



Islamic Savings

البنك الإسلامي

NBP Fund Management Limited



# NBP ISLAMIC INCOME FUND

ANNUAL REPORT  
2022

AM1  
Rated by PACRA

# MISSION STATEMENT

"To become country's most  
investor-focused company,  
by assisting investors  
in achieving their financial goals."

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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. Tauqeer Mazhar	Director
Ms. Mehnaz Salar	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
Ms. Mehnaz Salar	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
Mr. Saad Amanullah Khan	Member

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tauqeer Mazhar	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

Bank Islami Pakistan Limited  
United Bank Limited (Islamic)  
Dubai Islamic Bank Pakistan Limited  
Meezan Bank Limited  
Silk Bank Limited (Emaan Islamic)  
AlBaraka Bank (Pakistan Limited)  
National Bank of Pakistan (Islamic Banking)  
Habib Bank Limited (Islamic)  
MCB Bank Limited  
Bank Alfalah Limited (Islamic)  
Habib Metropolitan Bank Limited  
Soneri Bank Limited  
JS Bank Limited

**Auditors**

A.F. Ferguson & Co. Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road,  
P.O.Box 4716  
Karachi.

**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.nbpffunds.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 Officer



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Humayun Bashir**  
Director



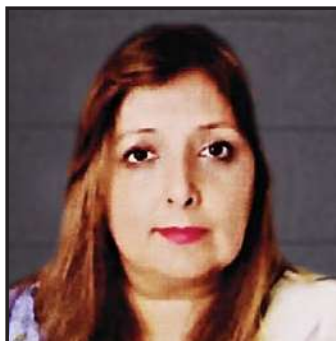
**Mr. Tauqeer Mazhar**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Saad Amanullah Khan**  
Director



**Ms. Mehnaz Salar**  
Director



**Mr. Imran Zaffar**  
Director

## Senior Management



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



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



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



**Mr. Ozair Khan**  
Chief Technology Officer



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



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



**Mr. Khalid Mehmood**  
Chief Financial Officer



**Mr. Salman Ahmed, CFA**  
Head of Fixed Income



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



**Mr. Muhammad Umer Khan**  
Head of Human Resources &  
Administration



**Syed Sharoz Mazhar, CFA**  
Head of Business &  
Sales Strategy



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



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



**Mr. Muhammad Imran, CFA, ACCA**  
Head of Portfolio Management



**Syed Haseeb Ahmed Shah**  
Head of Compliance

## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Second Annual Report of **NBP Islamic Income Fund** (NBP-IIF) for the year ended June 30, 2022.

### Fund's Performance

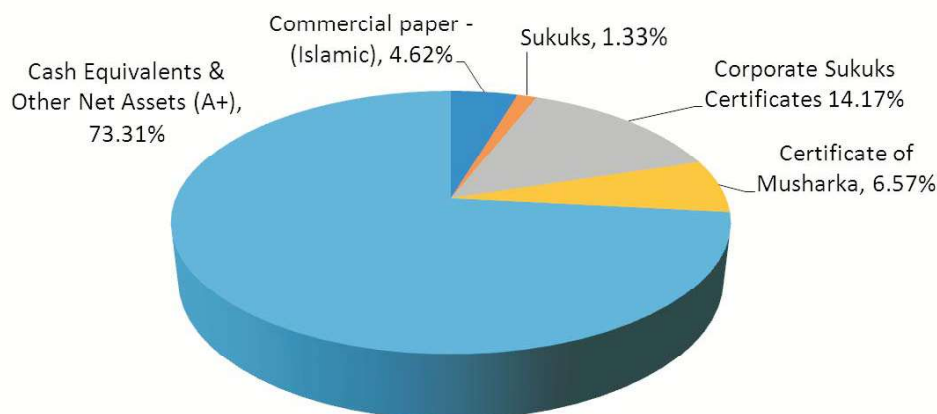
During FY22, State Bank of Pakistan (SBP) held eight (8) monetary Policy meetings and increased the discount rate from 8% to 14.75% - to counter inflationary pressures, ensure economic sustainability and safeguard external & price stability; owing to significant domestic political noise and global uncertainty. During the second half, global economic conditions deteriorated due to Russia-Ukraine conflict and burgeoning commodity prices, which pushed all the central banks across the world to confront multi-year high inflation and challenging outlook. Domestically, the inflation trajectory also remained on an uptrend due to i) sharp spike in prices of food component, ii) continued pressure on the Rupee, iii) increase in utility tariffs, and iv) reversal of fuel subsidies. Inflation as measured by CPI clocked in at 21.3% in June-22 as against 9.7% during corresponding month last year. Gross foreign exchange reserves with SBP also shrunk to USD 9.8 billion at June-22 end compared to USD 17.3 billion a year ago. The outlook for inflation has deteriorated and risks to external stability have risen, with further rate hikes likely in the initial half of the upcoming year.

Trading activity in corporate sukuks further reduced as cumulative traded value stood at Rs. 4 billion compared to Rs. 16 billion in FY21. However, the fresh issuance of Shariah Compliant commercial papers helped the undersupplied market for long-term Shariah Compliant debt instruments to some extent.

NBP-IIF is categorized as a Shariah Compliant Income Fund. The fund aims to provide competitive returns by investing in Shariah compliant debt securities and money market instruments. Minimum eligible rating is A-, while the Fund is allowed to invest with Islamic Banks, Islamic branches / windows of conventional banks providing easy liquidity. The Fund is allowed to invest in Shariah Compliant Money Market instruments & debt securities rated A or better. The Fund is not authorized to invest in Equities. The weighted average time to maturity of the Fund cannot exceed 4 years excluding government securities.

The size of NBP Islamic Income Fund has increased from Rs. 3,247 million to Rs. 7,533 million during the period, i.e., a notable growth of 132%. During the said period, the unit price of the Fund has increased from Rs. 9.1731 (Ex-Div) on June 30, 2021 to Rs. 10.0384 on June 30, 2022 thus posting a return of 9.4% as compared to its Benchmark return of 3.3% for the same period. The return of the Fund is net of management fee and all other expenses

The Fund has earned a total income of Rs. 518.10 million during the year. After deducting total expenses of Rs. 53.65 million, the net income is Rs. 464.45 million. The asset allocation of NBP Islamic Income Fund as on June 30, 2022 is as follows:





## Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 9.16% of the opening ex-NAV (9.18% of the par value) for the year ended June 30, 2022.

## 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.

## Sindh Workers' Welfare Fund (SWWF)

On August 13, 2021 provisioning against Sindh Workers' Welfare Fund by NBP ISLAMIC INCOME FUND amounting to Rs. 2.18 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP ISLAMIC INCOME FUND by 0.05% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

## Auditors

The present auditors, Messrs A. F. Ferguson & Co. Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2023.

## 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 five meetings during the year. The attendance of all directors is disclosed in the note 29 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 26 to these financial statements.

12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2022, the Board included:

Category	Names
<b>Independent Directors</b>	1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
<b>Executive Director</b>	Dr. Amjad Waheed - Chief Executive Officer
<b>Non-Executive Directors</b>	1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Tauqeer Mazhar 3. Ms. Mehnaz Salar 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 Officer**

**Director**

Date: **September 27, 2022**

Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP اسلامک انکم فنڈ (NBP-IIF) کی دوسری سالانہ رپورٹ برائے مختتمہ سال 30 جون 2022 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

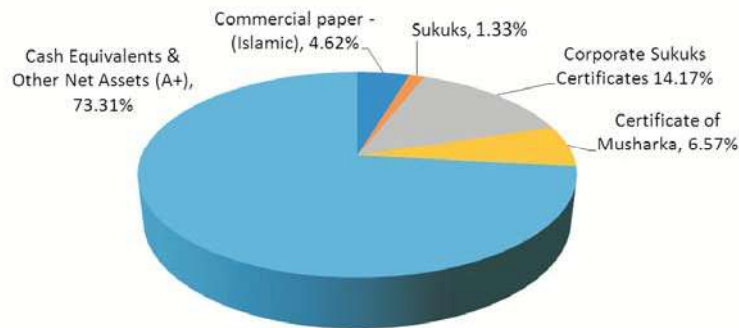
مالی سال 22 کے دوران، اسٹیٹ بینک آف پاکستان (SBP) نے آٹھ (8) مائٹری پالیسی اجلاس منعقد کئے اور اہم ملکی سیاسی شور اور عالمی غیر یقینی صورتحال کی وجہ سے افراط زر کے دباؤ کا مقابلہ کرنے، معاشی استحکام کو یقینی بنانے اور بیرونی اور قیمتوں کے استحکام کی حفاظت کے لیے؛ ڈسکاؤنٹ کی شرح کو 8% سے بڑھا کر 14.75% کر دیا۔ دوسری ششماہی کے دوران، روس-یوکرین تنازعہ اور ایشیا کی بڑھتی ہوئی قیمتوں کی وجہ سے عالمی اقتصادی حالات خراب ہو گئے، جس نے دنیا بھر کے تمام مرکزی بینکوں کو کئی سالوں کی بلند افراط زر اور چیلنجنگ آؤٹ لک کا سامنا کرنے پر مجبور کر دیا۔ ملکی سطح پر، افراط زر میں بھی بڑھنے کا رجحان رہا جس کی وجہ سے (i) غذائی اجزاء کی قیمتوں میں تیزی سے اضافہ، (ii) روپیہ پر مسلسل دباؤ، (iii) یوٹیلٹی ٹیرف میں اضافہ، اور (iv) ایندھن کی سبسڈی کا ختم ہونا۔ CPI کی پینکشن کردہ افراط زر جون-22 میں 21.3 فیصد تک پہنچ گئی جو گزشتہ سال کے اسی مہینے کے دوران 9.7 فیصد تھی۔ اسٹیٹ بینک پاکستان کے پاس غیر ملکی زرمبادلہ کے مجموعی ذخائر بھی ایک سال قبل 17.3 بلین امریکی ڈالر کے مقابلے میں جون-22 کے آخر میں 9.8 بلین امریکی ڈالر تک کم ہو گئے۔ افراط زر کا نقطہ نظر خراب ہو گیا اور بیرونی استحکام کے لیے خطرات بڑھ گئے ہیں، آئندہ سال کی پہلی ششماہی میں شرح مزید بڑھنے کا امکان ہے۔

کارپوریٹ سکوک میں تجارتی سرگرمی مزید کم ہوئی کیونکہ مجموعی تجارت مالی سال 21 میں 16 بلین روپے کے مقابلے میں 4 بلین روپے رہی۔ تاہم، شریعہ کمپلائنسٹ کمرشل پیپر کے نئے اجراء سے طویل مدتی شریعہ کمپلائنسٹ قرضی آلات سے زیر سپلائی مارکیٹ کو کچھ حد تک مدد ملی۔

NBP-IIF کی درجہ بندی بطور شریعہ کمپلائنسٹ انکم فنڈ کی گئی ہے۔ اس فنڈ کا مقصد شریعت کے مطابق قرضوں کی سکیورٹیز اور منی مارکیٹ کے آلات میں سرمایہ کاری کر کے مسابقتی منافع فراہم کرنا ہے۔ فنڈ اسلامک بینکوں، روایتی بینکوں کی اسلامک برانچز اور وڈوز میں آسانی سے لیکویڈیٹی فراہم کرنے والے A- یا بالاتر درجے کے اسلامی بینکوں کے ساتھ سرمایہ کاری کی اجازت دیتا ہے۔ فنڈ کو شریعت کے مطابق A یا اس سے بالا درجہ بندی کے منی مارکیٹ کے آلات اور ڈیٹ سیکورٹیز میں سرمایہ کاری کرنے کی اجازت ہے۔ فنڈ ایکٹوٹی میں سرمایہ کاری کرنے کا مجاز نہیں ہے۔ گورنمنٹ سکیورٹیز کے علاوہ فنڈ کی ہیپوٹھ کی اوسط مدت 4 سال سے زیادہ نہیں ہو سکتی ہے۔

NBP اسلامک انکم فنڈ کا سائز 3,247 بلین روپے سے بڑھ کر اس مدت کے دوران 7,533 بلین روپے ہو گیا یعنی 132% کا اضافہ ہوا۔ سال کے دوران، NBP اسلامک انکم فنڈ کے یونٹ کی قیمت 30 جون 2021 کو 9.1731 (Ex-Div) روپے سے بڑھ کر 30 جون 2022 کو 10.0384 روپے ہو گئی، چنانچہ اس مدت کے لئے 3.3% نیٹ مارک منافع کے مقابلے میں 9.4% کا منافع درج کیا۔ فنڈ کا منافع مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

فنڈ کو اس مدت کے دوران 518.10 بلین روپے کی آمدنی ہوئی۔ 53.65 بلین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 464.45 بلین روپے ہے۔ 30 جون 2022 کو NBP-IIF کی ایسٹ ایلوکیشن حسب ذیل ہے:



## آمدنی کی تقسیم

میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2022 کو ختم ہونے والے سال کے لئے اوپننگ ex-NAV کا 9.16% (بنیادی قدر کا 9.18%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

## ٹیکسیشن

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

## سندھ ورکرز ویلفیئر فنڈ (SWWF)

13 اگست 2021 کو NBP اسلامک انڈ فنڈ کی طرف سے سندھ ورکرز ویلفیئر فنڈ کی پروویڈنگ کے بعد مر اسلہ نمبر SRB/TP/70/2013/8772 مورخہ 12 اگست 2021 کی رو سے سندھ ریونیو بورڈ کی طرف سے موصول کیلبریفیکیشن پرمیوچل فنڈز ایسوسی ایشن آف پاکستان کو دی گئی 2.18 ملین روپے کی رقم واپس کر دی گئی۔ پروویڈنگ کی اس واپسی کے باعث 13 اگست 2021 کو NBP اسلامک ڈبلی ڈیویڈنڈ فنڈ کے NAV میں 0.05% کا غیر معمولی اضافہ ہوا ہے۔ یہ ایک ایسا موقع ہے جو کہ مستقبل میں دوبارہ آنے کا امکان نہیں ہے۔

## آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2023 کو ختم ہونے والے سال کے دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔

## لسٹڈ کمپنیوں کے گورنرز اور پورٹ فولیو ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1. میٹجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلواور پونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شریاتی تحجیے 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 ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 29 میں ظاہر کی گئی ہے۔
11. پونٹ ہولڈنگ کا تفصیلی پیرن مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، ای او ای ایف او، کمپنی سیکریٹری 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 20 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 فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2022 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں



نام	کینگری
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
1 • شیخ محمد عبدالواحد سیٹھی (چیئر مین) 2 • جناب توقیر مظہر 3 • محترمہ مہناز سالار 4 • جناب علی سیگل 5 • جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

## اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمیٹی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ 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 فرسٹی 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** فنانس منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 27 ستمبر 2022ء

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 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, 2022 in accordance with the provisions of the following:

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

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 28, 2022

## FUND MANAGER REPORT

### NBP Islamic Income Fund

NBP Islamic Income Fund (NBP-IIF) is an Open-End Shariah Compliant Income Fund.

### Investment Objective of the Fund

To provide competitive returns by investing in Shariah compliant debt securities and money market instruments.

### Benchmark

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

### Fund Performance Review

This is the 2nd Annual report since the launch of the Fund on August 13, 2020. The Fund size increased notably by 132% and stands at Rs. 7.5 billion as of June 30, 2022. Since its inception, the Fund has earned an annualized return of 8.2% versus the benchmark return of 3.4%, thus registering an outperformance of 4.8% p.a. During FY22, the Fund posted a return of 9.4% as compared to the benchmark return of 3.3% translating into an outperformance of 6.1% p.a. This outperformance is net of management fee and all other expenses.

NBP-IIF aims to provide competitive returns by investing in Shariah compliant debt securities and money market instruments. Minimum eligible rating is AA, while the Fund is allowed to invest with Islamic Banks, Islamic branches / windows of conventional banks providing easy liquidity. The Fund is allowed to invest in Shariah Compliant Money Market instruments & debt securities rated A- or better. The Fund is not authorized to invest in Equities. The weighted average time to maturity of the Fund cannot exceed 4 years excluding government securities.

Trading activity in corporate sukuks further reduced as cumulative traded value stood at Rs. 4 billion compared to Rs. 16 billion in FY21. However, the fresh issuance of Shariah Compliant commercial papers helped the undersupplied market for long-term Shariah Compliant debt instruments to some extent. During FY22, State Bank of Pakistan (SBP) held Eight (8) Monetary Policy meetings and increased the discount rate from 8% to 14.75% - to counter inflationary pressures, ensure economic sustainability and safeguard external & price stability; owing to significant domestic political noise and global uncertainty. During the second half, global economic conditions deteriorated due to Russia-Ukraine conflict and burgeoning commodity prices, which pushed all the central banks across the world to confront multi-year high inflation and challenging outlook. Domestically, the inflation trajectory also remained on an uptrend due to i) sharp spike in prices of food component, ii) continued pressure on the Rupee, iii) increase in utility tariffs, and iv) reversal of fuel subsidies. Inflation as measured by CPI clocked in at 21.3% in June-22 as against 9.7% during corresponding month last year. Gross foreign exchange reserves with SBP also shrunk to USD 9.8 billion at June-22 end compared to USD 17.3 billion a year ago. The outlook for inflation has deteriorated and risks to external stability have risen, with further rate hikes likely in the initial half of the upcoming year.

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

Particulars	30-Jun-22	30-Jun-21
Islamic Commercial Papers	4.62%	2.12%
Corporate Sukuk certificates	14.17%	17.92%
GOP Ijarah Sukuks	1.33%	3.10%
Term Deposit Receipts	-	24.33%
Certificate of Musharika	6.57%	9.70%
Cash Equivalents & Other Assets	73.31%	42.83%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Distribution for the Financial Year 2022

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June-22	9.175%	10.9311	10.0136

## Unit Holding Pattern of NBP Islamic Income Fund as on June 30, 2022

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	26
1-1000	261
1001-5000	153
5001-10000	136
10001-50000	554
50001-100000	410
100001-500000	668
500001-1000000	133
1000001-5000000	100
5000001-10000000	16
10000001-100000000	8
<b>Total</b>	<b>2,465</b>

## During the period under question

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

## Sindh Workers' Welfare Fund (SWWF)

On August 13, 2021 provisioning against Sindh Workers' Welfare Fund by NBP Islamic Income Fund amounting to Rs. 2.18 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP Islamic Income Fund by 0.05% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.



## STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

**NBP Islamic 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 period ended June 30, 2022. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 27, 2022**  
Karachi

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

## REPORT OF THE SHARI'AH SUPERVISORY BOARD

September 12, 2022/Safar 15, 1444

**Alhamdulillah**, the period from July 01, 2021 to June 30, 2022 was the Second year of the operations of NBP Islamic Income Fund (NBP-IIF). This report is being issued in accordance with clause 3.7 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NBP-IIF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NBP-IIF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.

On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NBP-IIF for the year ended June 30, 2022 are not in compliance with the Shari'ah principles.

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

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

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

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

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

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Islamic Income Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of NBP Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2022, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of 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.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Net Asset Value</b> (Refer notes 4 and 5 to the annexed financial statements)</p> <p>The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2022 amounted to Rs. 5,471.730 million and Rs. 2,011.357 million respectively.</p> <p>The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2022 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>• obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2022 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> <li>• re-performed valuation to assess that investments are carried as per the valuation</li> </ul>

S. No.	Key Audit Matter	How the matter was addressed in our audit
		<p>methodology specified in the accounting policies; and</p> <ul style="list-style-type: none"> <li>obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

## Responsibilities of Management and Board of Directors of the Management Company 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.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

**A.F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**  
**Date:** September 28, 2022

UDIN: AR202210061zcW2BNhp5

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2022

	Note	2022 ------(Rupees in '000)-----	2021
<b>ASSETS</b>			
Bank balances	4	5,471,730	1,492,721
Investments	5	2,011,357	1,856,273
Profit receivable	6	108,047	23,892
Prepayments, deposits and other receivables	7	443	529
Receivable against transfer of units		57,330	-
Preliminary expenses and floatation costs	8	485	641
<b>Total assets</b>		<b>7,649,392</b>	<b>3,374,056</b>
<b>LIABILITIES</b>			
Payable to NBP Fund Management Limited - the Management Company	9	14,224	3,476
Payable to Central Depository Company of Pakistan Limited - the Trustee	10	488	172
Payable to the Securities and Exchange Commission of Pakistan	11	990	238
Payable against redemption of units		66,255	16,841
Payable against purchase of investments		-	101,326
Accrued expenses and other liabilities	12	34,225	5,347
<b>Total liabilities</b>		<b>116,182</b>	<b>127,400</b>
<b>NET ASSETS</b>		<b>7,533,210</b>	<b>3,246,656</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>7,533,210</b>	<b>3,246,656</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	15	<b>750,442,762</b>	<b>324,225,556</b>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>	14	<b>10.0384</b>	<b>10.0136</b>

The annexed notes 1 to 31 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, 2022

	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
Note -----(Rupees in '000)-----		
<b>INCOME</b>		
Income on corporate sukuk certificates	102,703	14,002
Income on GoP Ijarah sukuks	9,395	7,676
Income on term deposit receipts	12,202	15,903
Income on Islamic commercial papers	57,270	7,522
Income on bai muajjal receivable	2,663	-
Income on certificates of musharakah	46,166	6,578
Profit on bank balances	266,885	38,461
Gain on sale of investments - net	994	330
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.7 18,250	602
<b>Total income</b>	<b>516,528</b>	<b>91,074</b>
<b>EXPENSES</b>		
Remuneration of NBP Fund Management Limited - the Management Company	9.1 30,582	6,060
Sindh sales tax on remuneration of the Management Company	9.2 3,976	788
Reimbursement of allocated expenses	9.3 6,185	1,451
Reimbursement of selling and marketing expenses	9.4 5,312	1,337
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	10.1 3,711	893
Sindh sales tax on remuneration of the Trustee	10.2 482	116
Annual fees to the Securities and Exchange Commission of Pakistan	11.1 990	238
Amortisation of preliminary expenses and floatation costs	8 156	137
Auditors' remuneration	16 525	503
Legal and professional charges	286	163
Annual listing fee	27	25
Shariah advisor fee	722	146
Settlement and bank charges	179	157
Printing expenses	121	52
Securities transaction cost	124	75
Annual rating fee	275	86
<b>Total operating expenses</b>	<b>53,653</b>	<b>12,227</b>
<b>Net income from operating activities</b>	<b>462,875</b>	<b>78,847</b>
Reversal of provision / (provision) against Sindh Workers' Welfare Fund	12.1 1,577	(1,577)
<b>Net income for the year / period before taxation</b>	<b>464,452</b>	<b>77,270</b>
Taxation	17 -	-
<b>Net income for the year / period after taxation</b>	<b>464,452</b>	<b>77,270</b>
<b>Earnings per unit</b>	18	
<b>Allocation of net profit for the year / period</b>		
Net income for the year / period after taxation	464,452	77,270
Income already paid on units redeemed	(289,490)	(36,455)
	<b>174,962</b>	<b>40,815</b>
<b>Accounting income available for distribution</b>		
- Relating to capital gains	19,244	518
- Excluding capital gains	155,718	40,297
	<b>174,962</b>	<b>40,815</b>

The annexed notes 1 to 31 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, 2022

	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
	------(Rupees in '000)-----	
<b>Net income for the year / period after taxation</b>	<b>464,452</b>	<b>77,270</b>
Other comprehensive income for the year / period	-	-
<b>Total comprehensive income for the year / period</b>	<b>464,452</b>	<b>77,270</b>

The annexed notes 1 to 31 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, 2022

	For the year ended June 30, 2022			For the period from August 13, 2020 to June 30, 2021		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year / period	3,242,640	4,016	3,246,656	-	-	-
Issuance of 1,841,148,051 units (2021: 681,601,240 units)						
- Capital value (at ex - net asset value per unit)	18,436,520	-	18,436,520	6,816,012	-	6,816,012
- Element of income	724,694	-	724,694	129,823	-	129,823
Total proceeds on issuance of units	19,161,214	-	19,161,214	6,945,835	-	6,945,835
Redemption of 1,414,930,845 units (2021: 357,375,684 units)						
- Capital value (at ex - net asset value per unit)	(14,168,552)	-	(14,168,552)	(3,573,757)	-	(3,573,757)
- Element of loss	(442,159)	(289,490)	(731,649)	(55,651)	(36,455)	(92,106)
Total payments on redemption of units	(14,610,711)	(289,490)	(14,900,201)	(3,629,408)	(36,455)	(3,665,863)
Total comprehensive income for the year / period	-	464,452	464,452	-	77,270	77,270
Distribution during the year						
For the year ended June 30, 2022: Rs. 0.9175 per unit declared on June 24, 2022	(279,196)	(159,715)	(438,911)	-	-	-
Distributions during the period						
- @ Re 0.1121 per unit (date of declaration: October 14, 2020)	-	-	-	(3,253)	(4,927)	(8,180)
- @ Re 0.4571 per unit (date of declaration: June 23, 2021)	-	-	-	(70,534)	(31,872)	(102,406)
	(279,196)	(159,715)	(438,911)	(73,787)	(36,799)	(110,586)
<b>Net assets at the end of the year / period</b>	<b>7,513,947</b>	<b>19,263</b>	<b>7,533,210</b>	<b>3,242,640</b>	<b>4,016</b>	<b>3,246,656</b>
Undistributed income brought forward		3,414			-	
- Realised income		602			-	
- Unrealised income		4,016			-	
Accounting income available for distribution:						
- Relating to capital gains		19,244			518	
- Excluding capital gains		155,718			40,297	
		174,962			40,815	
Distributions during the year / period		(159,715)			(36,799)	
<b>Undistributed income carried forward</b>		<b>19,263</b>			<b>4,016</b>	
<b>Undistributed income carried forward:</b>						
- Realised income		1,013			3,414	
- Unrealised income		18,250			602	
		19,263			4,016	
			(Rupees)			(Rupees)
Net asset value per unit at the beginning of the year / period			10.0136			-
Net asset value per unit at the end of the year / period			10.0384			10.0136

The annexed notes 1 to 31 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, 2022

	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year / period before taxation	464,452	77,270
<b>Adjustments:</b>		
Income on corporate sukuk certificates	(102,703)	(14,002)
Income on GoP Ijarah sukuks	(9,395)	(7,676)
Income on term deposit receipts	(12,202)	(15,903)
Income on Islamic commercial papers	(57,270)	(7,522)
Income on bai muajjal receivable	(2,663)	-
Income on certificates of musharakah	(46,166)	(6,578)
Profit on bank balances	(266,885)	(38,461)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.7 (18,250)	(602)
(Reversal of provision) / provision against Sindh Workers' Welfare Fund	12.1 (1,577)	1,577
Amortisation of preliminary expenses and floatation costs	8.1 156	137
	(516,955)	(89,030)
<b>Increase in assets</b>		
Investments	(184,654)	(964,345)
Prepayments, deposits and other receivables	86	(529)
Preliminary expenses and floatation costs	-	(778)
	(184,568)	(965,652)
<b>Increase in liabilities</b>		
Payable to NBP Fund Management Limited - the Management company	10,748	3,476
Payable to Central Depository Company of Pakistan Limited - the Trustee	316	172
Payable to the Securities and Exchange Commission of Pakistan	752	238
Accrued expenses and other liabilities	30,455	3,770
	42,271	7,656
Profit received on bank balances, islamic commercial paper, sukuk certificates, bai muajjal receivable, term deposit receipts and certificates of musharakah	413,129	66,250
<b>Net cash generated from / (used in) operating activities</b>	<b>218,329</b>	<b>(903,506)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units - net of refund of capital	18,824,688	6,872,048
Amount paid against redemption of units	(14,850,787)	(3,649,022)
Distributions paid	(159,715)	(36,799)
<b>Net cash generated from financing activities</b>	<b>3,814,186</b>	<b>3,186,227</b>
<b>Net increase in cash and cash equivalents during the year / period</b>	<b>4,032,515</b>	<b>2,282,721</b>
Cash and cash equivalents at the beginning of the year / period	2,282,721	-
<b>Cash and cash equivalents at the end of the year / period</b>	<b>6,315,236</b>	<b>2,282,721</b>

The annexed notes 1 to 31 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, 2022

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Islamic Income Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on March 9, 2020.

During the year ended June 30, 2021 the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on October 15, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (SECP). The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended Shariah compliant income fund by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs. 10 per unit. Thereafter, the units were being offered for public subscription on a continuous basis from August 13, 2020 and are transferable and redeemable by surrendering them to the Fund.

The objective of the Fund is to provide competitive returns by investing in Shariah compliant debt securities and money market instruments.

The Pakistan Credit Rating Agency (PACRA) has reaffirmed an asset manager rating of the Management Company of AM1 (2021: AM1 on June 23, 2021) on June 22, 2022. The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes. Furthermore, PACRA has upgraded the stability rating of the Fund to A+(f) (2021: A(f) on April 16, 2021) on April 19, 2022.

The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from

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

## **2.2 Standards, interpretations and amendments to published accounting and reporting standards as applicable in Pakistan that are yet effective:**

There are certain amendments that are mandatory for the Fund's accounting year beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

## **2.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective:**

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting year beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations, and therefore have not been detailed in these financial statements.

## **2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgments that have a significant effect on these financial statements of the Fund relate to classification and valuation of financial assets (note 3.2 and 5).

## **2.5 Basis of measurement**

These financial statements have been prepared under the historical cost convention except investments that have been carried at fair values.

## **2.6 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1 Cash and cash equivalents**

These comprise bank balances in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

### **3.2 Financial assets**

#### **3.2.1 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 recognised in the income statement.

## 3.2.2 Classification and subsequent measurement

### Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL)

based on the business model of the entity.

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognised at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

## 3.2.3 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

## 3.2.4 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and is based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the income statement.

As allowed by the SECP, the Management Company may make provision against debt securities one and above the minimum provision requirement prescribed by the SECP in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has been replaced on the Management Company's website as required by the SECP's Circular.

## 3.2.5 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

## 3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired

or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the income statement.

### **3.3 Financial liabilities**

#### **3.3.1 Classification and subsequent measurement**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

#### **3.3.2 Derecognition**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

### **3.4 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.

### **3.5 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.

### **3.6 Net Asset Value per unit**

The Net Asset Value (NAV) per unit, as disclosed in the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

### **3.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company/ distributors receive redemption application during business hours of that day. The redemption price is equal to the NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

### **3.8 Distributions to unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

### 3.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

Element of income represents the difference between Net Asset Value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the net asset value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

### 3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are recorded in the year in which these arise.
- Profit on bank balances is recognised on an accrual basis.
- Income from corporate sukuk certificates, GoP Ijarah sukuks, term deposit receipts, Islamic commercial papers and certificates of musharakh is recognised on an accrual basis using effective interest rate method.

### 3.11 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

### 3.12 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund.

### 3.13 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### 3.14 Taxation

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

### 3.15 Earnings per unit

Earnings per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 18.

4	<b>BANK BALANCES</b>	Note	2022 ------(Rupees in '000)-----	2021
	Balances with banks in:			
	Current accounts		14,215	8,776
	Savings accounts	4.1	<u>5,457,515</u>	<u>1,483,945</u>
			<u><u>5,471,730</u></u>	<u><u>1,492,721</u></u>

4.1 These include balances of Rs 1.073 million and Rs 7.495 million (2021: Rs 0.299 million and Rs 8.743 million) maintained with National Bank of Pakistan and BankIslami Pakistan Limited (related parties) respectively, that carry profit at the rate ranging from 12.25 to 15.00% (2021: 4.5% to 7%) per annum respectively. Other savings accounts of the Fund carry profit at the rate ranging from 6.50% to 16.00% (2021: 4% to 7.4%) per annum.

5	<b>INVESTMENTS</b>	Note	2022 ------(Rupees in '000)-----	2021
	<b>At fair value through profit or loss</b>			
	Islamic commercial papers	5.1	348,375	68,800
	GoP Ijarah sukuks	5.2	100,030	100,630
	Corporate sukuk certificates	5.3	1,067,821	581,843
	Bai muajjal receivable	5.4	-	-
	Term deposit receipts	5.5	-	790,000
	Certificates of musharakah	5.6	495,131	315,000
			<u>2,011,357</u>	<u>1,856,273</u>

## 5.1 Islamic commercial papers

Name of investee company	Rating	As at July 1, 2021	Purchased during the year	Disposed of / matured during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution)	Market value as a percentage of total investments	Market value as a percentage of net assets
<b>Engineering</b>										
Mughal Iron & Steel Industries Limited ICP-1	A-2, VIS	-	300,000	-	300,000	298,559	298,559	-	14.84%	3.96%
<b>Power generation &amp; distribution</b>										
K-Electric Limited ICP-16	A-1+, PACRA	70,000	-	70,000	-	-	-	-	-	-
K-Electric Limited ICP-19	A-1+, VIS	-	142,000	142,000	-	-	-	-	-	-
K-Electric Limited ICP-20	A-1+, VIS	-	200,000	200,000	-	-	-	-	-	-
K-Electric Limited ICP-22	AA, PACRA	-	100,000	100,000	-	-	-	-	-	-
K-Electric Limited ICP-23	A-1+, VIS	-	100,000	100,000	-	-	-	-	-	-
Lucky Electric Power Company Limited ICP-1	AA-, PACRA	-	150,000	150,000	-	-	-	-	-	-
Lucky Electric Power Company Limited ICP-2	AA-, PACRA	-	50,000	-	50,000	49,816	49,816	-	2.48%	0.66%
<b>Total as at June 30, 2022</b>						<u>348,375</u>	<u>348,375</u>	<u>-</u>	<u>17.32%</u>	<u>4.62%</u>
<b>Total as at June 30, 2021</b>						<u>68,800</u>	<u>68,800</u>			

5.1.1 These carry yield ranging from 12.31% to 12.87% (2021: 8.48%) per annum and are due to mature latest by July 21, 2022.



## 5.2 GoP Ijarah sukuk

Name of the security	Profit payments	Issue date	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Sold during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution)	Percentage in relation to	
												total market value of investments	net assets of the Fund
					Number of certificates			Rupees in '000			%		
GoP Ijarah sukuk XX - VRR 19 (Note 5.2.1)	Semi-annually	May 29, 2020	May 29, 2025	Weighted average 6 months T-Bills	20,000	-	-	20,000	100,630	100,030	(600)	4.97%	1.33%
<b>Total as at June 30, 2022</b>									100,630	100,030	(600)	4.97%	1.33%
<b>Total as at June 30, 2021</b>									100,630	100,630	-	5.42%	3.10%

5.2.1 The nominal value of these sukuk is Rs 5,000 each.

## 5.3 Corporate sukuk certificates

Name of the security	Rating	Profit payments / redemptions	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Sold / redeemed during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution)	Percentage in relation to	
												total market value of investments	net assets of the Fund
					Number of certificates			Rupees in '000			%		
<b>POWER GENERATION &amp; DISTRIBUTION</b>													
The Hub Power Company Limited (Non-traded) (Face value of Rs 100,000 per certificate)	AA+, PACRA	Semi-Annually	March 19, 2024	1 year KIBOR plus base rate of 1.9%	500	-	-	500	51,200	51,216	16	2.55%	0.68%
Hub Power Holdings Limited (Non-traded) (Face value of Rs 100,000 per certificate) [note 5.3.1]	AA+, PACRA	Semi-Annually	November 12, 2025	6 months KIBOR plus base rate of 2.50%	700	-	-	700	67,919	67,919	-	3.38%	0.90%
Engro Powergen Thar (Private) Limited (Non-traded) (Face value of Rs 5,000 per certificate)	A, PACRA	Quarterly	August 2, 2024	3 months KIBOR plus base rate of 1.70%	40,000	20,000	-	60,000	300,100	317,391	17,291	15.78%	4.21%
OBS AGP (Private) Limited (Non-traded) (Face value of Rs 100,000 per certificate)	A+, VIS	Quarterly	July 15, 2026	3 months KIBOR plus base rate of 1.55%	-	2,000	2,000	-	-	-	-	-	-
The Hub Power Company Limited (Traded) (Face value of Rs 100,000 per certificate)	AA+, PACRA	Quarterly	August 22, 2023	3 months KIBOR plus base rate of 1.9%	-	700	-	700	53,977	55,235	1,258	2.76%	0.73%
The Hub Power Company Limited (Non-traded) (Face value of Rs 100,000 per certificate)	AA+, PACRA	Semi-Annually	November 5, 2021	3 months KIBOR plus base rate of 1.75%	2,180	-	2,180	-	-	-	-	-	-
The Hub Power Company Limited (Face value of Rs 100,000 per certificate)	AA+, PACRA	Semi-Annually	May 2, 2022	6 months KIBOR plus base rate of 0.8%	-	500	500	-	-	-	-	-	-
K-Electric Limited - Sukuk V (Traded) (Face value of 5,000 per certificate)	AA+, VIS	Quarterly	August 3, 2027	3 months KIBOR plus base rate of 1.7%	10,000	-	-	10,000	50,775	51,060	285	2.54%	0.68%
K-Electric short-term sukuk - 1 (non-traded) (Face value of Rs 1,000,000 per certificate)	AA, PACRA	Semi-annually	August 04, 2022	6 months KIBOR plus base rate of 0.85%	-	150	-	150	150,000	150,000	-	7.46%	1.99%
K-Electric short-term sukuk - 2 (non-traded) (Face value of Rs 1,000,000 per certificate)	AA, PACRA	Semi-annually	August 15, 2022	6 months KIBOR plus base rate of 0.85%	-	150	-	150	150,000	150,000	-	7.46%	1.99%
K-Electric short-term sukuk - 6 (non-traded) (Face value of Rs 1,000,000 per certificate)	AA, PACRA	Semi-annually	October 27, 2022	6 months KIBOR plus base rate of 0.70%	-	225	-	225	225,000	225,000	-	11.18%	2.99%
<b>Total as at June 30, 2022</b>									1,048,971	1,067,821	18,850	53.11%	14.17%
<b>Total as at June 30, 2021</b>									581,241	581,843	602	31.34%	17.92%

5.3.1 Sukuk certificates of Hub Power Holdings Limited are carried at their carrying amount as they are not valued by MUFAP / at PKISRV.

## 5.4 Bai muajjal receivable

Name of counterparty	Rating	Maturity date	Profit rate	Total transaction price	Deferred income	Accrued profit	Carrying value	Percentage in relation to	
								total market value of investments	net assets of the Fund
								(Rupees in '000)	
								%	
Pak Brunei Investment Company Limited	AA+, VIS	May 23, 2022	10.55%	102,925	2,663	-	-	-	-
<b>Total as at June 30, 2022</b>				<b>102,925</b>	<b>2,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total as at June 30, 2021</b>									

## 5.5 Term deposit receipts

Name of the security	Rating	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Matured during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution)	Market value as a percentage of total investments	Market value as a percentage of net assets	
													(Rupees in '000)
												%	
<b>Commercial banks</b>													
United Bank Limited - Islamic Banking	AAA, VIS	July 28, 2021	6.90%	340,000	-	340,000	-	-	-	-	-	-	
BankIslami Pakistan Limited - a related party	A+, PACRA	July 29, 2021	7.30%	400,000	-	400,000	-	-	-	-	-	-	
BankIslami Pakistan Limited - a related party	A+, PACRA	August 2, 2021	7.30%	50,000	-	50,000	-	-	-	-	-	-	
BankIslami Pakistan Limited - a related party	A+, PACRA	August 27, 2021	7.00%	-	500,000	500,000	-	-	-	-	-	-	
BankIslami Pakistan Limited - a related party	A+, PACRA	August 31, 2021	7.00%	-	90,000	90,000	-	-	-	-	-	-	
BankIslami Pakistan Limited - a related party	A+, PACRA	September 27, 2021	7.00%	-	115,000	115,000	-	-	-	-	-	-	
BankIslami Pakistan Limited - a related party	A+, PACRA	October 27, 2021	7.45%	-	300,000	300,000	-	-	-	-	-	-	
BankIslami Pakistan Limited - a related party	A+, PACRA	November 30, 2021	7.80%	-	301,837	301,837	-	-	-	-	-	-	
<b>Total as at June 30, 2022</b>								<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total as at June 30, 2021</b>													
								<b>790,000</b>	<b>790,000</b>	<b>-</b>	<b>42.56%</b>	<b>24.33%</b>	

## 5.6 Certificates of musharakah

Name of the security	Rating	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Matured during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution)	Market value as a percentage of total investments	Market value as a percentage of net assets	
													(Rupees in '000)
												%	
<b>Non-bank islamic financial institution</b>													
First Habib Modaraba	AA+, PACRA	July 26, 2021	7.25%	140,000	-	140,000	-	-	-	-	-	-	
First Habib Modaraba	AA+, PACRA	October 28, 2021	7.30%	175,000	-	175,000	-	-	-	-	-	-	
First Habib Modaraba	AA+, PACRA	January 26, 2022	9.05%	-	285,000	285,000	-	-	-	-	-	-	
First Habib Modaraba	AA+, PACRA	April 28, 2022	9.20%	-	181,437	181,437	-	-	-	-	-	-	
First Habib Modaraba	AA+, PACRA	April 26, 2022	10.75%	-	296,567	296,567	-	-	-	-	-	-	
First Habib Modaraba	AA+, PACRA	July 26, 2022	14.80%	-	304,794	-	304,794	304,794	304,794	-	15.14%	4.05%	
First Habib Modaraba	AA+, PACRA	July 28, 2022	14.80%	-	190,337	-	190,337	190,337	190,337	-	9.46%	2.53%	
<b>Total as at June 30, 2022</b>								<b>495,131</b>	<b>495,131</b>	<b>-</b>	<b>24.60%</b>	<b>6.57%</b>	
<b>Total as at June 30, 2021</b>													
								<b>315,000</b>	<b>315,000</b>	<b>-</b>	<b>16.97%</b>	<b>9.70%</b>	

		2022	2021
	Note	------(Rupees in '000)-----	
<b>5.7 Unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net</b>			
Market value of investments	5.1, 5.2, 5.3, 5.4, 5.5 & 5.6	<b>2,011,357</b>	1,856,273
Less: carrying value of investments	5.1, 5.2, 5.3, 5.4, 5.5 & 5.6	<b>1,993,107</b>	1,855,671
		<b>18,250</b>	602

## 6 PROFIT RECEIVABLE

Profit receivable on:			
Bank balances		<b>61,734</b>	8,275
Corporate sukuk certificates		<b>32,414</b>	2,201
GoP Ijarah sukuks		<b>1,320</b>	6,479
Term deposit receipts		-	359
Certificates of musharakah		<b>12,579</b>	6,578
		<b>108,047</b>	23,892

## 7 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Advance tax	7.1	<b>343</b>	343
Prepaid mutual fund rating fee		-	86
Security deposit with Central Depository Company of Pakistan Limited *		<b>100</b>	100
		<b>443</b>	529

\* related party balance

- 7.1 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. However, withholding tax on profit on bank balances and profit on debt securities to the Fund was 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 May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholders. The taxes withheld on profit on bank balances and profit on debt securities amount to Rs 0.343 million (2021: Rs 0.343 million).

For this purpose, 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 Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the SCP granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding taxes deducted on profit received by the Fund on bank balances and on debt securities have been shown as other receivable as at June 30, 2022 as, in the opinion of the management, the amount of taxes deducted at source will likely be refunded.

		2022	2021
	Note	------(Rupees in '000)-----	
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs - opening		<b>641</b>	778
Less: amortisation during the year / period	8.1	<b>(156)</b>	(137)
At the end of the year / period		<b>485</b>	641

- 8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are paid by NBP Fund Management Limited (Management Company). These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

9	<b>PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY</b>	Note	2022 ------(Rupees in '000)-----	2021
	Remuneration payable to the Management Company	9.1	4,770	1,022
	Sindh sales tax on remuneration payable to the Management Company	9.2	604	133
	Reimbursement of allocated expenses payable	9.3	2,018	706
	Sales and transfer load payable		3,691	566
	Sindh sales tax payable on sales load		480	74
	Preliminary expenses and floatation cost payable		-	778
	ADC charges payable including Sindh sales tax		395	49
	Reimbursement of selling and marketing expenses payable	9.4	2,113	-
	Other payable		153	148
			<u>14,224</u>	<u>3,476</u>

**9.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 6% (2021: 6%) of net income, subject to floor and capping of 0.5% and 1.25% (2021: 0.5% and 1.25%) per annum of the average net assets of the Fund during the current year. The remuneration is payable to the Management Company monthly in arrears.

**9.2** During the year, an amount of Rs. 3.976 million (2021: Rs. 0.788 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011 at the rate of 13%.

**9.3** In accordance with Regulation 60 of the NBFC Regulations 2008, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

The Management Company based on its discretion has charged accounting and operational charges under the following rates:

Rate applicable from July 1, 2021 to June 30, 2022	Rate applicable from October 27, 2020 to June 30, 2021	Rate applicable from August 13, 2020 to October 26, 2020
0.125% of average annual net assets	0.125% of average annual net assets	0.1% of average annual net assets

**9.4** In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company based on its own discretion has charged selling and marketing expenses at 0% for the period from July 1, 2021 to July 25, 2021, 0.25% for the period from July 26, 2021 to August 1, 2021, 0.10% for the period from August 2, 2021 to May 08, 2022 and 0.15% for the period from May 09, 2022 to June 30, 2022 (2021: 0.7% per annum of the average annual net assets for the period from August 13, 2020 till November 19, 2020 and 0% thereafter) of the average annual net assets of the Fund keeping in view the overall return and the total expense ratio limit of the Fund as defined under the NBFC Regulations, 2008.

10	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY</b>	Note	2022 ------(Rupees in '000)-----	2021
	Trustee fee payable	10.1	432	152
	Sindh sales tax payable on the trustee fee	10.2	56	20
			<u>488</u>	<u>172</u>

**10.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the rate of 0.075% (2021: 0.075%) per annum of net assets.

**10.2** During the year, an amount of Rs. 0.482 million (2021: Rs. 0.116 million) was charged on account of sales tax at the rate of 13% on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

11	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	2022	2021
		Note	------(Rupees in '000)-----
	Annual fee payable	11.1	<u>990</u> <u>238</u>

11.1 Under the provisions of the NBFC Regulations, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.02% (2021: 0.02%) of the average annual net assets of the Fund.

12	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	2022	2021
		Note	------(Rupees in '000)-----
	Provision for Sindh Workers' Welfare Fund	12.1	-      1,577
	Auditors' remuneration payable		386      349
	Legal fees payable		140      107
	Shariah advisor fee payable		715      146
	Withholding tax payable		19,803      1,840
	Capital gain tax payable		12,605      946
	Payable against printing charges		67      39
	Bank and settlement charges payable		70      17
	Brokerage payable		97      -
	Other payables		342      326
			<u>34,225</u> <u>5,347</u>

12.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is 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 Mutual Funds Association of Pakistan (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 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 SWWF Act. 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, MUFAP had 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 Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). The Funds had accordingly made provision in respect of SWWF as recommended by MUFAP.

During the current year, SRB through its letter dated August 12, 2021 intimated MUFAP that the mutual funds do not qualify as financial institutions / industrial establishments and are therefore, not liable to pay SWWF contributions. This development was discussed at MUFAP level and was also taken up with the SECP and all the Asset Management Companies, in consultation with the SECP, have reversed the cumulative provision of SWWF amounting to Rs. 1.577 million recognised in the financial statements of the Fund, for the period from August 13, 2020 to August 12, 2021, on August 13, 2021. The SECP also gave its concurrence for prospective reversal of provision for SWWF. Going forward, no provision for SWWF has been recognised in the financial statements of the Fund.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2022 and June 30, 2021.

## 14 NET ASSET VALUE PER UNIT

The Net Asset Value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
<b>15 NUMBER OF UNITS IN ISSUE</b>	-----Number of units-----	
Total units in issue at the beginning of the year / period	324,225,556	-
Units issued during the year / period	1,841,148,051	681,601,240
Less: units redeemed during the year / period	(1,414,930,845)	(357,375,684)
Total units in issue at the end of the year / period	<u>750,442,762</u>	<u>324,225,556</u>

	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
<b>16 AUDITORS' REMUNERATION</b>	----- (Rupees in '000) -----	
Annual audit fee	235	220
Other certifications	155	150
Half yearly review	86	80
Out of pocket expenses	49	53
	<u>525</u>	<u>503</u>

## 17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2022 to the unit holders in the manner as explained above, therefore, no provision for taxation has been made in these financial statements during the year.

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.

## 18 EARNINGS PER UNIT

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

## 19 TOTAL EXPENSE RATIO

The annualised total expense ratio (TER) of the Fund based on the current year results is 1.08% (2021: 1.01%) which includes 0.11% (2021: 0.19%) representing government levies such as sales taxes, Sindh Worker's Welfare Fund and SECP fee. The TER excluding government levies is 0.97% (2021: 0.82%) which is within the prescribed limit for the ratio is 2.5% (excluding government levies) under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

## 20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

- 20.1** Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Baltoro Growth Fund being the sponsors, NAFA Pension Fund and NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company, any entity in which

the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.

- 20.2** Transactions with connected persons / related parties are essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments. The transactions with connected persons / related parties are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 20.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 20.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the the Trust Deed.
- 20.5** Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 20.6** Details of transactions with related parties / connected persons during the year are as follows:

	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
------(Rupees in '000)-----		
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration of NBP Fund Management Limited - the Management Company	30,582	6,060
Sindh sales tax on remuneration of the Management Company	3,976	788
Reimbursement of allocated expenses	6,185	1,451
Reimbursement of selling and marketing expenses	5,312	1,337
Sales load and sindh sales tax on sales load	14,075	1,542
ADC charges including Sindh sales tax	346	79
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	3,711	893
Sindh sales tax on remuneration of the Trustee	482	116
Settlement charges	41	40
<b>Employees of NBP Fund Management Limited</b>		
Dividend re-invest units issued: 421,172 units (2021: 3,703 units)	4,219	37
Units issued: 42,997,405 units (2021: 11,670,030 units)	442,909	117,677
Units redeemed: 37,123,630 units (2021: 4,949,031 units)	388,535	50,667
<b>Portfolio managed by the Management Company</b>		
Dividend re-invest units issued: 2,352,021 units (2021: 1,018,413 units)	23,560	10,187
Units issued: 30,204,897 units (2021: 75,099,706 units)	304,038	754,818
Units redeemed: 34,175,056 (2021: 35,290,232 units)	357,075	362,341
<b>Pakistan Stock Exchange Limited**</b>		
Listing fee and formation costs paid	-	300
<b>Khalid Mahmood - Chief Financial Officer</b>		
Dividend re-invest units issued: 291 (2021: Nil)	3	-
Units issued: 282,800 units (2021: Nil)	2,900	-
Units redeemed: 277,563 units (2021: Nil)	2,906	-
<b>National Bank of Pakistan - Parent Company</b>		
Bank profit*	3	-

For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
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------(Rupees in '000)-----

## BankIslami Pakistan Limited - common directorship

Bank profit	8,179	15,253
Placement in term deposit receipts during the year	1,306,837	2,138,000
Matured during the period	1,756,837	1,688,000
Income on term deposit receipts	10,467	10,446

## Hub Power Holdings Limited\*\*

Purchase of corporate sukuk certificates	-	57,721
Discount income on corporate sukuk certificates	-	4,171
Participation fee	-	350

## The Hub Power Company Limited\*\*

Purchase of corporate sukuk certificates	-	218,000
Income earned on corporate sukuk certificates	-	8,559
Income received on corporate sukuk certificates	-	4,179

## NBP Riba Free Savings Fund

Purchase of corporate sukuk certificates	-	104,597
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## NBP Islamic Money Market Fund

Purchase of commercial paper	-	39,428
Sale of commercial papers	-	184,737

## NBP Active Allocation Riba Free Savings Fund

Purchase of corporate sukuk certificates	-	14,477
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## NBP Islamic Savings Fund

Purchase of corporate sukuk certificates	-	38,472
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## NBP Islamic Sarmaya Izafa Fund

Purchase of GoP Ijarah sukuk	-	100,602
Purchase of corporate sukuk certificates	102,133	201,583

## NAFA Islamic Active Allocation Plan-I

Units issued: 953,915 units (2021: Nil)	9,616	-
Units redeemed: 174,041 units (2021: Nil)	1,825	-

## NAFA Islamic Active Allocation Plan-II

Units issued: 1,247,287 units (2021: Nil)	12,676	-
Units redeemed: 524,056 units (2021: Nil)	5,658	-

## NAFA Islamic Active Allocation Plan-III

Units issued: 4,024,407 units (2021: Nil)	40,996	-
Units redeemed: 1,978,389 units (2021: Nil)	21,154	-

## NAFA Islamic Active Allocation Plan-IV

Units issued: 2,482,072 units (2021: Nil)	25,021	-
Units redeemed: 416,163 units (2021: Nil)	4,427	-

## NAFA Islamic Active Allocation Plan-V

Units issued: 1,765,792 units (2021: Nil)	17,959	-
Units redeemed: 785,027 units (2021: Nil)	8,270	-



	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
	------(Rupees in '000)-----	
<b>NAFA Islamic Active Allocation Plan- VI</b>		
Units issued: 846,842 units (2021: Nil)	8,728	-
Units redeemed: 573,720 units (2021: Nil)	6,103	-
<b>NAFA Islamic Active Allocation Plan- VII</b>		
Units issued: 678,516 units (2021: Nil)	6,834	-
Units redeemed: 105,519 units (2021: Nil)	1,114	-
<b>NAFA Islamic Active Allocation Plan- VIII</b>		
Units issued: 1,105,113 units (2021: Nil)	11,182	-
Units redeemed: 323,987 units (2021: Nil)	3,418	-
	<b>2022</b>	<b>2021</b>
	------(Rupees in '000)-----	
<b>20.7 Amounts / balances outstanding as at year end are as follows</b>		
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration payable to the Management Company	4,770	1,022
Sindh sales tax on remuneration payable to the Management Company	604	133
Reimbursement of allocated expenses payable	2,018	706
Sales and transfer load payable	3,691	566
Sindh sales tax payable on sales load	480	74
Preliminary expenses and floatation cost payable	-	778
ADC charges payable including Sindh sales tax	395	49
Reimbursement of selling and marketing expenses payable	2,113	
Other payable	153	148
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration payable to the Trustee	432	152
Sindh sales tax payable on Trustee remuneration	56	20
Settlement charges payable	10	8
Security deposit with Central Depository Company of Pakistan Limited - the Trustee	100	100
<b>Employees of NBP Fund Management Limited</b>		
Units outstanding: 12,558,623 units (2021: 6,624,820 units)	126,068	66,338
<b>Portfolio managed by the Management Company</b>		
Units outstanding: 39,209,749 units (2021: 40,827,887 units)	393,604	408,834
<b>Khalid Mahmood - Chief Financial Officer</b>		
Units outstanding: 5,548 units (2021: 20 units)	55	-
<b>National Bank of Pakistan - Parent Company</b>		
Bank balances	1073	299
<b>BankIslami Pakistan Limited - common directorship</b>		
Bank balances	7495	8,743
Term deposit receipts	-	450,000
Profit receivable on bank balances	63	111
Profit receivable on term deposit receipts	-	166

	2022	2021
	----- (Rupees in '000) -----	
<b>Hub Power Holdings Limited**</b>		
Corporate sukuk certificates held	-	61,868
Profit receivable on corporate sukuk certificates	-	25
<b>The Hub Power Company Limited**</b>		
Corporate sukuk certificates held	-	269,200
Profit receivable on corporate sukuk certificates	-	4,380
<b>NAFA Islamic Active Allocation Plan- I</b>		
Units outstanding: 779,875 units (2021: Nil units)	7,829	-
<b>NAFA Islamic Active Allocation Plan- II</b>		
Units outstanding: 723,231 units (2021: Nil units)	7,260	-
<b>NAFA Islamic Active Allocation Plan- III</b>		
Units outstanding: 2,046,018 units (2021: Nil units)	20,539	-
<b>NAFA Islamic Active Allocation Plan- IV</b>		
Units outstanding: 2,067,909 units (2021: Nil units)	20,759	-
<b>NAFA Islamic Active Allocation Plan- V</b>		
Units outstanding: 980,765 units (2021: Nil units)	9,845	-
<b>NAFA Islamic Active Allocation Plan- VI</b>		
Units outstanding: 273,122 units (2021: Nil units)	2,742	-
<b>NAFA Islamic Active Allocation Plan- VII</b>		
Units outstanding: 572,998 units (2021: Nil units)	5,752	-
<b>NAFA Islamic Active Allocation Plan- VIII</b>		
Units outstanding: 781,125 units (2021: Nil units)	7,841	-

\* Nil due to rounding off

\*\* Current year figures have not been presented as the person is not a related party / connected person as at June 30, 2022.

**20.8** Other balances due to / from related parties / connected persons are included in the respective notes to these financial statements.

	Note	For the year ended June 30, 2022	For the period from August 13, 2020 to June 30, 2021
		----- (Rupees in '000) -----	
<b>21 CASH AND CASH EQUIVALENTS</b>			
Bank balances	4	5,471,730	1,492,721
Islamic commercial papers	5.1	348,375	-
Term deposit receipts	5.5	-	790,000
Certificates of musharakah	5.6	495,131	-
		6,315,236	2,282,721

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

2022		
At amortised cost	At fair value through profit or loss	Total

----- (Rupees in '000) -----

### Financial assets

Bank balances	5,471,730	-	5,471,730
Investments	-	2,011,357	2,011,357
Profit receivable	108,047	-	108,047
Prepayments, deposits and other receivables	100	-	100
Receivable against transfer of units	57,330	-	57,330
	<u>5,637,207</u>	<u>2,011,357</u>	<u>7,648,564</u>

### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	14,224	-	14,224
Payable to Central Depository Company of Pakistan Limited - the Trustee	488	-	488
Payable against redemption of units	66,255	-	66,255
Accrued expenses and other liabilities	1,817	-	1,817
	<u>82,784</u>	<u>-</u>	<u>82,784</u>

2021		
At amortised cost	At fair value through profit or loss	Total

----- (Rupees in '000) -----

### Financial assets

Bank balances	1,492,721	-	1,492,721
Investments	-	1,856,273	1,856,273
Profit receivable	23,892	-	23,892
Prepayments, deposits and other receivables	100	-	100
	<u>1,516,713</u>	<u>1,856,273</u>	<u>3,372,986</u>

### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	3,476	-	3,476
Payable to Central Depository Company of Pakistan Limited - the Trustee	172	-	172
Payable against redemption of units	16,841	-	16,841
Accrued expenses and other liabilities	984	-	984
Payable against purchase of investments	101,326	-	101,326
	<u>122,799</u>	<u>-</u>	<u>122,799</u>

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund 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 the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 23.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee and the regulations laid down by the SECP.

Market risk comprises of three types of risks: profit rate risk, currency risk, and price risk.

#### (i) Yield / profit rate risk

Yield / Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2022, the Fund is exposed to such risk on its balances held with banks, investments in Islamic commercial papers, GoP ijara sukuks, corporate sukuk certificates and certificates of musharakah. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds bank balances, KIBOR based corporate sukuk certificates, certificates of musharakah, term deposit receipts and GoP Ijarah sukuk 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 for the year and net assets of the Fund would have been higher / lower by Rs. 71.347 million.

#### b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds Islamic commercial papers 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 for the year and net assets of the Fund would have been higher/ lower by Rs. 3.484 million.

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2022 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2022 can be determined as follows:

2022						
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- (Rupees in '000) -----						
<b>Financial assets</b>						
Bank balances	6.50 - 16.00	5,457,515	-	-	14,215	5,471,730
Investments	12.31 - 14.80	1,218,506	225,000	567,851	-	2,011,357
Profit receivable		-	-	-	108,047	108,047
Prepayments, deposits and other receivables		-	-	-	100	100
Receivable against transfer of units		-	-	-	57,330	57,330
		6,676,021	225,000	567,851	179,692	7,648,564
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	14,224	14,224
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	488	488
Payable against redemption of units		-	-	-	66,255	66,255
Accrued expenses and other liabilities		-	-	-	1,817	1,817
		-	-	-	82,784	82,784
<b>On-balance sheet gap (a)</b>		6,676,021	225,000	567,851	96,908	
<b>Off-balance sheet gap (b)</b>		-	-	-		
<b>Total profit rate sensitivity gap (a +b)</b>		6,676,021	225,000	567,851		
<b>Cumulative profit rate sensitivity gap</b>		6,676,021	6,901,021	7,468,872		

2021						
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- (Rupees in '000) -----						
<b>Financial assets</b>						
Bank balances	4 - 7.4	1,483,945	-	-	8,776	1,492,721
Investments	6.65 - 14.18	1,249,575	606,698	-	-	1,856,273
Profit receivable		-	-	-	23,892	23,892
Prepayments, deposits and other receivables		-	-	-	100	100
		2,733,520	606,698	-	32,768	3,372,986
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	3,476	3,476
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	172	172
Payable against redemption of units		-	-	-	16,841	16,841
Payable against purchase of investments		-	-	-	101,326	101,326
Accrued expenses and other liabilities		-	-	-	984	984
		-	-	-	122,799	122,799
<b>On-balance sheet gap (a)</b>		2,733,520	606,698	-	(90,031)	
<b>Off-balance sheet gap (b)</b>		-	-	-		
<b>Total profit rate sensitivity gap (a +b)</b>		2,733,520	606,698	-		
<b>Cumulative profit rate sensitivity gap</b>		2,733,520	3,340,218	3,340,218		

## (ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

## (iii) 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 profit 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 instruments traded in the market.

The Fund does not have any investment that is exposed to price risk as of June 30, 2022.

## 23.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily 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. The Fund's 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.

As per the NBFC Regulations, 2008, the Fund can borrow in the short term to ensure settlement, the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the current year.

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

The table below summaries the maturity profile of the Fund's financial liabilities. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting year to the contractual maturity dates. However, the liabilities that are payable on demand have been included in the maturity grouping of one month:

2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

(Rupees in '000)

### Financial liabilities

Payable to NBP Fund Management Limited

- the Management Company

14,224

-

-

-

-

-

14,224

Payable to Central Depository Company of Pakistan Limited - the Trustee

488

-

-

-

-

-

488

Payable against redemption of units

66,255

-

-

-

-

-

66,255

Accrued expenses and other liabilities

1,817

-

-

-

-

-

1,817

82,784

-

-

-

-

-

82,784

	2021						Total
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	
----- (Rupees in '000) -----							
<b>Financial liabilities</b>							
Payable to NBP Fund Management Limited - the Management Company	3,476	-	-	-	-	-	3,476
Payable to Central Depository Company of Pakistan Limited - the Trustee	172	-	-	-	-	-	172
Payable against redemption of units	16,841	-	-	-	-	-	16,841
Accrued expenses and other liabilities	635	349	-	-	-	-	984
Payable against purchase of investments	101,326	-	-	-	-	-	101,326
	122,450	349	-	-	-	-	122,799

### 23.3 Credit risk

**23.3.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

	2022		2021	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- (Rupees in '000) -----				
Bank balances	5,471,730	5,471,730	1,492,721	1,492,721
Investments	2,011,357	1,911,327	1,856,273	1,755,643
Profit receivable	108,047	108,047	23,892	17,413
Prepayments, deposits and other receivables	100	100	100	100
Receivable against transfer of units	57,330	57,330	-	-
	<u>7,648,564</u>	<u>7,548,534</u>	<u>3,372,986</u>	<u>3,265,877</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is the carrying amount of the financial assets. Investment in government securities and its accrued profit, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

### 23.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon and investments in corporate sukuk certificates, Islamic commercial papers and term deposit receipts. The credit rating profile of banks, corporate sukuk certificates, Islamic commercial papers and term deposit receipts are as follows:

Rating	% of financial assets exposed to credit risk	
	2022	2021
<b>Bank balances</b>		
AAA	15.32%	45.03%
AA	12.86%	0.42%
AA-	5.73%	0.13%
A+	38.58%	0.35%
A-	0.01%	0.02%
BBB-	-	0.01%
<b>Commercial papers</b>		
A-1+	3.96%	2.11%
A-2+	0.66%	-
AA-	-	-
<b>Corporate sukuk certificates</b>		
AA+	2.99%	11.76%
AA	6.95%	-
A	4.20%	6.12%
<b>Term deposit receipts</b>		
AAA	-	10.42%
A+	-	13.78%
<b>Certificates of musharakah</b>		
AA+	6.56%	9.85%
	<b>97.82%</b>	<b>100.00%</b>

### 23.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

## 24 FAIR VALUE MEASUREMENT

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. Consequently, differences can arise between carrying values and the fair value estimates.

Financial assets which are tradeable in an open market are revalued at market prices prevailing on the reporting date. The estimated fair value of all other financial assets and financial liabilities is considered not to be significantly different from the respective book values as the items are either short-term in nature or repriced periodically.

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.

### 24.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets 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:



Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2022, the Fund held the following financial instruments measured at fair value:

-----As at June 30, 2022-----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
<b>At fair value through profit or loss</b>			
Islamic commercial papers*	- 348,375	-	348,375
GoP Ijarah sukuks	- 100,030	-	100,030
Corporate sukuk certificates	- 1,067,821	-	1,067,821
Certificates of musharakah**	- 495,131	-	495,131
-	<u>2,011,357</u>	-	<u>2,011,357</u>
-----As at June 30, 2021-----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
<b>At fair value through profit or loss</b>			
Islamic commercial papers*	- 68,800	-	68,800
GoP Ijarah sukuks	- 100,630	-	100,630
Corporate sukuk certificates	- 581,843	-	581,843
Term deposit receipts**	- 790,000	-	790,000
Certificates of musharakah**	- 315,000	-	315,000
-	<u>1,856,273</u>	-	<u>1,856,273</u>

\* The valuation of commercial papers has been done based on amortisation to their fair value as per the guidelines given in Circular 33 of 2012 issued by the SECP as the residual maturity of this investment is less than six months and are placed with counterparties which have high credit rating.

\*\* The carrying value of these deposits and certificates approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.

## 25 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends 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 restriction on the subscription and redemption of units. As required under the NBFC Regulations every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

## 26 UNIT HOLDING PATTERN OF THE FUND

Category	2022			2021		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	2,382	5,863,368	77.83%	790	1,737,859	53.53%
Insurance companies	7	297,736	3.95%	7	378,882	11.67%
Non-banking finance companies	8	82,566	1.10%	-	-	-
Retirement funds	38	906,937	12.04%	24	861,271	26.53%
Public limited companies	-	-	-	1	50,617	1.56%
Others	30	382,603	5.08%	12	218,027	6.71%
	<b>2,465</b>	<b>7,533,210</b>	<b>100.00%</b>	<b>834</b>	<b>3,246,656</b>	<b>100.00%</b>

## 27 LIST OF BROKERS BY PERCENTAGE OF COMMISSION PAID

2022		2021	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Magenta Capital (Private) Limited	2.04%	Paramount Capital (Private) Limited	100.00%
Next Capital Limited	97.96%		

27.1 The Fund has traded with two (2021: 1) brokers / dealers during the year ended June 30, 2022.

## 28 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Name	Designation	Qualification	Overall experience
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	34
Asim Wahab Khan	Chief Investment Officer	CFA	16
Salman Ahmed (note 28.1)	Head of Fixed Income	CFA	17
Hassan Raza	Head of Research	ACCA / BSC / CFA	11
Usama Bin Razi	Senior Manager - Fixed Income	BE, MBA	18

28.1 The name of the Fund Manager is Salman Ahmed. Other funds being managed by the Fund Manager are as follows:

- NBP Financial Sector Income Fund
- NBP Government Securities Liquid Fund
- NBP Government Securities Savings Fund
- NBP Income Opportunity Fund
- NBP Islamic Mahana Amdani Fund
- NBP Islamic Money Market Fund
- NBP Islamic Savings Fund
- NBP Mahana Amdani Fund
- NBP Money Market Fund
- NBP Riba Free Savings Fund
- NBP Savings Fund
- NBP Islamic Daily Dividend Fund

## 29 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 81st, 82nd, 83rd, 84th, and 85th Board Meetings were held on July 07, 2021, September 16, 2021, October 29, 2021, February 23, 2022 and April 27, 2022, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of directors	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	5	5	-	-
Tauqeer Mazhar [29.1]	4	4	-	-
Mehnaz Salar	5	5	-	-
Ali Saigol	5	5	-	-
Imran Zaffar	5	4	1	85th BOD Meeting
Khalid Mansoor	5	4	1	82nd BOD Meeting
Saad Amanullah Khan	5	5	-	-
Humayun Bashir	5	5	-	-
Syed Hasan Irtiza Kazmi [29.2]	-	-	-	-
Amjad Waheed	5	5	-	-

29.1 Mr. Tauqeer Mazhar opted as Director on the Board with effect from August 04, 2021

29.2 Syed Hasan Irtiza Kazmi resigned from the Board with effect from June 25, 2021

## 30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 27, 2022.

## 31 GENERAL

Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2022	For the year ended June 30, 2021
Net assets (Rs. '000')	7,533,210	3,246,657
Net Income (Rs. '000')	464,452	77,270
Net Asset Value per units (Rs.)	10.0384	10.0136
Offer price per unit	10.1518	10.1268
Redemption price per unit	10.0384	10.0136
Ex - Highest offer price per unit (Rs.)	10.1518	10.1268
Ex - Lowest offer price per unit (Rs.)	9.2785	9.4569
Ex - Highest redemption price per unit (Rs.)	10.0384	10.0136
Ex - Lowest redemption price per unit (Rs.)	9.1748	9.4569
Since Inception Ex Nav	9.1731	9.4569
Total return of the fund	9.43%	6.69%
Capital growth	0.27%	1.00%
Income distribution as % of Ex-NAV	9.16%	5.69%
Income distribution as % of Par Value	9.18%	5.69%
Interim distribution per unit	0.9175	0.1121
Final distribution per unit	-	0.4571
<b>Distribution dates</b>		
Interim	24-Jun-22	14-Oct-20
Final	-	23-Jun-21
Average annual return (launch date 13-08-2020)		
(Since inception to June 30, 2021)	8.16%	6.69%
Weighted average portfolio duration	13 Days	36 Days

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

## Head Office

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