

**NBP FUNDS**

Managing Your Savings

Aitemaad اعتماد



Islamic Savings

اسلامک سیونگز

**NBP Fund Management Limited**



# NBP ISLAMIC INCOME FUND

**ANNUAL** REPORT  
2023

**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. Saad Amanullah Khan	Director
Mr. Ruhail Muhammad	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Ruhail Muhammad	Chairman
Mr. Saad Amanullah Khan	Member
Ms. Mehnaz Salar	Member
Mr. Imran Zaffar	Member

### Human Resource & Remuneration Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Saad Amanullah Khan	Member

### Strategy & Business Planning Committee

Mr. Saad Amanullah Khan	Chairman
Mr. Tauqeer Mazhar	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Khalid Mansoor	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 (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.nbpfunds.com](http://www.nbpfunds.com)

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

## Board of Directors



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



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Saad Amanullah Khan**  
Director



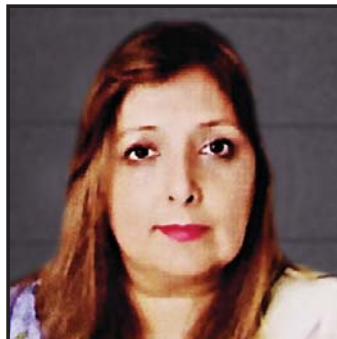
**Mr. Tauqeer Mazhar**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Ruhail Muhammad**  
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 Business  
Development Officer



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



**Mr. Khalid Mehmood**  
Chief Financial Officer



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



**Mr. Shahzad Mithani**  
Head of Corporate &  
HNWIs Sales - South



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



**Mr. Mustafa Farooq**  
Head of Compliance

## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the 3rd Annual Report of NBP Islamic Income Fund (NBP-IIF) for the year ended June 30, 2023.

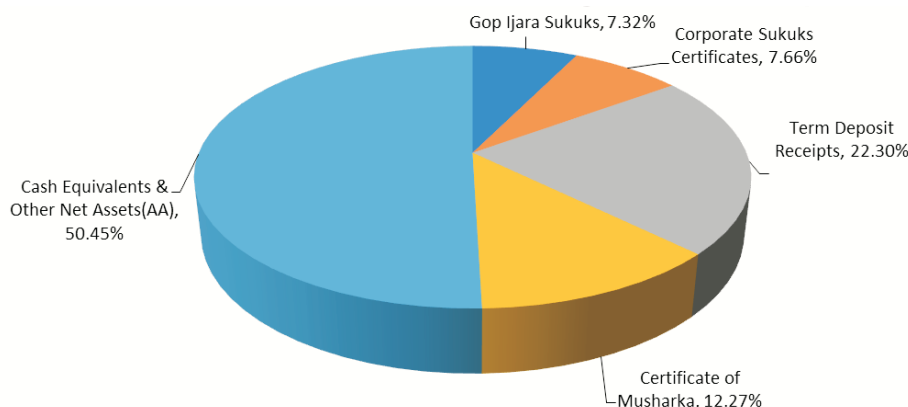
### Fund's Performance

The cumulative trading in corporate sukuks for FY23 was recorded at Rs. 6.1 billion (around 53% up compared to Rs. 4 billion in FY22). However, fresh issuance of shariah compliant short-term corporate sukuks helped the undersupplied market for long-term shariah compliant debt securities. During FY23, the State Bank's Monetary Policy Committee (MPC) conducted nine meetings and raised the policy rate by 825 basis points to 22% to anchor inflationary pressures, achieve price stability, ensure economic sustainability, and ease currency pressure, all while taking into account domestic uncertainty and continued stress on the external account. The monthly inflation reached a multi-decade high level of 38% in May 2023, and the outlook is subject to prevailing domestic uncertainty and external vulnerabilities, undermining medium- and short-term growth. Additionally, debt repayments amid lower fresh disbursements and weak investment inflows continue to exert pressure on FX reserves. The net liquid foreign exchange reserves with the State Bank of Pakistan (SBP) were recorded at USD 4.5 billion in June 2023, depleting by USD 5.3 billion during FY23, posing challenges and risks to financial stability and fiscal consolidation.

NBP-IIF is categorized as a Shariah Compliant Income Fund and has been awarded stability rating of 'A+ (f)' by PACRA. 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 Islamic Banks, Islamic branches / windows of conventional banks providing easy liquidity, and 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 decreased from Rs. 7,533 million to Rs. 5,158 million during the period (a decline of 32%). During the period, the unit price of the Fund has increased from Rs. 8.7187 (Ex-Div) on June 30, 2022 to Rs. 10.0959 on June 30, 2023, thus showing a return of 15.80% as compared to the benchmark return of 6.05% for the same period. The performance of the Fund is net of management fee and other expenses.

The Fund has earned a total income of Rs. 1,130.72 million during the year. After deducting total expenses of Rs. 107.08 million, the net income is Rs. 1,023.64 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 15.14% of the opening ex-NAV (15.20% of the par value) during the year ended June 30, 2023.

## Taxation

As the above cash dividend is more than 90% of the income earned during the year, as reduced by accumulated losses and capital gains, whether realized or unrealized, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

## Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retired and, being eligible, offer themselves for re-appointment for the year ending June 30, 2024.

## 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 six 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. For the year ended June 30, 2023, the Board included:

Category	Names
<b>Independent Directors</b>	1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Ruhail Muhammad 4. 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 15, 2023**  
Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP اسلامک انکم فنڈ (NBP-IIF) کی تیسری سالانہ رپورٹ برائے نختہ سال 30 جون 2023 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

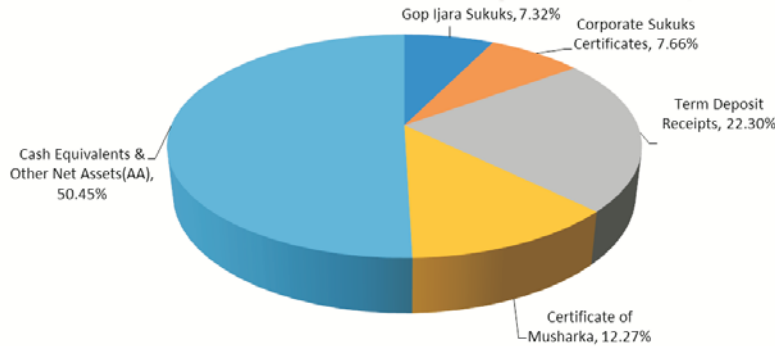
مالی سال 23 کے لیے کارپوریٹ سکوک میں مجموعی تجارت 6.1 بلین روپے (مالی سال 22 میں 4 بلین روپے کے مقابلے میں تقریباً 53 فیصد زیادہ) ریکارڈ کی گئی۔ تاہم، شریعت کے مطابق قبیل مدت کارپوریٹ سکوک کے نئے اجراء سے طویل مدتی شرعی مطابقت پذیر ڈیٹ سیکورٹیز کے لیے زرخیز مارکیٹ کو کچھ حد تک مدد ملی۔ مالی سال 23 کے دوران، اسٹیٹ بینک کی مانیٹری پالیسی کمیٹی (MPC) نے 19 اجلاس منعقد ہوئے اور ملکی غیر یقینی صورتحال اور بیرونی اکاؤنٹ پر مسلسل دباؤ کی وجہ سے افراط زر کے دباؤ کو روکنے، قیمتوں میں استحکام حاصل کرنے، اقتصادی استحکام کو یقینی بنانے، اور کرنسی کے دباؤ کو کم کرنے کے لیے پالیسی شرح کو 825 بیسیس پوائنٹس بڑھا کر 22% کر دیا۔ ماہانہ افراط زر مئی 2023 میں کئی دہائیوں کی بلند ترین سطح 38 فیصد تک پہنچ گیا، اور نقطہ نظر مروجہ ملکی غیر یقینی صورتحال اور بیرونی خطرات سے مشروط ہے، جو درمیانی اور قبیل مدت نمو کو کمزور کر رہا ہے۔ مزید برآں، کم نئے انٹونز اور کمزور سرمایہ کاری کے درمیان قرض کی ادائیگی زرمبادلہ ذخائر پر دباؤ ڈال رہی ہے۔ اسٹیٹ بینک آف پاکستان (SBP) کے ہاں خالص لیکویڈ غیر ملکی زرمبادلہ کے ذخائر جون 2023 میں 4.5 بلین امریکی ڈالر ریکارڈ کیے گئے، جو مالی سال 23 کے دوران 5.3 بلین امریکی ڈالر کی کمی سے مالی استحکام اور مالیاتی کنسولیدیشن کے لیے چیلنجز اور خطرات کا باعث بنے ہیں۔

NBP-IIF کی درجہ بندی بطور شریعہ مکمل انکم فنڈ کی گئی ہے اور PACRA کی طرف سے 'A+(F)' کی مستحکم ریٹنگ دی 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 فنڈز میں آسانی سے لیکویڈیٹی فراہم کرنے والے اسلامی بینکوں کے ہاں 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 ایکٹیوٹی 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۔

NBP اسلامک انکم فنڈ کا سائز 7,533 ملین روپے سے کم ہو کر اس مدت کے دوران 5,158 ملین روپے ہو گیا یعنی 32% کی کمی ہوئی۔ سال کے دوران، NBP اسلامک انکم فنڈ کے یونٹ کی قیمت 30 جون 2022 کو 8.7187 (Ex-Div) روپے سے بڑھ کر 30 جون 2023 کو 10.0959 روپے ہو گئی، چنانچہ اسی مدت کے لئے 6.05% نیچے مارک منافع کے مقابلے میں 15.80% کا منافع درج کیا۔ فنڈ کا منافع مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

فنڈ کو اس مدت کے دوران 1,130.72 ملین روپے کی آمدنی ہوئی۔ 107.08 ملین روپے کے اخراجات متہا کرنے کے بعد خالص آمدنی 1,023.64 ملین روپے ہے۔

30 جون 2022 کو NBP-IIF کی ایٹ بیلویشن حسب ذیل ہے:



### آمدنی کی تقسیم

مینجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز نے 30 جون 2023 کو ختم ہونے والے سال کے لئے اوپننگ ex-NAV کا 15.14% (بنیادی قدر کا 15.20%) 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 اور جمع شدہ نقصانات منہا کرنے کے بعد 90 فیصد سے زائد ہے، اس لئے فنڈ پر آنکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

## آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2024 کو ختم ہونے والے سال کے دوبارہ تقرر کے لئے خود کو پیش کرتے ہیں۔

## لسٹڈ کمپنیوں کے کوڈ آف کارپوریشن گورننس ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1. مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریشن 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 مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 29 میں ظاہر کی گئی ہے۔
11. یونٹ ہولڈنگ کا تفصیلی پیرین مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز ہی ای او ای ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس 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 فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریٹ نہیں رکھتی۔ زیر جائزہ مدت 30 جون 2023 کے دوران بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل رہا۔

نام	کیٹگری
<ol style="list-style-type: none"> <li>1. جناب خالد منصور</li> <li>2. جناب سعد امان اللہ خان</li> <li>3. جناب رونیل محمد</li> <li>4. جناب ہمایوں بشیر</li> </ol>	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
<ol style="list-style-type: none"> <li>1. شیخ محمد عبدالواحد سیٹھی (چیرمین)</li> <li>2. جناب توقیر مظہر</li> <li>3. محترمہ مہناز سالار</li> <li>4. جناب علی سیدگل</li> <li>5. جناب عمران ظفر</li> </ol>	نان ایگزیکٹو ڈائریکٹرز



## اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

**NBP فنڈ مینجمنٹ لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 15 ستمبر 2023ء

مقام: کراچی

## TRUSTEE REPORT TO THE UNIT HOLDERS

### Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) 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 27, 2023



## 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 3rd Annual report since the launch of the Fund on August 13, 2020. The Fund size decreased by 32% and stands at Rs. 5.2 billion as of June 30, 2023. Since its inception, the Fund has earned an annualized return of 10.8% versus the benchmark return of 4.3%, thus registering an outperformance of 6.5% p.a. During FY23, the Fund posted a return of 15.8% as compared to the benchmark return of 6.1% translating into an outperformance of 9.7% 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.

The cumulative trading in corporate sukuk for FY23 was recorded at Rs. 6.1 billion (around 53% up compared to Rs. 4 billion in FY22). However, fresh issuance of shariah compliant short-term corporate sukuk helped the undersupplied market for long-term shariah compliant debt securities. During FY23, the State Bank's Monetary Policy Committee (MPC) conducted nine meetings and raised the policy rate by 825 basis points to 22% to anchor inflationary pressures, achieve price stability, ensure economic sustainability, and ease currency pressure, all while taking into account domestic uncertainty and continued stress on the external account. The monthly inflation reached a multi-decade high level of 38% in May 2023, and the outlook is subject to prevailing domestic uncertainty and external vulnerabilities, undermining medium- and short-term growth. Additionally, debt repayments amid lower fresh disbursements and weak investment inflows continue to exert pressure on FX reserves. The net liquid foreign exchange reserves with the State Bank of Pakistan (SBP) were recorded at USD 4.5 billion in June 2023, depleting by USD 5.3 billion during FY23, posing challenges and risks to financial stability and fiscal consolidation.

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

Particulars	30-Jun-23	30-Jun-22
Islamic Commercial Papers	-	4.62%
Corporate Sukuk certificates	7.66%	14.17%
GOP Ijarah Sukuks	6.54%	1.33%
Term Deposit Receipts	22.30%	-
Certificate of Musharika	12.27%	6.57%
Cash Equivalents & Other Assets	51.23%	73.31%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Distribution for the Financial Year 2023

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June-23	15.20%	11..5579	10.0384

## Unit Holding Pattern of NBP Islamic Income Fund as on June 30, 2023

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	68
1-1000	618
1001-5000	278
5001-10000	144
10001-50000	572
50001-100000	389
100001-500000	638
500001-1000000	129
1000001-5000000	71
5000001-10000000	11
10000001-100000000	2
<b>Total</b>	<b>2,920</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.

## 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, 2023. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 15, 2023**  
Karachi

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

## REPORT OF THE SHARI'AH SUPERVISORY BOARD

September 27, 2023/ Rabiul Awwal 10, 1445

**Alhamdulillah**, the period from July 01, 2022 to June 30, 2023 marks the Fifteenth year of the operations of NBP Islamic Income Fund (the "NBP-IIF" or the "Fund") under management of NBP Funds Management Limited (the "NBP Funds" or the "Management Company").

In the capacity of Shariah Supervisory Board (the "SSB"), we have prescribed specific criteria and procedures to ensure that every investment aligns with Shariah principles and rules.

It is the responsibility of the Management Company of the Fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah principles, policies and guidelines issued by the SSB and Shariah Governance Regulations issued by Securities and Exchange Commission of Pakistan. The prime responsibility for ensuring Shariah compliance of the Fund operations lies with the Board of Directors and Executive Management.

Based on our day to day reviews during the year and subsequent approvals for investments and related activities of the Fund, we hereby confirm that:

- i. The modes of investments, transactions, relevant documentation and procedures adopted have been in accordance with Shariah principles and rules
- ii. The affairs of the Fund have been carried out in accordance with Shariah principles and rules and relevant Shariah opinions and/or guidelines were issued accordingly from time to time

Based on the above facts, SSB is of the opinion that during the year, nothing has come to our attention that causes us to believe that overall operations of the Fund for the year ended June 30, 2023 are not in compliance with the Shariah principles and rules.

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

**For and on behalf of Shariah Technical Services & Support**

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**For and on behalf of NBP Fund's Shariah Supervisory Board**

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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

### INDEPENDENT AUDITOR'S REPORT

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, 2023, 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, 2023, 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, 2023 amounted to Rs. 2,659.793 million and Rs. 2,555.572 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, 2023 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, 2023 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 methodology specified in the accounting policies; and</li> <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 21, 2023

UDIN: AR202310061B4FtAxZMY

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2023

	Note	2023 ------(Rupees in '000)-----	2022 ------(Rupees in '000)-----
<b>ASSETS</b>			
Bank balances	4	2,659,793	5,471,730
Investments	5	2,555,572	2,011,357
Profit receivable	6	100,906	108,047
Deposits and other receivables	7	443	443
Receivable against transfer of units		23,672	57,330
Preliminary expenses and floatation costs	8	329	485
<b>Total assets</b>		<b>5,340,715</b>	<b>7,649,392</b>
<b>LIABILITIES</b>			
Payable to NBP Fund Management Limited - the Management Company	9	20,170	14,224
Payable to the Central Depository Company of Pakistan Limited - the Trustee	10	356	488
Payable to the Securities and Exchange Commission of Pakistan	11	1,418	990
Payable against redemption of units		73,434	66,255
Accrued expenses and other liabilities	12	87,776	34,225
<b>Total liabilities</b>		<b>183,154</b>	<b>116,182</b>
<b>NET ASSETS</b>		<b>5,157,561</b>	<b>7,533,210</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>5,157,561</b>	<b>7,533,210</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	14	<b>510,856,440</b>	<b>750,442,762</b>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>	15	<b>10.0959</b>	<b>10.0384</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, 2023

	2023	2022
Note	----- (Rupees in '000) -----	
<b>INCOME</b>		
Income on corporate sukuk certificates	156,663	102,703
Income on GoP Ijarah sukuks	47,621	9,395
Income on term deposit receipts	86,617	12,202
Income on Islamic commercial papers	6,669	57,270
Income on bai muajjal receivable	8,992	2,663
Income on certificates of musharakah	113,339	46,166
Profit on bank balances	727,924	266,885
(Loss) / gain on sale of investments - net	(15)	994
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.7 (17,093)	18,250
<b>Total income</b>	<b>1,130,717</b>	<b>516,528</b>
<b>EXPENSES</b>		
Remuneration of NBP Fund Management Limited - the Management Company	9.1 65,767	30,582
Sindh sales tax on remuneration of the Management Company	9.2 8,550	3,976
Reimbursement of allocated expenses	9.3 9,296	6,185
Reimbursement of selling and marketing expenses	9.4 13,203	5,312
Remuneration of the Central Depository Company of Pakistan Limited - the Trustee	10.1 5,319	3,711
Sindh sales tax on remuneration of the Trustee	10.2 691	482
Annual fees to the Securities and Exchange Commission of Pakistan	11.1 1,418	990
Amortisation of preliminary expenses and floatation costs	8 156	156
Auditors' remuneration	16 569	525
Legal and professional charges	220	286
Annual listing fee	28	27
Shariah advisor fee	1,120	722
Settlement and bank charges	423	179
Printing expenses	100	121
Securities transaction cost	12	124
Annual rating fee	208	275
<b>Total operating expenses</b>	<b>107,080</b>	<b>53,653</b>
<b>Net income from operating activities</b>	<b>1,023,637</b>	<b>462,875</b>
Reversal of provision against Sindh Workers' Welfare Fund	-	1,577
<b>Net income for the year before taxation</b>	<b>1,023,637</b>	<b>464,452</b>
Taxation	17 -	-
<b>Net income for the year after taxation</b>	<b>1,023,637</b>	<b>464,452</b>
<b>Earnings per unit</b>	18	
<b>Allocation of net profit for the year</b>		
Net income for the year after taxation	1,023,637	464,452
Income already paid on units redeemed	(592,400)	(289,490)
	<b>431,237</b>	<b>174,962</b>
<b>Accounting income available for distribution</b>		
- Relating to capital gains	-	19,244
- Excluding capital gains	431,237	155,718
	<b>431,237</b>	<b>174,962</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, 2023

	2023	2022
	------(Rupees in '000)-----	
<b>Net income for the year after taxation</b>	1,023,637	464,452
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>1,023,637</u>	<u>464,452</u>

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, 2023

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	7,513,947	19,263	7,533,210	3,242,640	4,016	3,246,656
Issuance of 1,033,444,476 units (2022: 1,841,148,051 units)						
- Capital value (at ex - net asset value per unit)	10,374,129	-	10,374,129	18,436,520	-	18,436,520
- Element of income	447,649	-	447,649	724,694	-	724,694
Total proceeds on issuance of units	10,821,778	-	10,821,778	19,161,214	-	19,161,214
Redemption of 1,273,030,798 units (2022: 1,414,930,845 units)						
- Capital value (at ex - net asset value per unit)	(12,779,193)	-	(12,779,193)	(14,168,552)	-	(14,168,552)
- Element of loss	(287,619)	(592,400)	(880,019)	(442,159)	(289,490)	(731,649)
Total payments on redemption of units	(13,066,812)	(592,400)	(13,659,212)	(14,610,711)	(289,490)	(14,900,201)
Total comprehensive income for the year	-	1,023,637	1,023,637	-	464,452	464,452
Distribution during the year						
For the year ended June 30, 2022 @ Rs. 0.9175 per unit date of declaration: June 24, 2022	-	-	-	(279,196)	(159,715)	(438,911)
For the year ended June 30, 2023 @ Rs. 1.5195 per unit date of declaration: June 21, 2023	(158,619)	(403,233)	(561,852)	-	-	-
	(158,619)	(403,233)	(561,852)	(279,196)	(159,715)	(438,911)
<b>Net assets at the end of the year</b>	<b>5,110,294</b>	<b>47,267</b>	<b>5,157,561</b>	<b>7,513,947</b>	<b>19,263</b>	<b>7,533,210</b>
Undistributed income brought forward		1,013			3,414	
- Realised income		18,250			602	
- Unrealised income		19,263			4,016	
Accounting income available for distribution:						
- Relating to capital gains		-			19,244	
- Excluding capital gains		431,237			155,718	
		431,237			174,962	
Distribution during the year		(403,233)			(159,715)	
<b>Undistributed income carried forward</b>		<b>47,267</b>			<b>19,263</b>	
<b>Undistributed income carried forward:</b>						
- Realised income		64,360			1,013	
- Unrealised (loss) / income		(17,093)			18,250	
		47,267			19,263	
				(Rupees)		(Rupees)
Net asset value per unit at the beginning of the year			10.0384			10.0136
Net asset value per unit at the end of the year			10.0972			10.0384

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, 2023

	2023	2022
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	1,023,637	464,452
<b>Adjustments:</b>		
Income on corporate sukuk certificates	(156,663)	(102,703)
Income on GoP Ijarah sukuks	(47,621)	(9,395)
Income on term deposit receipts	(86,617)	(12,202)
Income on Islamic commercial papers	(6,669)	(57,270)
Income on bai muajjal receivable	(8,992)	(2,663)
Income on certificates of musharakah	(113,339)	(46,166)
Profit on bank balances	(727,924)	(266,885)
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.7 17,093	(18,250)
Reversal of provision against Sindh Workers' Welfare Fund	-	(1,577)
Amortisation of preliminary expenses and floatation costs	8.1 156	156
	(1,130,576)	(516,955)
<b>Decrease / (increase) in assets</b>		
Investments	378,066	(184,654)
Prepayments, deposits and other receivables	-	86
	378,066	(184,568)
<b>Increase in liabilities</b>		
Payable to NBP Fund Management Limited - the Management Company	5,946	10,748
Payable to the Central Depository Company of Pakistan Limited - the Trustee	(132)	316
Payable to the Securities and Exchange Commission of Pakistan	428	752
Accrued expenses and other liabilities	53,551	30,455
	59,793	42,271
Profit received on bank balances, islamic commercial paper, sukuk certificates, bai muajjal receivable, term deposit receipts and certificates of musharakah	1,154,966	413,129
<b>Net cash generated from operating activities</b>	<u>1,485,886</u>	<u>218,329</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units - net of refund of capital	10,696,817	18,824,688
Amount paid against redemption of units	(13,652,033)	(14,850,787)
Dividend paid	(403,233)	(159,715)
<b>Net cash (used in) / generated from financing activities</b>	<u>(3,358,449)</u>	<u>3,814,186</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<u>(1,872,563)</u>	<u>4,032,515</u>
Cash and cash equivalents at the beginning of the year	6,315,236	2,282,721
<b>Cash and cash equivalents at the end of the year</b>	<u>21 4,442,673</u>	<u>6,315,236</u>

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, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 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.

1.2 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).

1.3 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.

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

1.5 The Pakistan Credit Rating Agency (PACRA) has reaffirmed an asset manager rating of the Management Company of AM1 as at June 22, 2023 (2022: AM1). The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes. Furthermore, PACRA has maintained the stability rating of the Fund at A+(f) (2022: A+(f) on April 19, 2022) on April 14, 2023.

1.6 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 VIII A 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 the published accounting and reporting standards as applicable in Pakistan that are yet effective:**

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting year beginning on or after July 1, 2022 but are considered not to be relevant or do 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 the 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, 2023. 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. These have been consistently applied for all the years presented.

### **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 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

#### Financial assets 'at fair value through profit or loss'

##### Basis of valuation of Government securities

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKIRSV rates) which are based on the remaining tenure of the securities.

##### Basis of valuation of debt securities

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

### 3.2.4 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.

### 3.2.5 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 over 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 placed on the Management Company's website as required by the SECP's Circular.

### 3.2.6 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.

### 3.2.7 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 musharakah 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 accumulated losses and 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>	<b>Note</b>	<b>2023</b>	<b>2022</b>
			----- <b>(Rupees in '000)</b> -----	
	Balances with banks in:			
	Current accounts		93,194	14,215
	Savings accounts	4.1	<u>2,566,599</u>	<u>5,457,515</u>
			<u>2,659,793</u>	<u>5,471,730</u>

4.1 These include balance of Rs 9.476 million (2022: Rs 1.073 million) maintained with National Bank of Pakistan (a related party), that carry profit at the rate 18.00% (2022: 12.25% to 15.00%) per annum respectively. Other savings accounts of the Fund carry profit at the rate ranging from 10.00% to 20.25% (2022: 6.50% to 16.00%) per annum.

5	<b>INVESTMENTS</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
			----- <b>(Rupees in '000)</b> -----	
	<b>At fair value through profit or loss</b>			
	Islamic commercial papers	5.1	-	348,375
	GoP Ijarah sukuks	5.2	377,402	100,030
	Corporate sukuk certificates	5.3	395,290	1,067,821
	Bai muajjal receivable	5.4	-	-
	Term deposit receipts	5.5	1,150,000	-
	Certificates of musharakah	5.6	<u>632,880</u>	<u>495,131</u>
			<u>2,555,572</u>	<u>2,011,357</u>

## 5.1 Islamic commercial papers

Name of investee company	Rating	As at July 1, 2022	Purchased during the year	Matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Market value as a percentage of	
									Total investments of the Fund	Net assets of the Fund
Face value (Rupees in '000)						(Rupees in '000)		%		
<b>Engineering</b>										
Mughal Iron & Steel Industries Limited ICP - 1	A-2, VIS	300,000	-	300,000	-	-	-	-	-	-
Lucky Electric Power Company Limited ICP - 2	AA-, PACRA	50,000	-	50,000	-	-	-	-	-	-
<b>Total as at June 30, 2023</b>						-	-	-	-	-
<b>Total as at June 30, 2022</b>						348,375	348,375	-	17.32%	4.62%

## 5.2 GoP Ijarah sukuku

Name of the security	Profit payments	Issue date	Maturity date	Profit rate	As at July 1, 2022	Purchased during the year	Sold during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Market value as a percentage of	
												Total investments of the Fund	Net assets of the Fund
					Number of certificates			(Rupees in '000)		%			
GoP Ijarah sukuku 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	100,030	99,358	(672)	3.89%	1.93%
GoP Ijarah sukuku XX - VRR 25 (Note 5.2.1)	Semi-Annually	April 27, 2022	April 27, 2027	Weighted average 6 months T-Bills	-	760	-	760	3,784	3,777	(7)	0.14%	0.07%
GoP Ijarah sukuku XX - VRR 26 (Note 5.2.1)	Semi-Annually	October 27, 2022	October 27, 2027	Weighted average 6 months T-Bills	-	55,000	-	55,000	275,000,274,267		(733)	10.73%	5.32%
<b>Total as at June 30, 2023</b>									378,814,377,402		(1,412)	14.76%	7.32%
<b>Total as at June 30, 2022</b>									100,630,100,030		(600)	4.95%	1.33%

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

## 5.3 Corporate sukuk certificates

Name of the security	Rating	Profit payments / Principal payment	Maturity date	Profit rate	As at July 1, 2022	Purchased during the year	Sold during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Market value as a percentage of	
												Total investments of the Fund	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	Quarterly	August 22, 2023	3 months KIBOR plus base rate of 1.90%	700	-	-	700	20,235	17,553	(2,682)	0.69%	0.34%
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 1.90%	500	-	-	500	26,216	25,125	(1,091)	0.98%	0.49%
Engro Powergen Thar (Private) Limited (Non-traded) (Face value of Rs 5,000 per certificate)	AA-, PACRA	Quarterly	August 02, 2024	3 months KIBOR plus base rate of 1.70%	60,000	-	-	60,000	242,391	228,880	(13,511)	8.96%	4.44%
Hub Power Holdings Limited (Non-traded) (Face value of Rs 100,000 per certificate)	AA+, PACRA	Semi-Annually	November 12, 2025	6 months KIBOR plus base rate of 2.50%	700	-	-	700	70,000	71,841	1,841	2.81%	1.39%
K-Electric Limited - Sukuk V (Traded) (Face value of 5,000 per certificate)	AA+, VIS	Quarterly	August 03, 2027	3 months KIBOR plus base rate of 1.70%	10,000	1,990	-	11,990	52,129	51,891	(238)	2.03%	1.01%
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	-	-	-	-	-	-
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	-	-	-	-	-	-
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	350	575	-	-	-	-	-	-
K-Electric short-term sukuk - 9 (non-traded) (Face value of Rs 1,000,000 per certificate)	A-1+, VIS	Semi-Annually	March 21, 2023	6 months KIBOR plus base rate of 1.40%	-	480	480	-	-	-	-	-	-
K-Electric short-term sukuk - 10 (non-traded) (Face value of Rs 1,000,000 per certificate)	A-1+, VIS	Semi-Annually	April 05, 2023	6 months KIBOR plus base rate of 1.45%	-	750	750	-	-	-	-	-	-
<b>Total as at June 30, 2023</b>									410,971	395,290	(15,681)	15.47%	7.67%
<b>Total as at June 30, 2022</b>									1,048,971	1,067,821	18,850	53.11%	14.17%



## 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 investments of the Fund	Net assets of the Fund
								----- (Rupees in '000) ----- % -----	
Pak Oman Investment Company Limited	AA+, VIS	April 13, 2023	19.60%	274,508	4,495	4,495	-	-	-
Pak Oman Investment Company Limited	AA+, VIS	April 14, 2023	19.60%	274,636	4,497	4,497	-	-	-
<b>Total as at June 30, 2023</b>				<b>549,144</b>	<b>8,992</b>	<b>8,992</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total as at June 30, 2022</b>				<b>102,925</b>	<b>2,663</b>	<b>2,663</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 5.5 Term deposit receipts

Name of the security	Rating	Maturity date	Profit rate	As at July 1, 2022	Purchased during the year	Matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Market value as a percentage of	
											Total investments of the Fund	Net assets of the Fund
											----- (Rupees in '000) ----- % -----	
<b>Commercial banks</b>												
Bank Alfalah Limited	AA+, PACRA	December 30, 2022	15.25%	-	450,000	450,000	-	-	-	-	-	-
Bank Alfalah Limited	AA+, PACRA	March 16, 2023	15.55%	-	600,000	600,000	-	-	-	-	-	-
Bank Alfalah Limited	AA+, PACRA	March 20, 2023	15.55%	-	200,000	200,000	-	-	-	-	-	-
Bank Alfalah Limited	AA+, PACRA	May 2, 2023	18.20%	-	500,000	500,000	-	-	-	-	-	-
Faysal Bank Limited	AA, PACRA	May 15, 2023	20.00%	-	500,000	500,000	-	-	-	-	-	-
Bank Alfalah Limited	AA+, PACRA	June 5, 2023	19.50%	-	500,000	500,000	-	-	-	-	-	-
Faysal Bank Limited	AA, PACRA	June 15, 2023	20.25%	-	500,000	500,000	-	-	-	-	-	-
Bank Alfalah Limited	AA+, PACRA	July 5, 2023	20.00%	-	500,000	-	500,000	500,000	500,000	-	19.57%	9.69%
Faysal Bank Limited	AA, PACRA	July 17, 2023	20.40%	-	650,000	-	650,000	650,000	650,000	-	25.43%	12.60%
<b>Total as at June 30, 2023</b>								<b>1,150,000</b>	<b>1,150,000</b>	<b>-</b>	<b>45.00%</b>	<b>22.29%</b>
<b>Total as at June 30, 2022</b>								<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 5.6 Certificates of musharakah

Name of the security	Rating	Maturity date	Profit rate	As at July 1, 2022	Purchased during the year	Matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Market value as a percentage of	
											Total investments of the Fund	Net assets of the Fund
											----- (Rupees in '000) ----- % -----	
<b>Non-bank Islamic financial institution</b>												
First Habib Modaraba	AA+, PACRA	July 26, 2022	14.80%	304,794	-	304,794	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	July 28, 2022	14.80%	190,337	-	190,337	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	October 26, 2022	15.75%	-	315,827	315,827	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	October 28, 2022	15.75%	-	197,253	197,253	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	December 20, 2022	15.75%	-	250,000	250,000	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	January 26, 2023	15.75%	-	328,365	328,365	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	January 30, 2023	15.75%	-	205,083	205,083	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	March 20, 2023	16.75% - 20.00%	-	250,000	250,000	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	April 26, 2023	17.85% - 21.00%	-	341,905	341,905	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	June 20, 2023	20.00% - 21.00%	-	260,930	260,930	-	-	-	-	-	-
First Habib Modaraba	AA+, PACRA	July 26, 2023	21.00% - 22.25%	-	358,246	-	358,246	358,246	358,246	-	14.02%	6.95%
First Habib Modaraba	AA+, PACRA	September 20, 2023	21.25% - 22.25%	-	274,634	-	274,634	274,634	274,634	-	10.75%	5.32%
<b>Total as at June 30, 2023</b>								<b>632,880</b>	<b>632,880</b>	<b>-</b>	<b>24.77%</b>	<b>12.27%</b>
<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>



	Note	2023 ------(Rupees in '000)-----	2022 ------(Rupees in '000)-----
<b>5.7 Unrealised (diminution) / 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	2,555,572	2,011,357
Less: carrying value of investments	5.1, 5.2, 5.3, 5.4, 5.5 & 5.6	2,572,665	1,993,107
		<u>(17,093)</u>	<u>18,250</u>
<b>6 PROFIT RECEIVABLE</b>			
Profit receivable on:			
Bank balances		44,599	61,734
Corporate sukuk certificates		14,947	32,414
GoP Ijarah sukuks		12,971	1,320
Term deposit receipts		12,935	-
Certificates of musharakah		15,454	12,579
		<u>100,906</u>	<u>108,047</u>
<b>7 DEPOSITS AND OTHER RECEIVABLES</b>			
Advance tax	7.1	343	343
Security deposit with Central Depository Company of Pakistan Limited *		100	100
		<u>443</u>	<u>443</u>

\* 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 (2022: 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, 2023 as, in the opinion of the management, the amount of taxes deducted at source will likely be refunded.

	Note	2023 ------(Rupees in '000)-----	2022 ------(Rupees in '000)-----
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
At the beginning of the year		485	641
Less: amortisation during the year	8.1	(156)	(156)
At the end of the year		<u>329</u>	<u>485</u>

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>	<b>Note</b>	<b>2023</b> ------(Rupees in '000)-----	<b>2022</b>
	Remuneration payable to the Management Company	9.1	4,954	4,770
	Sindh sales tax on remuneration payable to the Management Company	9.2	644	604
	Reimbursement of allocated expenses payable	9.3	2,145	2,018
	Sales and transfer load payable		6,878	3,691
	Sindh sales tax payable on sales load		886	480
	ADC charges payable including Sindh sales tax		363	395
	Reimbursement of selling and marketing expenses payable	9.4	4,147	2,113
	Other payable		153	153
			<u>20,170</u>	<u>14,224</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% (2022: 6%) of net income, subject to floor and capping of 0.5% and 1.25% (2022: 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. 8.550 million (2022: Rs. 3.976 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%.(2022: 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 March 17, 2023 to June 30, 2023	Rate applicable from July 1, 2022 to March 16, 2023	Rate applicable from July 1, 2021 to June 30, 2022
0.15% of average annual net assets	0.125% of average annual net assets	0.125% 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 following rates:

Rate applicable from March 27, 2023 to June 30, 2023	Rate applicable from July 1, 2022 to March 26, 2023	Rate applicable from May 9, 2022 to June 30, 2022	Rate applicable from August 2, 2022 to May 8, 2023	Rate applicable from July 26, 2021 to August 1, 2022	Rate applicable from July 1, 2021 to July 25, 2022
0.29% of average annual net assets	0.15% of average annual net assets	0.15% of average annual net assets	0.10% of average annual net assets	0.25% of average annual net assets	0.00% of average annual net assets

10	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE - RELATED PARTY</b>	<b>Note</b>	<b>2023</b> ------(Rupees in '000)-----	<b>2022</b>
	Trustee fee payable	10.1	315	432
	Sindh sales tax payable on trustee fee	10.2	41	56
			<u>356</u>	<u>488</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% (2022: 0.075%) per annum of net assets.

10.2 During the year, an amount of Rs. 0.691 million (2022: Rs. 0.482 million) was charged on account of sales tax at the rate of 13% (2022: 13%) on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

<b>11</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	<b>Note</b>	<b>2023</b> ----- <b>(Rupees in '000)</b> -----	<b>2022</b> ----- <b>(Rupees in '000)</b> -----
	Annual fee payable	11.1	<u>1,418</u>	<u>990</u>
<b>11.1</b>	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% (2022: 0.02%) of the average annual net assets of the Fund.			
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		<b>2023</b> ----- <b>(Rupees in '000)</b> -----	<b>2022</b> ----- <b>(Rupees in '000)</b> -----
	Auditors' remuneration payable		451	386
	Legal fees payable		238	140
	Shariah advisor fee payable		1,102	715
	Withholding tax payable		65,113	19,803
	Capital gain tax payable		15,723	12,605
	Payable against printing charges		74	67
	Bank and settlement charges payable		221	70
	Brokerage payable		15	97
	Other payables		4,839	342
			<u>87,776</u>	<u>34,225</u>
<b>13</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	There were no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022.			
<b>14</b>	<b>NUMBER OF UNITS IN ISSUE</b>		<b>2023</b> ----- <b>Number of units</b> -----	<b>2022</b> ----- <b>Number of units</b> -----
	Total units in issue at the beginning of the year		750,442,762	324,225,556
	Units issued during the year		1,033,444,476	1,841,148,051
	Less: units redeemed during the year		<u>(1,273,030,798)</u>	<u>(1,414,930,845)</u>
	Total units in issue at the end of the year		<u>510,856,440</u>	<u>750,442,762</u>
<b>15</b>	<b>NET ASSET VALUE PER UNIT</b>			
	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 issue at the year end.			
<b>16</b>	<b>AUDITORS' REMUNERATION</b>		<b>2023</b> ----- <b>(Rupees in '000)</b> -----	<b>2022</b> ----- <b>(Rupees in '000)</b> -----
	Annual audit fee		279	235
	Other certifications		100	155
	Half yearly review		102	86
	Out of pocket expenses		88	49
			<u>569</u>	<u>525</u>
<b>17</b>	<b>TAXATION</b>			

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 accumulated losses and 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, 2023 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 1.51% (2022: 1.08%) which includes 0.15% (2022: 0.11%) representing government levies such as sales taxes and SECP fee. The TER excluding government levies is 1.36% (2022: 0.97%) 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 essentially comprise of 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 Trust Deed.

**20.5** Allocated expenses and selling and marketing expenses are reimbursed by the Fund to 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:

	2023	2022
	------(Rupees in '000)-----	
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration of NBP Fund Management Limited - the Management Company	65,767	30,582
Sindh sales tax on remuneration of the Management Company	8,550	3,976
Reimbursement of allocated expenses	9,296	6,185
Reimbursement of selling and marketing expenses	13,203	5,312
Sales load and Sindh sales tax on sales load	17,987	14,075
ADC (reimbursement) / charges including Sindh sales tax	134	346
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration of the Central Depository Company of Pakistan Limited - the Trustee	5,319	3,711
Sindh sales tax on remuneration of the Trustee	691	482
Settlement charges	172	41
<b>Employees of NBP Fund Management Limited</b>		
Dividend re-invest units issued: 852,868 units (2022: 421,172 units)	8,567	4,219
Units issued: 19,398,695 units (2022: 42,997,405 units)	203,062	442,909
Units redeemed: 23,398,641 units (2022: 37,123,630 units)	249,016	388,535
<b>Portfolio managed by Management Company</b>		
Dividend re-invest units issued: 556,559 units (2022: 2,352,021 units)	5,590	23,560
Units issued: 35,431,730 units (2022: 30,204,897 units)	359,850	304,038
Units redeemed: 46,489,639 units (2022: 34,175,056 units)	497,292	357,075

	2023	2022
	------(Rupees in '000)-----	
<b>Khalid Mahmood - Chief Financial Officer</b>		
Dividend re-invest units issued: 227 units (2022: 291 units)	2	3
Units issued: 95,859 units (2022: 282,800 units)	1,001	2,900
Units redeemed: 98,810 units (2022: 277,563 units)	1,036	2,906
<b>National Bank of Pakistan - Parent company</b>		
Bank profit*	-	3
<b>BankIslami Pakistan Limited - common directorship**</b>		
Bank profit	-	8,179
Placement in term deposit receipts during the year	-	1,306,837
Matured during the year	-	1,756,837
Income on term deposit receipts	-	10,467
<b>K-Electric Limited - common directorship***</b>		
Purchase of corporate sukuk certificates	1,589,067	-
Income earned on corporate sukuks	89,176	-
Income received on corporate sukuks	87,220	-
<b>NAFA Islamic Active Allocation Plan - I</b>		
Units issued: 752,599 units (2022: 953,915 units)	8,096	9,616
Units redeemed: 1,532,474 units (2022: 174,041 units)	16,988	1,825
<b>NAFA Islamic Active Allocation Plan - II</b>		
Units issued: 751,061 units (2022: 1,247,287 units)	8,050	12,676
Units redeemed: 1,474,292 units (2022: 524,056 units)	16,387	5,658
<b>NAFA Islamic Active Allocation Plan - III</b>		
Units issued: 4,425,903 units (2022: 4,024,407 units)	47,420	40,996
Units redeemed: 6,471,921 units (2022: 1,978,389 units)	71,756	21,154
<b>NBP Islamic Sarmaya Izafa Fund</b>		
Purchase of corporate sukuk certificates	-	102,133
<b>NAFA Islamic Active Allocation Plan - IV</b>		
Units issued: 4,569,779 units (2022: 2,482,072 units)	48,680	25,021
Units redeemed: 6,637,688 units (2022: 416,163 units)	71,603	4,427
<b>NAFA Islamic Active Allocation Plan - V</b>		
Units issued: 2,189,280 units (2022: 1,765,792 units)	23,536	17,959
Units redeemed: 3,170,045 units (2022: 785,027 units)	35,339	8,270
<b>NAFA Islamic Active Allocation Plan - VI</b>		
Units issued: 517,405 units (2022: 846,842 units)	5,571	8,728
Units redeemed: 790,527 units (2022: 573,720 units)	8,816	6,103
<b>NAFA Islamic Active Allocation Plan - VII</b>		
Units issued: 1,075,354 units (2022: 678,516 units)	11,548	6,834
Units redeemed: 1,648,352 units (2022: 105,519 units)	18,355	1,114
<b>NAFA Islamic Active Allocation Plan - VIII</b>		
Units issued: 2,146,336 units (2022: 1,105,113 units)	23,095	11,182
Units redeemed: 2,927,461 units (2022: 323,987 units)	32,112	3,418
<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	4,954	4,770
Sindh sales tax on remuneration payable to the Management Company	644	604
Allocated expenses payable	2,145	2,018
Sales and transfer load payable	6,878	3,691
Sindh sales tax payable on sales load	886	480
ADC charges payable including Sindh sales tax	363	395
Selling and marketing expenses payable	4,147	2,113
Other payable	153	153

	2023	2022
	------(Rupees in '000)-----	
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration payable to the Trustee	315	432
Sindh sales tax payable on the Trustee remuneration	41	56
Settlement charges payable	141	10
Security deposit with Central Depository Company of Pakistan Limited - the Trustee	100	100
<b>Employees of NBP Fund Management Limited</b>		
Units outstanding: 9,411,545 units (2022: 12,558,623 units)	95,018	126,068
<b>Portfolio managed by Management Company</b>		
Units outstanding: 28,708,399 units (2022: 39,209,749 units)	298,342	393,604
<b>Khalid Mahmood - Chief Financial Officer</b>		
Units outstanding: 2,824 units (2022: 5,548 units)	28	55
<b>National Bank of Pakistan - Parent company</b>		
Bank balances	9,476	1,073
<b>Bank Islami Pakistan Limited - common directorship**</b>		
Bank balances	-	7,495
Term deposit receipts	-	-
Profit receivable on bank balances	-	63
Profit receivable on term deposit receipts	-	-
<b>K-Electric Limited - common directorship***</b>		
Corporate sukuk certificates held	51,891	-
Profit receivable on corporate sukuk certificates	1,956	-
<b>NAFA Islamic Active Allocation Plan - I</b>		
Units held: Nil (2022: 779,875 units)	-	7,829
<b>NAFA Islamic Active Allocation Plan - II</b>		
Units held: Nil (2022: 723,231 units)	-	7,260
<b>NAFA Islamic Active Allocation Plan - III</b>		
Units held: Nil (2022: 2,046,018 units)	-	20,539
<b>NAFA Islamic Active Allocation Plan - IV</b>		
Units held: Nil (2022: 2,067,909 units)	-	20,759
<b>NAFA Islamic Active Allocation Plan - V</b>		
Units held: Nil (2022: 980,765 units)	-	9,845
<b>NAFA Islamic Active Allocation Plan - VI</b>		
Units held: Nil (2022: 273,122 units)	-	2,742
<b>NAFA Islamic Active Allocation Plan - VII</b>		
Units held: Nil (2022: 572,998 units)	-	5,752
<b>NAFA Islamic Active Allocation Plan - VIII</b>		
Units held: Nil (2022: 781,125 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, 2023.

\*\*\* Comparative figures have not been presented as the person was 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.

21	CASH AND CASH EQUIVALENTS	Note	2023	2022
			(Rupees in '000)	
	Bank balances	4	2,659,793	5,471,730
	Islamic commercial papers*	5.1	-	348,375
	Term deposit receipts*	5.5	1,150,000	-
	Certificates of musharakah*	5.6	632,880	495,131
			<u>4,442,673</u>	<u>6,315,236</u>

\*Original maturity of 3 months or less

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

	2023		
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	2,659,793	-	2,659,793
Investments	-	2,555,572	2,555,572
Profit receivable	100,906	-	100,906
Deposits and other receivables	100	-	100
Receivable against transfer of units	23,672	-	23,672
	<u>2,784,471</u>	<u>2,555,572</u>	<u>5,340,043</u>
<b>Financial liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	19,526	-	19,526
Payable to the Central Depository Company of Pakistan Limited - the Trustee	356	-	356
Payable against redemption of units	73,434	-	73,434
Accrued expenses and other liabilities	6,940	-	6,940
	<u>100,256</u>	<u>-</u>	<u>100,256</u>
	2022		
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	5,471,730	-	5,471,730
Investments	-	2,011,357	2,011,357
Profit receivable	108,047	-	108,047
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>
<b>Financial liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	14,224	-	14,224
Payable to the 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>



## 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, 2023, the Fund is exposed to such risk on its balances held with banks, investments in GoP ijarah 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 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. 33.39 million (2022: Rs. 71.35 million).

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

Presently, the Fund holds certificates of musharakah and 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 year and net assets of the Fund would have been higher / lower by Rs. 17.83 million (2022: Rs. 3.48 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, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Yield / 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, 2023 can be determined as follows:



2023						
Effective yield / 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	10.00 - 20.25	2,566,599	-	-	93,194	2,659,793
Investments	14.80 - 22.50	2,106,328	449,244	-	-	2,555,572
Profit receivable		-	-	-	100,906	100,906
Deposits and other receivables		-	-	-	100	100
Receivable against transfer of units		-	-	-	23,672	23,672
		4,672,927	449,244	-	217,872	5,340,043
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	19,526	19,526
Payable to the Central Depository Company of Pakistan Limited - the Trustee		-	-	-	356	356
Payable against redemption of units		-	-	-	73,434	73,434
Accrued expenses and other liabilities		-	-	-	6,940	6,940
		-	-	-	100,256	100,256
<b>On-balance sheet gap (a)</b>		4,672,927	449,244	-	117,616	
<b>Off-balance sheet gap (b)</b>		-	-	-		
<b>Total profit rate sensitivity gap (a +b)</b>		4,672,927	449,244	-		
<b>Cumulative profit rate sensitivity gap</b>		4,672,927	5,122,171	5,122,171		

2022						
Effective yield / 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
Deposits and other receivables		-	-	-	100	100
Receivable against transfer of units		-	-	-	57,330	57,330
		6,676,021	225,000	567,851		7,648,564
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - Management Company		-	-	-	14,224	14,224
Payable to the Central Depository Company of Pakistan Limited - 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		

## (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, 2023.

## 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 ended June 30, 2023.

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:

2023						
Within one 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 five years	Financial instruments with no fixed maturity	Total

(Rupees in '000)

### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

Payable to the Central Depository Company of Pakistan Limited - the Trustee

Payable against redemption of units

Accrued expenses and other liabilities

19,526	-	-	-	-	-	19,526
356	-	-	-	-	-	356
73,434	-	-	-	-	-	73,434
6,489	451	-	-	-	-	6,940
99,805	451	-	-	-	-	100,256

2022						
Within one 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 five years	Financial instruments with no fixed maturity	Total

(Rupees in '000)

#### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

Payable to the Central Depository Company of Pakistan Limited - the Trustee

Payable against redemption of units

Accrued expenses and other liabilities

14,224	-	-	-	-	-	14,224
488	-	-	-	-	-	488
66,255	-	-	-	-	-	66,255
1,817	-	-	-	-	-	1,817
<b>82,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,784</b>

### 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:

2023		2022	
Balance as per statement of assets and	Maximum exposure to credit risk	Balance as per statement of assets and	Maximum exposure to credit risk

(Rupees in '000)

#### Financial assets

Bank balances	2,659,793	2,659,793	5,471,730	5,471,730
Investments	2,555,572	2,178,170	2,011,357	1,911,327
Profit receivable	100,906	87,935	108,047	108,047
Deposits and other receivables	100	100	100	100
Receivable against transfer of units	23,672	23,672	57,330	57,330
	<b>5,340,043</b>	<b>4,949,670</b>	<b>7,648,564</b>	<b>7,548,534</b>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 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, term deposit receipts, certificates of musharakah and profit accrued thereon. The credit rating profile of banks, corporate sukuk certificates, Islamic commercial papers, term deposit receipts and certificates of musharakah are as follows:

Rating	% of financial assets exposed to credit risk	
	2023	2022
<b>Bank balances</b>		
AAA	24.74%	15.32%
AA+	1.22%	12.86%
AA	0.07%	5.73%
AA-	7.34%	38.58%
A+	17.27%	0.01%
A-	0.01%	-

Rating	% of financial assets exposed to credit risk	
	2023	2022
<b>Islamic Commercial papers</b>		
AA-	-	3.96%
A-2+	-	0.66%
<b>Corporate sukuk certificates</b>		
AA+	3.20%	2.99%
AA	-	6.95%
AA-	4.73%	4.20%
<b>Term deposit receipts</b>		
AA+	9.50%	-
AA	12.28%	-
<b>Certificates of musharakah</b>		
AA+	12.14%	6.56%

### 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, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair value:

-----As at June 30, 2023-----				
	Level 1	Level 2	Level 3	Total
<b>At fair value through profit or loss</b>	----- (Rupees in '000) -----			
GoP Ijarah sukuks	-	377,402	-	377,402
Corporate sukuk certificates	-	395,290	-	395,290
Term deposit receipts**	-	1,150,000	-	1,150,000
Certificates of musharakah**	-	632,880	-	632,880
	-	<u>2,555,572</u>	-	<u>2,555,572</u>
-----As at June 30, 2022-----				
	Level 1	Level 2	Level 3	Total
<b>At fair value through profit or loss</b>	----- (Rupees in '000) -----			
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>

\* 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	2023			2022		
	Number of unit holders	Investment amount	Percentage of total	Number of unit holders	Investment amount	Percentage of total
	(Rupees in '000)			(Rupees in '000)		
Individuals	2,854	4,031,683	78.17%	2,382	5,863,368	77.83%
Insurance companies	3	64,948	1.26%	7	297,736	3.95%
Non-banking finance companies	-	-	-	8	82,566	1.10%
Retirement funds	31	781,313	15.15%	38	906,937	12.04%
Others	32	279,617	5.42%	30	382,603	5.08%
	<u>2,920</u>	<u>5,157,561</u>	<u>100.00%</u>	<u>2,465</u>	<u>7,533,210</u>	<u>100.00%</u>

## 27 LIST OF BROKERS BY PERCENTAGE OF COMMISSION PAID

2023		2022	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Magenta Capital (Private) Limited	49.10%	Magenta Capital (Private) Limited	2.04%
Next Capital Limited	37.35%	Next Capital Limited	97.96%
Bright Capital (Private) Limited	13.55%		

27.1 The Fund has traded with only the above mentioned three brokers / dealers during the year ended June 30, 2023 (2022: two brokers / dealers).

## 28 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	35
Asim Wahab Khan	Chief Investment Officer	CFA	17
Salman Ahmed (note 28.1)	Head of Fixed Income	CFA	18
Hassan Raza	Head of Research	ACCA / BSC / CFA	12
Usama Bin Razi	Senior Manager Fixed Income	BE, MBA	19

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

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

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

The 86th, 87th, 88th, 89th, 90th and 91st Board Meetings were held on July 06, 2022, September 27, 2022, October 29, 2022, February 21, 2023, April 29, 2023 and June 01, 2023, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held / applicable	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	6	6	-	-
Tauqeer Mazhar	6	5	1	91st Meeting
Mehnaz Salar	6	6	-	-
Ali Saigol	6	6	-	-
Imran Zaffar	6	5	1	89th Meeting
Khalid Mansoor	6	6	-	-
Saad Amanullah Khan	6	6	-	-
Humayun Bashir (note 29.1)	2	2	-	-
Ruhail Muhammad (note 29.2)	3	3	-	-
Dr. Amjad Waheed	6	6	-	-

**29.1** Mr. Humayun Bashir retired from the Board with effect from October 04, 2022.

**29.2** Mr. Ruhail Muhammad was opted as Director on the Board with effect from October 04, 2022.

### **30 GENERAL**

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

### **31 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on **15 September 2023**.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2023	For the year ended June 30, 2022	For the year ended June 30, 2021
Net assets (Rs. '000')	5,157,561	7,533,210	3,246,657
Net Income (Rs. '000')	1,023,637	464,452	77,270
Net Asset Value per units (Rs.)	10.0959	10.0384	10.0136
Offer price per unit	10.2100	10.1518	10.1268
Redemption price per unit	10.0959	10.0384	10.0136
Ex - Highest offer price per unit (Rs.)	10.2100	10.1518	10.1268
Ex - Lowest offer price per unit (Rs.)	8.8204	9.2785	9.4569
Ex - Highest redemption price per unit (Rs.)	10.0959	10.0384	10.0136
Ex - Lowest redemption price per unit (Rs.)	8.7218	9.1748	9.4569
Since Inception Ex Nav	8.7187	9.1731	9.4569
Total return of the fund	15.80%	9.43%	6.69%
Capital growth	0.66%	0.27%	1.00%
Income distribution as % of Ex-NAV	15.14%	9.16%	5.69%
Income distribution as % of Par Value	15.20%	9.18%	5.69%
Interim distribution per unit	1.5195	0.9175	0.1121
Final distribution per unit		-	0.4571
<b>Distribution dates</b>			
Interim	21-Jun-23	24-Jun-22	14-Oct-20
Final	-	-	23-Jun-21
Average annual return (launch date 13-08-2020)			
(Since inception to June 30, 2023)	10.75%		
(Since inception to June 30, 2022)		8.16%	
(Since inception to June 30, 2021)			6.69%
Weighted average portfolio duration	23 Days	13 Days	36 Days



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