

## NBP ISLAMIC INCOME FUND



HALF YEARLY REPORT  
**DECEMBER 31, 2020**



# **MISSION STATEMENT**

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



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## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of Management Company

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

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource Committee

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

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Ms. Mehnaz Salar	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

### Trustee

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

### Bankers to the Fund

Bank Islami Pakistan Limited  
United Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Meezan Bank Limited  
Silk Bank Limited (Emaan Islamic)  
AlBaraka Bank (Pakistan Limited)  
National Bank of Pakistan ( Islamic Banking)



## **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.nbpfunds.com

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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



## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed financial statements of NBP Islamic Income Fund (NBP-IIF) for the period from August 13, 2020 to December 31, 2020.

### Fund's Performance

The size of NBP Islamic Income Fund is Rs 867 million as at December 31, 2020. The unit price of the Fund has increased from Rs. 9.8891 (Ex-Div) on August 13, 2020 to Rs. 10.1316 on December 31, 2020, thus showing an annualized return of 6.4% p.a. since its inception as compared to its benchmark return of 3.7% p.a. The performance of the Fund is net of management fee and all other expenses.

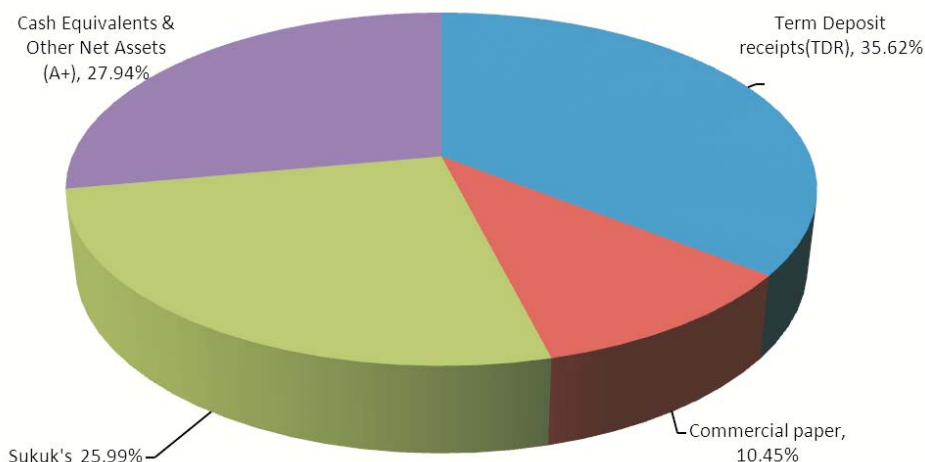
NBP-IIF is categorized as a Shariah Compliant Income Fund. The fund aims to provide competitive returns by investing in Shariah compliant debt securities and money market instruments. The Fund is allowed to invest with A- or above rated Islamic Banks, Islamic branches / windows of conventional banks 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 market saw a decent increase in the issuance of debt securities in the primary market, although it remained under-supplied against the large and growing demand. In the secondary market, the trading activity improved in the Corporate Sukuks with cumulative traded value of around Rs. 10.9 billion compared to Rs. 3.9 billion in the same period last year.

The trading activity in corporate debt securities improved significantly with a cumulative traded value of around Rs. 14.7 billion versus Rs. 5.8 billion in the same period last year. During 1HFY21, the SBP held two Monetary Policy Committee (MPC) meetings wherein it left the Policy Rate unchanged at 7%, citing the prevailing accommodative monetary policy stance appropriate for the nascent economic recovery. Inflation as measured by the CPI clocked-in at 8% for December 2020, owing to supply side issues and rise in prices of perishable food items.

The Fund has earned a total income of Rs. 23 million during the period. After deducting total expenses of Rs. 4.63 million, the net income is Rs. 18.37 million.

The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NBP-IIF.



## Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 1.121% of the opening ex-NAV (1.121% of the par value) for the period ended December 31, 2020.

## Acknowledgement

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

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

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

**Chief Executive**

**Director**

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

## ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز یصد مسرت 13 اگست تا 31 دسمبر 2020ء مدت کے لئے NBP اسلامک انکم فنڈ (NBP-IIF) کے جانچ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

### فنڈ کی کارکردگی

31 دسمبر 2020ء کو NBP اسلامک انکم فنڈ کا سائز 867 ملین روپے ہے۔ فنڈ کے یونٹ کی قیمت 13 اگست 2020 کو 9.8891 روپے (Ex-Div) سے بڑھ کر 31 دسمبر 2020ء کو 10.1316 روپے ہو گئی، لہذا اپنے آغاز سے بیچ مارک منفعت 3.7% سالانہ کے مقابلے 6.4% سالانہ منافع درج کروایا۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

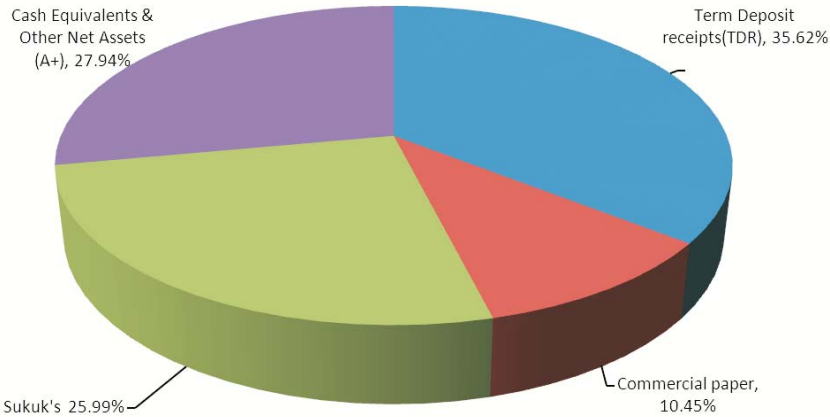
NBP-IIF کی درجہ بندی بطور شریعہ کھلا سٹاک انکم فنڈ کی گئی ہے۔ اس فنڈ کا مقصد شریعت کے مطابق قرضوں کی سیکورٹیز اور منی مارکیٹ کے آلات میں سرمایہ کاری کر کے مسابقتی منافع فراہم کرنا ہے۔ فنڈ اسلامک بینکوں، روایتی بینکوں کی اسلامک برانچز اور وڈوز میں آسانی سے لیکویڈیٹی فراہم کرنے والے A یا بالا درجہ کے اسلامی 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 ایکویٹی میں سرمایہ کاری کرنے کا مجاز نہیں ہے۔ گورنمنٹ سیکورٹیز کے علاوہ فنڈ کی میچورٹی کی اوسط مدت 4 سال سے زیادہ نہیں ہو سکتی ہے۔

بنیادی مارکیٹ میں ڈیٹ سیکورٹیز کے اجراء میں کافی اضافہ ہوا، اگرچہ مارکیٹ کی زیادہ طلب کے مقابلہ میں رسد کم رہی۔ ثانوی منڈی میں، کارپوریٹ سٹاک کا تجارتی سرگرمی کی جانب زیادہ جھکاؤ رہا جس کی مجموعی تجارتی قدر گزشتہ سال کی اسی مدت میں 3.9 بلین روپے کے مقابلہ میں 10.9 بلین روپے رہی۔

کارپوریٹ ڈیٹ سیکورٹیز میں تجارتی سرگرمی نمایاں طور پر بہتر ہوئی جس کی مجموعی تجارتی قدر گزشتہ سال کی اس مدت میں 5.8 بلین روپے کے برعکس مالیاتی سال 2021ء کی پہلی ششماہی 14.7 بلین روپے رہی۔ سال 2021ء کی پہلی ششماہی میں سٹیٹ بینک آف پاکستان نے مانیٹری پالیسی کمیٹی (MPC) کے دو اجلاس طلب کئے جس میں موجودہ معاشی بحالی کے لئے موزوں مانیٹری پالیسی کا حوالہ دیتے ہوئے، پالیسی شرح 7% کو تینڈیل نہیں کیا۔ ایشیائے خورد و نوش کی قیمتوں میں اضافے اور رسد کی فراہمی جیسے مسائل کے باعث CPI افراط زر کی شرح دسمبر 2020ء میں 8 فیصد رہی۔

فنڈ نے موجودہ مدت کے دوران 23 بلین روپے کی مجموعی آمدنی کمائی ہے۔ 4.63 بلین روپے کے اخراجات متہا کرنے کے بعد خالص آمدنی 18.37 بلین روپے ہے۔

درج ذیل چارٹ NBP-IIF کی ایسٹ ایبلو کیشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:



### آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے 31 دسمبر 2020ء کو ختم ہونے والی مدت کے لئے اوپننگ ex-NAV کا 1.121% (مساوی قدر کا 1.121%) عبوری فنڈ منافع منقسم سہیلی منظوری دی ہے۔





## اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

**NBP منجمنٹ کمپنی لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 26 فروری 2021ء

مقام: کراچی



## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of 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 period from August 13, 2020 to December 31, 2020 in accordance with the provisions of the following:

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

**Badiuddin Akber**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, February 26, 2021



## INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNITHOLDERS

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NBP Islamic Income Fund** (the Fund) as at December 31, 2020 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial statements'), for the period from August 13, 2020 to December 31, 2020. The Management Company (NBP Fund Management Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures included in the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2020 has not been reviewed, as we are required to review only the cumulative figures for the period ended December 31, 2020.

### Scope of Review

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

### Conclusion

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

### **A.F. Ferguson & Co.**

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 26, 2021

Karachi



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

	Note	(Un-audited) December 31, 2020 (Rupees in '000)
<b>ASSETS</b>		
Bank balances	4	421,105
Investments	5	625,176
Profit receivable		8,055
Prepayments, deposits and other receivables		461
Preliminary expenses and floatation costs	6	722
<b>Total assets</b>		<b>1,055,519</b>
<b>LIABILITIES</b>		
Payable to NBP Fund Management Limited - Management Company	7	2,922
Payable to Central Depository Company of Pakistan Limited - Trustee		75
Payable to the Securities and Exchange Commission of Pakistan	8	59
Payable against redemption of units		184,174
Accrued expenses and other liabilities	9	790
<b>Total liabilities</b>		<b>188,020</b>
<b>NET ASSETS</b>		<b>867,499</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>867,499</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	
		<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>		<b>85,622,867</b>
		<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>	11	<b>10.1316</b>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE PERIOD FROM AUGUST 13, 2020 TO DECEMBER 31, 2020 AND QUARTER ENDED DECEMBER 31, 2020

	For the period from August 13, 2020 to December 31, 2020	For the quarter ended December 31, 2020
<b>Note ----- (Rupees in '000) -----</b>		
<b>INCOME</b>		
Income on corporate sukuk certificates	5,894	4,511
Income on term deposit receipts	4,531	4,309
Income on Islamic commercial papers	1,582	1,284
Profit on bank deposits	10,607	6,386
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.4 387	(914)
<b>Total income</b>	<u>23,001</u>	<u>15,576</u>
<b>EXPENSES</b>		
Remuneration of NBP Fund Management Limited - Management Company	7.1 1,555	1,118
Sindh Sales Tax on remuneration of the Management Company	7.2 202	145
Allocated expenses	7.3 335	252
Selling and marketing expense	7.4 1,337	753
Remuneration of Central Depository Company of Pakistan Limited - Trustee	223	160
Sindh Sales Tax on remuneration of the Trustee	29	21
Annual fee of the Securities and Exchange Commission of Pakistan	8.1 59	42
Amortisation of preliminary expenses and floatation costs	6.1 56	36
Auditors' remuneration	200	131
Legal and professional charges	35	23
Annual listing fee	11	7
Shariah advisor fee	35	25
Settlement and bank charges	42	34
Printing expenses	22	14
Annual rating fee	109	72
<b>Total operating expenses</b>	<u>4,250</u>	<u>2,833</u>
<b>Net income from operating activities</b>	<u>18,751</u>	<u>12,743</u>
Provision against Sindh Workers' Welfare Fund	9.1 (375)	(255)
<b>Net income for the period before taxation</b>	<u>18,376</u>	<u>12,488</u>
Taxation	12 -	-
<b>Net income for the period after taxation</b>	<u>18,376</u>	<u>12,488</u>
<b>Earnings per unit</b>	13	
<b>Allocation of net profit for the period</b>		
Net income for the period after taxation	18,376	12,488
Income already paid on units redeemed	(5,364)	(5,335)
	<u>13,012</u>	<u>7,153</u>
<b>Accounting income available for distribution</b>		
- Relating to capital gains	387	-
- Excluding capital gains	12,625	7,153
	<u>13,012</u>	<u>7,153</u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

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

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

\_\_\_\_\_  
Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE PERIOD FROM AUGUST 13, 2020 TO DECEMBER 31, 2020 AND QUARTER  
ENDED DECEMBER 31, 2020

	For the period from August 13, 2020 to December 31, 2020	For the quarter ended December 31, 2020
	----- (Rupees in '000) -----	
<b>Net income for the period after taxation</b>	18,376	12,488
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	18,376	12,488

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE PERIOD FROM AUGUST 13, 2020 TO DECEMBER 31, 2020

For the period from August 13, 2020 to December 31, 2020		
Capital value	Undistributed income	Total

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

Issuance of 184,086,486 units

- Capital value (at net asset value per unit at the commencement of the fund)
- Element of income

Total proceeds on issuance of units

1,840,865	-	1,840,865
10,977	-	10,977
1,851,842	-	1,851,842

Redemption of 98,463,619 units

- Capital value (at net asset value per unit at the commencement of the fund)
- Element of loss

Total payments on redemption of units

(984,636)	-	(984,636)
(4,539)	(5,364)	(9,903)
(989,175)	(5,364)	(994,539)

Total comprehensive income for the period

- 18,376 18,376

Cash distribution on October 14, 2020

@ Re 0.1121 per unit

Net assets at end of the period (un-audited)

(3,253)	(4,927)	(8,180)
859,414	8,085	867,499

Accounting income available for distribution:

- Relating to capital gains
- Excluding capital gains

387
12,625
13,012

Distribution for the period

(4,927)

Undistributed income carried forward

8,085

Undistributed income carried forward:

- Realised income
- Unrealised income

7,698

387

8,085

(Rupees)

Net assets value per unit at end of the period

10.1316

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD FROM AUGUST 13, 2020 TO DECEMBER 31, 2020

	Note	For the period from August 13, 2020 to December 31, 2020 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation		18,376
<b>Adjustments:</b>		
Income on corporate sukuk certificates		(5,894)
Income on term deposit receipts		(4,531)
Income on Islamic commercial papers		(1,582)
Profit on bank deposits		(10,607)
Provision against Sindh Workers' Welfare Fund	9.1	375
Amortisation of preliminary expenses and floatation costs	6.1	56
		(22,183)
<b>Increase in assets</b>		
Investments - net		(625,176)
Prepayments, deposits and other receivables		(461)
		(625,637)
<b>Increase in liabilities</b>		
Payable to NBP Fund Management Limited - Management company		2,144
Payable to Central Depository Company of Pakistan Limited - Trustee		75
Payable to the Securities and Exchange Commission of Pakistan		59
Accrued expenses and other liabilities		415
		2,693
Profit received on bank deposits, Islamic commercial papers, term deposit receipts and corporate sukuk certificates		14,559
<b>Net cash used in operating activities</b>		<u>(612,192)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units		1,855,095
Amount paid against redemption of units		(810,365)
Distributions paid		(4,927)
<b>Net cash generated from financing activities</b>		1,039,803
<b>Net increase in cash and cash equivalents during the period</b>		<u>427,611</u>
<b>Cash and cash equivalents at the end of the period</b>	4	<u><u>421,105</u></u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director





## NOTES TO AND FORMING PART OF THESE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE PERIOD FROM AUGUST 13, 2020 TO DECEMBER 31, 2020

### 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 into on March 16, 2020 between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

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 NBP Islamic Income Fund is to provide competitive returns by investing in Shariah compliant debt securities and money market instruments.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM1 as at June 24, 2020 to the Management Company and rated A(f) with stable outlook as at July 20, 2020 to the Fund. The Fund is in the process of rating.

The title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

These are the first reviewed condensed interim financial statements of the Fund for the period from August 13, 2020 to December 31, 2020 therefore, comparative figures have not been included.

#### 1.1 Impact of COVID-19

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

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the period ended December 31, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the



impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

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

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), 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 with the requirements of IAS 34, 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** In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that these condensed interim financial statements give a true and fair view of the state of the Fund's affairs as at December 31, 2020.

### **2.3 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are not yet effective:**

**2.3.1** There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2021. However, these will not have any significant effects on the Fund's operations and are, therefore, not detailed in these condensed interim financial statements.

### **2.4 Critical accounting estimates and judgements**

The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.



The estimates and judgments that have a significant effect on these condensed interim financial statements of the Fund relate to classification and valuation of financial assets (notes 5 & 3.2), provision for SWWF (notes 3.5 & 9.1) and taxation (notes 3.14 and 12).

## 2.5 Accounting convention

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

## 2.6 Functional and presentation currency

Items included in these condensed interim financial statements are measured using the currency of the primary economic environment in which the Fund operates. These condensed interim financial statements are presented in Pakistan Rupee, 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 condensed interim 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);
- 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 loss (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.

### **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 based on the 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.

### **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.

### **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 classified and subsequently measured 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 / period 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 period also includes portion of income already paid on units redeemed during the period.

Distributions declared subsequent to the period end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared 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 period in which these arise.
- Profit on bank balances, term deposit receipts and letters of placement is recognised on an accrual basis.
- Income from investments in sukuks and commercial papers 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 period 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 period, 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 period before taxation of the Fund by the weighted average number of units outstanding during the period. The determination of earning per unit is not practicable as disclosed in note 13.

4	<b>BANK BALANCES</b>	Note	<b>(Un-audited) December 31, 2020 (Rupees in '000)</b>
	Balances with banks in:		
	Current accounts		1,785
	Savings accounts	4.1	419,320
			<u>421,105</u>

4.1 These include balances of Rs 72.032 million and Rs 0.004 million maintained with BankIslami Pakistan Limited and National Bank of Pakistan (related parties) respectively, that carry profit at the rate ranging from 4.25% to 6.25% per annum respectively. Other savings accounts of the Fund carry profit at the rate ranging from 6.50% to 7.20% per annum.

5	<b>INVESTMENTS</b>	Note	<b>(Un-audited) December 31, 2020</b>
	<b>At fair value through profit or loss</b>		
	Islamic commercial papers	5.1	90,687
	Corporate sukuk certificates	5.2	225,489
	Term deposit receipts	5.3	309,000
			<u>625,176</u>



## 5.1 Islamic commercial papers

Name of Investee Company	Rating of investee company	Face value (Rupees in '000)			(Rupees in '000)			Market value as a percentage of total investments	Market value as a percentage of net assets
		Purchased during the period	Disposed of / matured during the period	As at December 31, 2020	Carrying value as at December 31, 2020	Market value as at December 31, 2020	Unrealised appreciation / (diminution)		

----- % -----

### POWER GENERATION & DISTRIBUTION

K-Electric Limited CP-10	A-1+, VIS	59,000	19,000	40,000	39,522	39,522	-	6.32%	4.56%
K-Electric Limited CP-11	A-1+, PACRA	23,000	-	23,000	22,669	22,669	-	3.63%	2.61%
K-Electric Limited CP-12	A-1+, PACRA	29,000	-	29,000	28,496	28,496	-	4.56%	3.28%
<b>Total as at December 31, 2020</b>					<b>90,687</b>	<b>90,687</b>	<b>-</b>	<b>14.51%</b>	<b>10.45%</b>

5.1.1 These carry profit rates ranging from 7.90% to 8.15% per annum and are due to mature latest by March 24, 2021.

## 5.2 Corporate sukuk certificates

Name of the security	Rating of the investee company	Profit payments / redemptions	Maturity date	Profit rate	Purchases during the period	Sales / redemptions during the period	As at December 31, 2020	Carrying value as at December 31, 2020	Market value as at December 31, 2020	Unrealised appreciation / (diminution)	Percentage in relation to	
											Number of certificates	(Rupees in '000)

----- % -----

### POWER GENERATION & DISTRIBUTION

Hub Power Company Limited - a related party (Face value of 100,000 per certificate)	AA+, PACRA	Semi-annually	March 19, 2024	1 year KIBOR plus base rate of 1.9%	500	-	500	51,472	51,100	(372)	5.89%	8.17%
Hub Power Holding Limited - a related party (Face value of 100,000 per certificate)	AA+, PACRA	Semi-annually	May 17, 2021	6 months KIBOR plus base rate of 2.50%	700	-	700	58,630	58,630	-	6.76%	9.38%
Kot Addu Power Company Limited (Face value of 100,000 per certificate)	A1+, VIS	Semi-annually	June 08, 2021	7.99%	650	-	650	65,000	65,000	-	7.49%	10.40%
K-Electric Sukuk (Face value of 5,000 per certificate)	AA+, VIS	Quarterly	Aug 3, 2027	3 months KIBOR plus base rate of 1.7%	10,000	-	10,000	50,000	50,759	759	5.85%	8.12%

**Total as at December 31, 2020**

**225,102    225,489    387    25.99%    36.07%**



## 5.3 Term deposit receipts

Name of the security	Rating of the investee company	Issue date	Profit rate	Amount Placed		As at December 31, 2020	Carrying value as at December 31, 2020	Market value as at December 31, 2020	Market value as a percentage of total investments	Market value as a percentage of net assets
				Purchased during the period	Matured during the period					
(Rupees in '000) %										
<b>COMMERCIAL BANKS</b>										
BankIslami Pakistan Limited - a related party	A+, PACRA	September 21, 2020	6.75%	120,000	120,000	-	-	-	-	-
BankIslami Pakistan Limited - a related party	A+, PACRA	November 2, 2020	6.75%	108,500	108,500	-	-	-	-	-
BankIslami Pakistan Limited - a related party	A+, PACRA	November 27, 2020	7.00%	13,000	13,000	-	-	-	-	-
BankIslami Pakistan Limited - a related party	A+, PACRA	November 30, 2020	7.00%	110,000	110,000	-	-	-	-	-
United Bank Limited	AAA, VIS	October 12, 2020	6.65%	151,000	-	151,000	151,000	151,000	24.15%	17.41%
BankIslami Pakistan Limited - a related party	A+, PACRA	December 21, 2020	7.00%	24,000	-	24,000	24,000	24,000	3.84%	2.77%
BankIslami Pakistan Limited - a related party	A+, PACRA	December 30, 2020	7.10%	134,000	-	134,000	134,000	134,000	21.43%	15.45%
<b>Total as at December 31, 2020</b>							<b>309,000</b>	<b>309,000</b>	<b>49.42%</b>	<b>35.63%</b>

5.3.1 These carry profit at the rate of 6.65% to 7.10% per annum and are due to mature latest by January 29, 2021.

5.4	Unrealised appreciation on re-measurement of investments classified as at fair value through profit or loss - net	Note	(Un-audited) December 31, 2020 (Rupees in 000)
	Market value of investments	5.1, 5.2 & 5.3	625,176
	Less: carrying value of investments	5.1, 5.2 & 5.3	624,789
			<u>387</u>

## 6 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred		778
Less: amortisation during the period	6.1	(56)
At the end of the period		<u>722</u>

6.1 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 Non-Banking Finance Companies and Notified Entities Regulation, 2008.





	Note	(Un-audited) December 31, 2020 (Rupees in '000)
<b>7 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY - RELATED PARTY</b>		
Management fee payable	7.1	430
Sindh Sales Tax payable on remuneration of the Management Company	7.2	50
Allocated expenses payable	7.3	252
Selling and marketing expenses payable	7.4	753
Sales load payable		438
Sindh Sales Tax payable on sales load		57
Preliminary expenses and floatation cost payable		778
Other payable		164
		<u>2,922</u>

**7.1** 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% on net income, subject to floor and capping of 0.5% and 1.25% per annum of the average net assets of the Fund during the period from August 13, 2020 till December 31, 2020. The remuneration is payable to the Management Company monthly in arrears.

**7.2** During the period, an amount of Rs. 0.202 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%.

**7.3** 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 August 13, 2020 to October 26, 2020	Rate applicable from October 27, 2020 to December 31, 2020
0.1% of average annual net assets	0.125% of average annual net assets

**7.4** The SECP has allowed an asset management company to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds).

The Management Company based on its own discretion has charged selling and marketing expenses at the rate of 0.7% per annum of the average annual net assets for the period from August 13, 2020 till November 19, 2020. This has been duly approved by the Board of Directors of the Management Company.

	Note	(Un-audited) December 31, 2020 (Rupees in '000)
<b>8 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee payable	8.1	<u>59</u>

**8.1** In accordance with the NBFC Regulations 2008, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).



As per the guideline issued by the SECP vide its SRO No. 685(1)/2019 dated June 28, 2019, the Fund has charged the SECP fee at the rate of 0.02% of net assets (June 30, 2020: 0.02%).

		<b>(Un-audited) December 31, 2020</b>
<b>9 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>(Rupees in '000)</b>
Provision for Sindh Workers' Welfare Fund	9.1	375
Auditors' remuneration payable		146
Legal fee payable		35
Rating fee payable		108
Shariah advisor fee payable		35
Withholding tax payable		2
Capital gain tax payable		58
Payable against printing charges		16
Bank and settlement charges payable		15
		790

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

Had the provision for SWWF not been recorded in these condensed interim financial statements of the Fund for the period from August 13, 2020 to December 31, 2020, the net asset value per unit of the Fund as at December 31, 2020 would have been higher by Re 0.004 per unit.

## 10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2020.

## 11 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit, as disclosed in the condensed interim statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue at the period end.

## 12 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 intends to distribute the required minimum percentage of income earned by the Fund for the period ending June 30, 2021 to the unit holders in the manner as explained above, therefore, no provision for taxation has been made in these condensed interim financial statements for the period.



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.

## 13 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.

## 14 TOTAL EXPENSE RATIO

The annualised total expense ratio (TER) of the Fund based on the current period results is 1.55% which includes 0.22% representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. 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.

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

- 15.1** 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), 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.
- 15.2** Transactions with connected persons / related parties are executed on an arm's length basis and 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.
- 15.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 15.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the the Trust Deed.
- 15.5** Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 15.6** Details of transactions with related parties / connected persons during the period are as follows:

**(Un-audited)**  
**For the period**  
**from August**  
**13, 2020 to**  
**December 31,**  
**2020**  
**(Rupees in '000)**

### **NBP Fund Management Limited - Management Company**

Remuneration of NBP Fund Management Limited - Management Company	1,555
Sindh Sales Tax on remuneration of the Management Company	202
Allocated expenses	335
Selling and marketing expenses	1,337
Preliminary expenses and floatation costs paid by the Management Company	778
Sales load and Sindh Sales Tax on sales load	495



(Un-audited)  
For the period  
from August  
13, 2020 to  
December 31,  
2020  
(Rupees in '000)

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration of Central Depository Company of Pakistan Limited - Trustee	223
Sindh Sales Tax on remuneration of the Trustee	29
Settlement charges	8

**Employees of NBP Fund Management Limited**

Dividend re-invest units issued - 50	1
Units issued - 1,821,284	18,343
Units redeemed - 1,345,996	13,575

**Portfolio managed by the Management Company**

Dividend re-invest units issued - 120,921	1,210
Units issued - 39,430,172	395,127
Units redeemed - 12,856,389	129,710

**Pakistan Stock Exchange Limited - common directorship**

Listing fee paid	17
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**National Bank of Pakistan - Parent Company**

Bank profit*	-
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**BankIslami Pakistan Limited - common directorship**

Bank profit	952
Placement in term deposit receipts	509,500
Matured during the period - term deposit receipts	351,500
Income on term deposit receipts	2,303

**NBP Riba Free Savings Fund**

Purchase of sukuk certificates	104,597
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**NBP Islamic Money Market Fund**

Purchase of commercial paper	39,428
Sale of commercial paper	18,573

**Hub Power Holding Limited - common directorship**

Purchase of sukuk certificates	57,721
Discount income on sukuk certificates	909
Participation income	350

**Hub Power Company Limited - common directorship**

Purchase of sukuk certificates	54,417
Income on sukuk certificates	2,642

**Askari Bank Limited Employees Provident Fund -  
unit holder with more than 10% holding**

Issuance of units - 10,504,873	1,055,049
Dividend re-invest units issued - 117,714	1,178

\*Nil due to rounding off



**15.7 Amounts / balances outstanding as at period end are as follows**

(Un-audited)  
As at  
December 31,  
2020  
(Rupees in '000)

**NBP Fund Management Limited - Management Company**

Remuneration of the Management Company	430
Sindh Sales Tax on remuneration of the Management Company	50
Allocated expenses payable	252
Selling and marketing expenses payable	753
Sales load payable	438
Sindh Sales Tax payable on sales load	57
Preliminary expenses and floatation cost payable	778
Other payable	164

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration payable to the Trustee	62
Sindh Sales Tax payable on Trustee remuneration	14
Settlement charges payable	3

**Employees of NBP Fund Management Limited**

Units outstanding - 475,338	4,816
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**Portfolio managed by the Management Company**

Units outstanding - 26,694,704	270,460
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**National Bank of Pakistan - Parent Company**

Balance in bank account	4
Profit receivable on bank balances *	-

**BankIslami Pakistan Limited - common directorship**

Balance in bank account	72,032
Balance in term deposit account	158,000
Profit receivable on bank balances	999
Profit receivable on term deposit receipts	99

**Hub Power Holding Limited - common directorship**

Sukuk certificates held	58,630
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**Hub Power Company Limited - common directorship**

Sukuk certificates held	51,100
Profit receivable on sukuk certificates	2,020

**Askari Bank Limited Employees Provident Fund -  
unit holder with more than 10% holding**

Units held: 10,622,587 units	107,624
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\*Nil due to rounding off



- 15.8 Other balances due to / from related parties / connected persons are included in the respective notes to these condensed interim financial statements.

16 **FINANCIAL INSTRUMENTS BY CATEGORY**

December 31, 2020		
(Unaudited)		
At amortised cost	At fair value through profit or loss	Total

(Rupees in '000)

**Financial assets**

Bank balances	421,105	-	421,105
Investments	-	625,176	625,176
Profit receivable	8,055	-	8,055
Deposits and other receivables	117	-	117
	<u>429,277</u>	<u>625,176</u>	<u>1,054,453</u>

December 31, 2020		
(Unaudited)		
At fair value through profit or loss	At amortised cost	Total

(Rupees in '000)

**Financial liabilities**

Payable to NBP Fund Management Limited - Management Company	-	2,922	2,922
Payable to Central Depository Company of Pakistan Limited - Trustee	-	75	75
Payable against redemption of units	-	184,174	184,174
Accrued expenses and other liabilities	-	355	355
	<u>-</u>	<u>187,526</u>	<u>187,526</u>

17 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial risk management objectives and policies:

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and interest rate risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, and the directives issued by the SECP.

17.1 **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) **Profit rate risk**

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 December 31, 2020, the Fund is exposed to such risk on its balances held with banks. 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, Islamic commercial papers and corporate sukuk certificates which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the period from August 13, 2020 to December 31, 2020 and net assets of the Fund would have been higher / lower by Rs. 7.373 million.

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

Presently, the Fund holds term deposit receipts 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 period from August 13, 2020 to December 31, 2020 and net assets of the Fund would have been higher / lower by Rs. 3.090 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 December 31, 2020 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 December 31, 2020 can be determined as follows:

December 31, 2020					
(Unaudited)					
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)

**Financial assets**

Bank balances	4.25% - 7.2%	421,105	-	-	-	421,105
Investments	6.65% - 14.18%	450,787	174,389	-	-	625,176
Profit receivable		-	-	-	8,055	8,055
Deposits and other receivables		-	-	-	117	117
		<b>871,892</b>	<b>174,389</b>	<b>-</b>	<b>8,172</b>	<b>1,054,453</b>

**Financial liabilities**

Payable to NBP Fund Management Limited - Management Company		-	-	-	2,922	2,922
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	75	75
Payable against redemption of units		-	-	-	184,174	184,174
Accrued expenses and other liabilities		-	-	-	355	355
		<b>-</b>	<b>-</b>	<b>-</b>	<b>187,526</b>	<b>187,526</b>

**On-balance sheet gap (a)**

	<b>871,892</b>	<b>174,389</b>	<b>-</b>	<b>(179,354)</b>	<b>866,927</b>
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**Off-balance sheet financial instruments**

	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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**Off-balance sheet gap (b)**

	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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**Total profit rate sensitivity gap (a+b)**

	<b>871,892</b>	<b>174,389</b>	<b>-</b>	<b>-</b>	<b>-</b>
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**Cumulative profit rate sensitivity gap**

	<b>871,892</b>	<b>1,046,281</b>	<b>1,046,281</b>	<b>-</b>	<b>-</b>
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## (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 December 31, 2020.

## 17.2 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 settlement of equity securities and 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, 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.

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 period from August 13, 2020 to December 31, 2020.

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

December 31, 2020						
(Unaudited)						
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 assets

Bank balances	421,105	-	-	-	-	-	421,105
Investments	309,000	90,687	123,630	51,100	50,759	-	625,176
Profit receivable	4,971	2,020	1,063	-	-	-	8,055
Deposits and other receivables	117	-	-	-	-	-	117
	<b>735,193</b>	<b>92,707</b>	<b>124,693</b>	<b>51,100</b>	<b>50,759</b>	<b>-</b>	<b>1,054,453</b>





December 31, 2020						
(Unaudited)						
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  
- Management Company  
Payable to Central Depository Company of  
Pakistan Limited - Trustee  
Payable against redemption of units  
Accrued expenses and other liabilities

2,922	-	-	-	-	-	2,922
75	-	-	-	-	-	75
184,174	-	-	-	-	-	184,174
31	324	-	-	-	-	355
<b>187,202</b>	<b>324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187,526</b>
<b>547,991</b>	<b>92,383</b>	<b>124,693</b>	<b>51,100</b>	<b>50,759</b>	<b>-</b>	<b>866,927</b>

### Net assets

## 17.3 Credit risk

**17.3.1** 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:

December 31, 2020	
(Unaudited)	
Balance as per statement of assets and liabilities	Maximum exposure to credit risk

(Rupees in '000)

Bank balances	421,105	421,105
Investments	625,176	625,176
Profit receivable	8,055	8,055
Deposits and other receivables	117	117
	<b>1,054,453</b>	<b>1,054,453</b>

## 17.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements with banks and profit accrued on bank balances. The credit rating profile of balances with banks is as follows:



Rating	(Unaudited)
	% of financial assets exposed to credit risk
	December 31, 2020
AAA	0.05
AA+	0.27
AA	0.29
AA-	0.14
A+	17.11
A	35.62
A-	46.24
BBB-	0.28
	<u>100.00</u>

### 17.3.3 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.

## 18 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.

### 18.1 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 December 31, 2020, the Fund held the following financial instruments measured at fair value:



(Unaudited)			
As at December 31, 2020			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
<b>At fair value through profit or loss</b>			
Islamic commercial papers*	90,687	-	90,687
Corporate sukuk certificates**	225,489	-	225,489
Term deposit receipts**	309,000	-	309,000
-	625,176	-	625,176

\* 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.

## 19 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.

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 17, 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.

## 20 GENERAL

Figures in these condensed interim financial statements have been rounded off to the nearest thousand of rupees.

## 21 DATE OF AUTHORISATION FOR ISSUE

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

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## Head Office

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

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

**Toll Free:** 0800-20002

**Sms:** INVEST to 9995

**Fax:** 021-35825335

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

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

 /nbpfunds