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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.
- 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. Thereafter, the Fund commenced its business activities on same date.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned 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

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

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

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



2.2 Accounting convention

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

- (a) Valuation of investment (4.2.3)
- (b) Provisions (Note 4.5)
- (c) Element of income (Note 4.8)
- (d) Classification and impairment of financial assets (Note 4.2.1 and 4.2.5)

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

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

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



accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The application of amendments are not likely to have an impact on the Fund's financial statements.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021 and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items



produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The application of amendments are not likely to have an impact on the Fund's financial statements.

Annual Improvements to IFRS standards 2018-2020:

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of these financial statements have been consistently applied to all periods presented.

4.1 New, Amended and Revised Standards and Interpretations of IFRSs

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

4.2 Financial assets

4.2.1 Classification

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

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

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

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



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

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

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

Business model assessment

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

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

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

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

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

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

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

The Fund has determined that it has two business models.



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

Reclassifications

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

4.2.2 Initial recognition and measurement

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

4.2.3 Subsequent measurement

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Equity Securities

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

4.2.4 Regular way contracts

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

4.2.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating



ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

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

4.2.6 Derecognition

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

4.2.7 Offsetting of financial assets and financial liabilities

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

4.2.8 Cash and cash equivalents

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

4.2.9 Derivatives

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

4.3 Financial liabilities

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

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

4.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

4.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle



the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. The Fund intends to distribute more than ninety percent of its accounting income for the current year if there is profit available for distribution at year end to avail the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

4.7 Issue and redemption of units

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

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

4.8 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

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

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

4.9 Earnings per unit

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



4.10 Net assets value per unit

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

4.11 Revenue recognition

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

4.12 Distribution

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year/period is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year/period.

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

5 BANK BALANCES

2020 2019
(Rupees in '000)

In current accounts		167	13
In savings accounts	5.1	<u>21,929</u>	<u>24,638</u>
		<u><u>22,096</u></u>	<u><u>24,651</u></u>

5.1 These carry a rate of return ranging from 3.0% to 7.5% per annum (2019: 3.0% to 13.5% per annum).

6 INVESTMENTS

Financial assets at fair value through profit or loss

Listed equity securities	6.1	<u><u>88,443</u></u>	<u><u>81,380</u></u>
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6.1 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 year	Bonus Shares issued during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2020	Market value /carrying value as at 30 June 2020	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of the paid up capital of the investee company held
	(Number of shares)						(Rupees in '000)	(%)		
Oil and Gas Exploration Company										
Pakistan Oilfields Limited	28,600	12,800	-	-	10,200	31,200	10,940	9.99	12.37	0.01
Pakistan Petroleum Limited	56,600	36,100	9,520	-	33,300	68,920	5,981	5.46	6.76	-
Oil & Gas Development Company Limited	100,700	58,300	-	-	90,400	68,600	7,477	6.83	8.45	-
	185,900	107,200	9,520	-	133,900	168,720	24,398	22.28	27.58	
Oil and Gas Marketing Company										
Pakistan State Oil Company Limited	3,600	21,400	2,120	-	3,600	23,520	3,720	3.40	4.21	0.01
Attock Petroleum Limited	10,700	-	-	-	-	10,700	3,266	2.98	3.69	0.01
Sui Northern Gas Pipelines	-	15,500	-	-	-	15,500	846	0.77	0.96	-
	14,300	36,900	2,120	-	3,600	49,720	7,832	7.15	8.86	
Fertilizer										
Engro Corporation Limited	46,860	21,100	-	-	22,200	45,760	13,404	12.24	15.16	0.01
Engro Fertilizers Limited	169,000	107,500	-	-	153,500	123,000	7,414	6.77	8.38	0.01
	215,860	128,600	-	-	175,700	168,760	20,818	19.01	23.54	
Chemical										
Engro Polymer and Chemicals Limited	-	8,000	-	-	-	8,000	200	0.17	0.23	-
Cement										
Kohat Cement Company Limited	22,800	6,500	-	-	5,000	24,300	3,340	3.05	3.78	0.01
D.G. Khan Cement Company Limited	-	10,000	-	-	1,300	8,700	742	0.68	0.84	-
Fauji Cement Company Limited	-	183,000	-	-	6,500	176,500	2,979	2.72	3.37	0.01
Maple Leaf Cement Factory Limited	-	30,000	-	-	4,000	26,000	675	0.62	0.76	-
Lucky Cement Limited	4,900	11,300	-	-	2,800	13,400	6,185	5.65	6.99	-
	27,700	240,800	-	-	19,600	248,900	13,921	12.72	15.74	
Automobile Parts & Accessories										
Agriauto Industries Limited	-	4,000	-	-	-	4,000	728	0.66	0.82	0.01
Automobile Assembler										
Honda Atlas Cars (Pakistan) Limited	-	6,500	-	-	-	6,500	1,259	1.15	1.42	-
Indus Motor Company Limited	-	1,100	-	-	-	1,100	1,095	1.00	1.24	-
Millat Tractors Limited	-	3,200	-	-	1,700	1,500	1,059	0.97	1.20	-
	-	10,800	-	-	1,700	9,100	3,413	3.12	3.86	
Transport										
Pakistan National Shipping Corporation Limited	-	17,000	-	-	-	17,000	1,285	1.17	1.45	0.01
Textile Composite										
Nishat Mills Limited	28,000	6,500	-	-	6,000	28,500	2,223	2.03	2.51	0.01
Technology & Communication										
Pakistan Telecommunication Company Limited	492,500	-	-	-	492,500	-	-	-	-	-
Power Generation and Distribution										
The Hub Power Company Limited	147,972	39,000	-	-	25,000	161,972	11,743	10.72	13.28	0.01
Saif Power Limited	-	29,500	-	-	-	29,500	474	0.43	0.54	0.01
	147,972	68,500	-	-	25,000	191,472	12,217	11.15	13.82	
Sugar & Allied Industries										
Faran Sugar Mills Limited	-	7,000	-	-	-	7,000	277	0.25	0.31	0.03
Habib Sugar Mills Limited	-	11,500	-	-	-	11,500	339	0.31	0.38	0.01
Mirpurkhas Sugar Mills Limited	-	500	50	-	550	-	-	-	-	-
	-	19,000	50	-	550	18,500	616	0.56	0.69	
Commercial Banks										
Meezan Bank Limited	-	11,500	-	-	-	11,500	792	0.72	0.90	-
Total - 30 June 2020	1,112,232	658,800	11,690	-	858,550	924,172	88,443	80.74	100.00	
Carrying value before fair value adjustment as at 30 June 2020							<u>88,871</u>			



7	DIVIDEND AND PROFIT RECEIVABLE	2020	2019
		(Rupees in '000)	
	Dividend receivable on Equity Securities	-	579
	Profit receivable on Savings Deposits	<u>158</u>	<u>296</u>
		<u>158</u>	<u>875</u>

8	PRELIMINARY EXPENSES AND FLOTATION COSTS		
	Opening for the year / incurred during the period	877	1,011
	Less: Amortisation for the year / period	<u>(203)</u>	<u>(134)</u>
	Balance at end of the year / period	<u>674</u>	<u>877</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.

		2020	2019
		(Rupees in '000)	
9	ADVANCE AND DEPOSIT		
		<i>Note</i>	
	Advance tax	9.1	423
	Security deposit		100
			<u>526</u>
			<u>523</u>

9.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposit paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008- VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on dividends and profit on bank deposits as at 30 June 2020 amounts to Rs. 0.426 million (2019: Rs. 0.423 million).

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

10	PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY		
		2020	2019
		(Rupees in '000)	
		<i>Note</i>	
	Sales and transfer load		1
	Sales Tax Payable to Sales and Transfer load		-
	Allocation of expenses related to registrar services, accounting, operation and valuation services	10.2	56
	Selling and marketing	10.3	-
	Preliminary expenses and floatation costs		1,011
	Other payable		180
			<u>618</u>
			<u>1,248</u>



- 10.1** 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. 1.656 million (2019: 1.437 million) during the year / period.
- 10.2** 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. On 20 June 2019 SECP vide S.R.O. 639 (I)/2019, has substituted clause (s) of sub regulation 3 of regulation 60 and accordingly has removed cap of charging 0.1% per annum of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services. However, the Management Company is charging 0.1% of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services.
- 10.3** 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
01 July 2019 to 11 July 2019	0.4% of net assets or actual expenses whichever is lower.
12 July 2019 to 16 December 2019	1.15% of net assets or actual expenses whichever is lower.
17 December 2019 to 10 May 2020	1.35% of net assets or actual expenses whichever is lower.
11 May 2020 to 30 June 2020	1.50% of net assets or actual expenses whichever is lower.

11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
			(Rupees in '000)	
	Trustee Remuneration	11.1	18	18
	Sindh Sales Tax on Trustee remuneration	11.2	2	2
			<u>20</u>	<u>20</u>

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

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

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

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

The remuneration is paid to the Trustee monthly in arrears.



- 11.2** 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.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 (Rupees in '000)	2019
Provision for SWWF	13.1	168	-
Auditors' remuneration		272	273
Bank charges		-	3
Settlement charges		5	6
Charity payable	13.2	255	75
Shariah Advisor Fee		16	12
Withholding tax		866	2
Legal fees		100	50
Printing charges		15	26
		1,697	447

- 13.1** 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 30 June 2020 would higher by Rs. 0.0129 per unit (30 June 2019: Nil).

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

14 CONTINGENCY AND COMMITMENT

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

15 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 has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.5 and 17.2), no provision for taxation has been made in these financial statements.

16 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 2.74% (2019: 1.77%) per annum. Total expense ratio (excluding government levies) is 2.54% (2019: 1.65%) per annum.

17 NUMBER OF UNITS IN ISSUE

	Note	2020	2019
Opening units		12,868,673	-
Add: Units issued against			
- Sale	17.1	13,638,282	37,437,951
- Refund of capital at zero value	17.2	2,943	
		13,641,225	37,437,951
Less: Units redeemed		(13,528,019)	(24,569,278)
Total units in issue at end of the year / period		<u>12,981,879</u>	<u>12,868,673</u>

17.1 This includes 578,035 units issued against Dividend Reinvestment Plan amounting to Rs. 4,845,667, net of taxation.

17.2 The Management Company on 24 June 2020 declared interim distribution amounted to Rs. 0.4644 per unit (for full period) for the year ended 30 June 2020. The aggregate cash distribution is Rs. 5,706 million was in addition to refund of capital / element of income by issuing 2,943 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.

18 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend Payable	Total
----- (Rupees in '000) -----				
Balance as at 1 July 2019	-	-	-	-
Receivable against issuance of units	110,262	-	-	110,262
Payable against redemption of units	-	109,780	-	109,780
Dividend Payable	-	-	5,705	5,705
	110,262	109,780	5,705	225,747
Amount received on issuance of units	(105,416)	-	-	(105,416)
Amount paid on redemption of units	-	(109,780)	-	(109,780)
Dividend reinvested	(4,846)	-	(5,705)	(10,551)
	(110,262)	(109,780)	(5,705)	(225,747)
Balance as at 30 June 2020	-	-	-	-



19 AUDITORS' REMUNERATION

	2020	2019
	(Rupees in '000)	
Statutory audit fee	220	170
Half yearly review fee	68	68
Out of pocket expenses and others including government levy	48	172
	<u>336</u>	<u>410</u>

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2020		
	At amortized cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Assets			
Bank balances	22,096	-	22,096
Investments	-	88,443	88,443
Dividend and profit receivable	158	-	158
Deposits	100	-	100
	<u>22,354</u>	<u>88,443</u>	<u>110,797</u>

	As at 30 June 2020		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	618	618
Payable to Central Depository Company of Pakistan Limited - Trustee	-	20	20
Accrued expenses and other liabilities	-	663	663
	<u>-</u>	<u>1,301</u>	<u>1,301</u>

	As at 30 June 2019		
	At amortized cost	Mandatorily At fair value through profit or loss	Total
	(Rupees in '000)		
Assets			
Bank balances	24,651	-	24,651
Investments	-	81,380	81,380
Dividend and profit receivable	875	-	875
Deposits	100	-	100
	<u>25,626</u>	<u>81,380</u>	<u>107,006</u>



As at 30 June 2019

	Mandatorily at fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----			
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	1,248	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee	-	20	20
Accrued expenses and other liabilities	-	445	445
	<u>-</u>	<u>1,713</u>	<u>1,713</u>

21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

21.1 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.

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

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

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

21.5 Transactions during the year / period

	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
(Rupees in '000)		
NBP Fund Management Limited - Management Company		
Units issued: 12,209,553 units (2019: 36,628,658 units)	97,893	328,866
Units redeemed: 12,209,553 units (2019: 24,419,105 units)	97,893	208,844
Dividend Re-invest: 574,967 units (2019: Nil Units)	4,820	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	109	72
Selling and marketing expenses	1,363	-
Sales load and others	23	1
Sindh sales tax on sales load	3	-
Employees of the Management Company		
Units issued: 340,010 units (2019: 52,743 units)	2,990	525
Units redeemed: 323,649 units (2019: 52,743 units)	2,864	524
Dividend Re-invest: 87 units (2019: Nil units)	1	-
Bank Islami Pakistan Limited		
Markup on bank balances	879	314



	For the year ended 30 June 2020	For the period from 31 October 2018 to 30 June 2019
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Trustee Remuneration	219	144
Sales tax on remuneration to Trustee	28	19
CDC charges	9	-
Pakistan Stock Exchange**		
Listing fee paid	25	-
National Bank of Pakistan Limited - Islamic Banking		
Markup on bank balances	-	4
Taurus Securities Limited		
Brokerage charges	15	11
Cherat Cement Company Limited*		
Shares purchased: Nil shares (2019: 16,000 shares)	-	1,232
Shares sold: Nil shares (2019: 16,000 shares)	-	893
The Hub Power Company Limited**		
Shares purchased: 39,000 shares (2019: Nil shares)	2,772	-
Shares sold: 25,000 shares (2019: Nil shares)	2,378	-
21.6 Amounts outstanding as at year / period end:	2020	2019
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Units held: 12,784,520 units (2019: 12,209,553 units)	107,874	101,067
Allocation of expenses related to registrar services, accounting, operation and valuation services	27	56
Selling and marketing expenses	384	-
Preliminary expenses and floatation costs	-	1,011
Sales load and others	24	1
Other payable	180	180
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	18	18
Sindh Sales Tax on Trustee remuneration	2	2
CDC charges	5	6
Security deposit	100	100
Bank Islami Pakistan Limited		
Bank balance	19,320	23,736
Markup on bank balance	119	247
Employees of the Management Company		
Units held: 16,448 units (2019: Nil units)	139	-
The Hub Power Company Limited**		
Shares held: 161,972 (2019: Nil units)	11,743	-



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

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

22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

*Asim Wahab Khan is the Fund Manager of the Fund. He is also managing NBP Balanced fund, NBP Financial sector fund, NBP Islamic Energy fund, NBP Islamic Sarmaya Izafa Fund, NBP Sarmaya Izafa Fund, NBP Stock Fund and NBP Islamic Active Allocation Equity Fund.

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

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

S. No	Particulars	Percentage (%)
1	Taurus Securities Limited	9.53
2	Aqeel Karim Dehdi Securities (Pvt) Limited	6.18
3	Arif Habib Securities Limited	6.16
4	Insight Securities (Pvt.) Limited	6.05
5	Al Habib Capital Markets (Pvt) Limited	5.90
6	Optimus Capital Management Limited	5.88
7	Intermarket Securities	5.80
8	Spectrum Securities (Pvt) Limited	5.27
9	Foundation Securities	5.20
10	Sherman Securities (Pvt) Limited	5.13

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

S. No	Particulars	Percentage (%)
1	Topline Securities (Pvt) Limited	14.49
2	Aqeel Karim Dehdi Securities (Pvt) Limited	14.13
3	Arif Habib Securities Limited	7.59
4	Taurus Securities Ltd.	6.92
5	Bma Capital Management Limited	6.36
6	Foundation Securities	5.73
7	Alfalah Securities (Pvt) Limited	4.95
8	Optimus Capital Management Limited	4.44
9	Next Capital Limited	4.29
10	Concordia Securities (Pvt) Limited	3.90



24 PATTERN OF UNIT HOLDING

As at 30 June 2020			
Category	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	9	1,665	1.52
Associated companies and directors	1	107,875	98.48
	10	109,540	100.00

As at 30 June 2019			
Category	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	2	54	0.05
Associated companies and directors	1	101,067	94.88
Retirement funds	1	5,402	5.07
	4	106,523	100.00

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

25.1 Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque retired from the Board with effect from 04 October 2019.

25.2 Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Khan, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan opted as director on the Board with effect from 04 October 2019.

26 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in

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

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

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

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

26.1 Market risk

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

26.1.1 Currency risk

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

26.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.2193 million (2019: 0.2464 million).

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds no fixed rate instruments.

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



As at 30 June 2020

Yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to yield / interest risk	Total	
	Upto three months	Over three months and upto one year	Over one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Bank balances	3.00 - 7.50	21,929	-	-	167	22,096
Investments		-	-	-	88,443	88,443
Dividend and profit receivable		-	-	-	158	158
Advance and deposits		-	-	-	100	100
		<u>21,929</u>	<u>-</u>	<u>-</u>	<u>88,868</u>	<u>110,797</u>
Financial Liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	618	618
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	20	20
Accrued expenses and other liabilities		-	-	-	663	663
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,301</u>	<u>1,301</u>
On-balance sheet gap		<u>21,929</u>	<u>-</u>	<u>-</u>	<u>87,567</u>	<u>109,496</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		<u>21,929</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>21,929</u>	<u>21,929</u>	<u>21,929</u>		

As at 30 June 2019

Yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to yield / interest risk	Total	
	Upto three months	Over three months and upto one year	Over one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Bank balances	3.00 - 13.50	24,638	-	-	13	24,651
Investments		-	-	-	81,380	81,380
Dividend and profit receivable		-	-	-	875	875
Advance and deposits		-	-	-	100	100
		<u>24,638</u>	<u>-</u>	<u>-</u>	<u>82,368</u>	<u>107,006</u>
Financial Liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	1,248	1,248
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	20	20
Accrued expenses and other liabilities		-	-	-	445	445
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,713</u>	<u>1,713</u>
On-balance sheet gap		<u>24,638</u>	<u>-</u>	<u>-</u>	<u>80,655</u>	<u>105,293</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		<u>24,638</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>24,638</u>	<u>24,638</u>	<u>24,638</u>		



26.1.3 Price risk

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

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

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

In case of 5% increase / decrease in KMI 30 index on 30 June 2020, with all other variables held constant, net assets for the period would increase / (decrease) by Rs. 4.4222 million (2019: 4.069 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.

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

26.2 Credit risk

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

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

Balances with banks	2020	2019
	(Rupees in '000)	
AAA	1,218	45
AA+	315	31
AA-	-	-
AA	1,218	814
A+	19,325	5
A-	15	23,750
A	5	6
	22,096	24,651

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



Concentration of the credit risk

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

26.3 Liquidity risk

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

Management of liquidity risk

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

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

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

Maturity analysis for financial liabilities

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

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

	30 June 2020			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
Payable to NBP Fund				
Management Limited - Management Company	618	618	-	-
Payable to Central Depository				
Company of Pakistan Limited - Trustee	20	20	-	-
Accrued expenses and other liabilities	663	663	-	-
	1,301	1,301	-	-
Unit holders' fund	109,540	109,540	-	-



	30 June 2019			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
Payable to NBP Fund				
Management Limited - Management Company	1,248	1,248	-	-
Payable to Central Depository				
Company of Pakistan Limited - Trustee	20	20	-	-
Accrued expenses and other liabilities	445	445	-	-
	<u>1,713</u>	<u>1,713</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>106,523</u>	<u>106,523</u>	<u>-</u>	<u>-</u>

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the 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.



		30 June 2020						
		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		88,443	-	88,443	88,443	-	-	88,443
		<u>88,443</u>	<u>-</u>	<u>88,443</u>	<u>88,443</u>	<u>-</u>	<u>-</u>	<u>88,443</u>
Financial assets not measured at fair value								
27.1	Bank balances	-	22,096	22,096				
	Dividend and profit receivable	-	158	158				
	Security deposit	-	100	100				
		<u>-</u>	<u>22,354</u>	<u>22,354</u>				
Financial liabilities not measured at fair value								
27.1	Payable to NBP Fund Management Limited - Management Company	-	618	618				
	Payable to Central Depository Company of Pakistan	-	20	20				
	Accrued expenses and other liabilities	-	663	663				
		<u>-</u>	<u>1,301</u>	<u>1,301</u>				
		(Rupees in '000)						
		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>				
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>				



- 27.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.
- 27.2** Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

28 UNIT HOLDERS' FUND RISK MANAGEMENT

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. The Fund has no restrictions on the subscription and redemption of units.

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

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

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

29 Impact of COVID-19

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

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

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

Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and securities of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced



monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

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

30 DATE OF AUTHORISATION FOR ISSUE

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

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

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
Net assets (Rs. '000')	109,540	106,523
Net Income (Rs. '000')	8,240	(19,572)
Net Asset Value per units (Rs.)	8.4379	8.2777
Selling price per unit	8.7239	8.5583
Redemption price per unit	8.4379	8.2777
Ex - Highest offer price per unit (Rs.)	10.0832	10.3213
Ex - Lowest offer price per unit (Rs.)	7.0588	8.4067
Ex - Highest redemption price per unit (Rs.)	9.7526	10.0000
Ex - Lowest redemption price per unit (Rs.)	6.8274	8.1311
Fiscal Year Opening Ex Nav	7.8432	10.0000
Total return of the fund	7.58%	-17.20%
Capital growth	2.04%	-17.20%
Income distribution as % of Ex-NAV	5.54%	0.00%
Income distribution as % of Par Value	4.64%	0.00%
Distribution		
Interim Distribution per unit	0.4644	-
Final distribution per unit	-	-
Distribution dates		
Interim	24/Jun/2020	-
Final	-	-
Average annual return (launch date October 31, 2018)		
(Since inception to June 30, 2020)	-6.72%	
(Since inception to June 30, 2019)		-17.20%
Portfolio Composition (see Fund Manager report)		

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



PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Islamic Regular Income Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfund.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP Islamic Regular Income Fund				
	Resolutions	For	Against	Abstain*
Number	3	3	Nil	N/A
(%)	100%	100%	-	-

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