

**NBP**  
**ISLAMIC MONEY MARKET**  
**FUND**

**ANNUAL REPORT**  
**2021**



# **MISSION STATEMENT**

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



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## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of Management Company

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

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource Committee

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

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tauqeer Mazhar	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

### Trustee

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

### Bankers to the Fund

Allied Bank Limited	Summit Bank Limited
Askari Bank Limited	United Bank Limited
Bank Al Habib Limited	Dubai Islamic Bank Limited
Faysal Bank Limited	Zarai Taraqiati Bank Limited
Habib Bank Limited	Bank Islami Pakistan Limited
Habib Metropolitan Bank Limited	National Bank of Pakistan
JS Bank Limited	
MCB Bank Limited	
Meezan Bank Limited	



## **Auditors**

Yousuf Adil  
Chartered Accountants  
Cavish Court,  
A-35, Block 7 & 8,  
KCHSU, Sharae Faisal  
Karachi-75350 Pakistan.

## **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. Humayun Bashir**  
Director



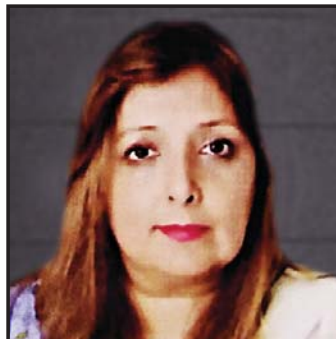
**Mr. Tauqeer Mazhar**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Saad Amanullah Khan**  
Director



**Ms. Mehnaz Salar**  
Director



**Mr. Imran Zaffar**  
Director

## Senior Management



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



**Mr. Sajjad Anwar, CFA**  
Chief Investment Officer



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



**Mr. Ozair Khan**  
Chief Technology Officer



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



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



**Mr. Khalid Mehmood**  
Chief Financial Officer



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



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



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



**Mr. Zulfiqar Ali, CFA**  
Head of Business Planning  
and Analytics



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



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



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



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



**Syed Haseeb Ahmed Shah**  
Head of Compliance



## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Fourth Annual Report of **NBP Islamic Money Market Fund (NIMMF)** for the year ended June 30, 2021.

### Fund's Performance

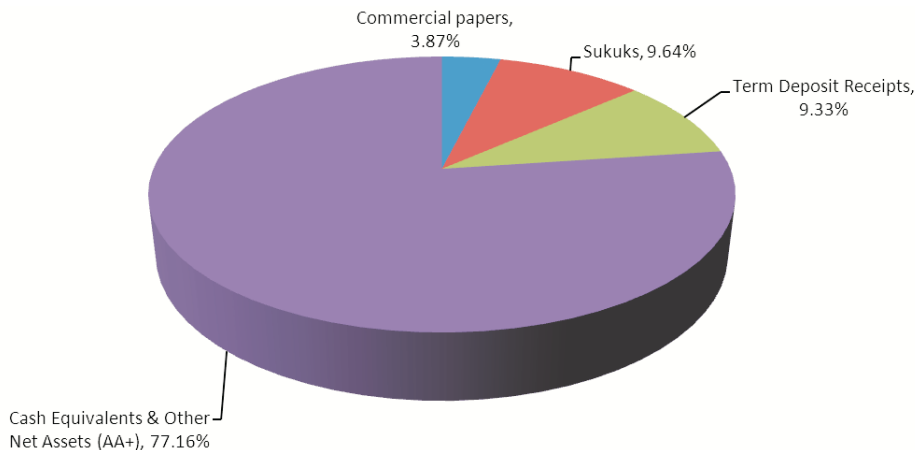
The market witnessed fresh issuance of short-term corporate sukuks and commercial papers mainly belonging to the Power sector to meet the increasing funding requirements. Inflation as measured by the CPI remained elevated at 8.9% in FY21 mainly due to surge in food prices. During FY21, the State Bank of Pakistan (SBP) held five Monetary Policy Committee (MPC) meetings and maintained the benchmark Policy Rate at 7%. Despite high inflation reading, the SBP continued with the accommodative monetary policy stance, citing significant slack in the economy and mounting risks to the economic recovery emanating from the rising Coronavirus cases in the country.

NIMMF is categorized as a Shariah Compliant Money Market Fund. The Fund aims to consistently provide better return than the profit rates offered by Islamic Banks/Islamic windows of commercial banks. Minimum eligible rating is AA, while the Fund is not allowed to invest in any security exceeding six months maturity. The weighted average time to maturity of the Fund cannot exceed 90 days while also providing easy liquidity along with a high-quality credit profile.

The size of NBP Islamic Money Market Fund has decreased from Rs. 5,886 million to Rs. 4,823 million during the period, i.e., a drop of 18%. During the said period, the unit price of the Fund has increased from Rs. 9.4626 (Ex-Div) on June 30, 2020 to Rs. 10.0504 on June 30, 2021 thus posting a return of 6.2% as compared to its Benchmark return of 3.4% for the same period. The return of the Fund is net of management fee and all other expenses.

The Fund has earned a total income of Rs. 338.44 million during the year. After deducting total expenses of Rs. 50.54 million, the net income is Rs. 287.90 million.

The asset allocation of NBP Islamic Money Market Fund as on June 30, 2021 is as follows:



### Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 6.05% of the opening ex-NAV (6.08% of the par value) during the year ended June 30, 2021.

### Taxation

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





## **Sindh Workers' Welfare Fund (SWWF)**

On August 13, 2021 provisioning against Sindh Workers' Welfare Fund by NBP ISLAMIC MONEY MARKET FUND amounting to Rs. 16.75 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP ISLAMIC MONEY MARKET FUND by 0.37% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

## **Auditors**

The present auditors, Messrs Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2022.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the year. The attendance of all directors is disclosed in the note 26 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 25 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 23 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2021, the Board included:



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

**Director**

Date: **September 16, 2021**

Place: Karachi.

## ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز NBP اسلامک منی مارکیٹ فنڈ (NIMMF) کی چوتھی سالانہ رپورٹ برائے مختتمہ سال 30 جون 2021 پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

### فنڈ کی کارکردگی

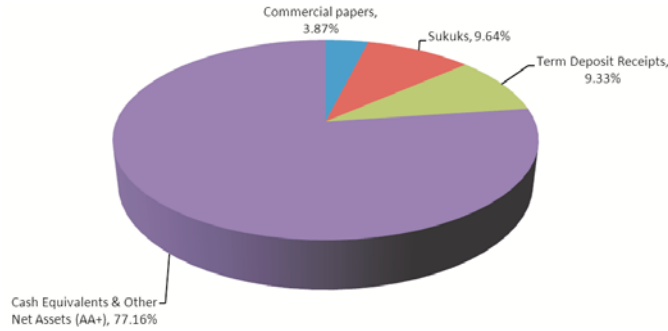
زیر جائزہ مدت کے دوران، مارکیٹ نے بجلی کے شعبہ سے متعلقہ بڑھتی ہوئی فنڈنگ ضروریات کو پورا کرنے کے لئے مختصر مدتی کارپوریٹ سٹاک اور کرنٹل پیپرز کے نئے اجراء کا مشاہدہ کیا۔ سی پی آئی (CPI) کی پیمائش کردہ افراط زر بنیادی طور پر خوراک کی قیمتوں میں اضافہ کی وجہ سے مالی سال 21 میں 8.9 فیصد تک بلند رہا۔ مالی سال 21 کے دوران اسٹیٹ بینک آف پاکستان (ایس بی پی) نے مائٹری پالیسی کمپنی (ایم بی سی) کے پانچ اجلاس منعقد کیے اور بیچ مارک پالیسی کی شرح کو 7 فیصد پر برقرار رکھا۔ افراط زر میں اضافے کے باوجود، اسٹیٹ بینک نے معیشت میں نمایاں سست روی اور معاشی بحالی کو ملک میں بڑھتے ہوئے کورونا وائرس کیسز سے پیدا ہونے والے خطرات کے حوالے سے مائٹری پالیسی کے موثر موقف کو جاری رکھا۔

NIMMF کی درجہ بندی بطور شریعہ مکمل نمٹ منی مارکیٹ فنڈ کی گئی ہے۔ اس فنڈ کا مقصد اسلامی بینکوں / تجارتی بینکوں کی اسلامی ونڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے میں تو اترا سے بہتر منافع فراہم کرنا ہے۔ ریٹنگ کا کم از کم تقاضا AA ہے، جب کہ فنڈ کو چھ ماہ سے زائد میچورٹی والی سیکورٹی میں انویسٹ کرنے کی اجازت نہیں ہے۔ فنڈ کی میچورٹی کی نئی تلی اوسط مدت 90 دن سے زائد نہیں ہو سکتی، جبکہ اعلیٰ معیاری کریڈٹ پروفائل کے ساتھ آسان ایکویٹی بھی فراہم کرتی ہے۔

موجودہ مدت کے دوران این بی پی اسلامک منی مارکیٹ فنڈ کا سائز 5,886 ملین روپے سے کم ہو کر 4,823 ملین روپے ہو گیا ہے یعنی 18% کی کمی ہوئی۔ زیر جائزہ مدت کے دوران، فنڈ کے یونٹ کی قیمت 30 جون 2020 کو 9.4626 روپے (EX-Div) سے بڑھ کر 30 جون 2021 کو 10.0504 روپے ہو گئی، لہذا اس مدت کے دوران فنڈ نے اپنے بیچ مارک 3.4% کے مقابلے میں 6.2% منافع درج کیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

فنڈ نے موجودہ مدت کے دوران 338.44 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 50.54 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 287.90 ملین روپے ہے۔

30 جون 2021 کو NIMMF کی ایسٹ ایلوکیشن حسب ذیل ہے:



### آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے دوران اوپننگ ex-NAV کے 6.05% (بنیادی قدر کا 6.08%) عبوری نقد ڈیویڈنڈ منظور کیا ہے۔

### ٹیکسیشن

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

### سندھ ورکرز ویلفیئر فنڈ (SWWF)

مورخہ 12 اگست 2021 کو سندھ ریونیو بورڈ کی جانب سے ایک وضاحتی مراسلہ نمبر SRB/TP/70/2013/8772 میوچل فنڈ زاہبوسی ایشن آف پاکستان کو بھیجا گیا جسکی رو سے NBP اسلامک منی مارکیٹ فنڈ میں ریکارڈ کی گئی 16.75 ملین روپے ورکرز ویلفیئر فنڈ کی پروویڈنٹنگ کو 13 اگست 2021 رپورٹ کر دیا گیا۔ پروویڈنٹ کی اس رپورٹل کے باعث NBP اسلامک منی مارکیٹ فنڈ کی NAV میں 0.37% کا غیر معمولی اضافہ ہوا۔ یہ ایک ایسا موقع ہے جسکا مستقبل میں دوبارہ ہونے کا امکان نہیں ہے۔

## آڈیٹرز

موجودہ آڈیٹرز، میسرز یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2022 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تفرری کے لئے پیش کرتے ہیں۔

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

1. ایجنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلواور 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. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیمپل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران ایجنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 26 میں ظاہر کی گئی ہے۔
11. یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 25 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، سی ای او، سی 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 23 میں ظاہر کی گئی ہے۔
13. کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔

30 جون 2021 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

نام	کیٹگری
1. جناب خالد منصور 2. جناب سعد امان اللہ خان 3. جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
1. شیخ محمد عبدالواحد سیٹھی (چیرمین) 2. سید حسن ارتضیٰ کاظمی 3. محترمہ مہنا سالار 4. جناب علی سیدگل 5. جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز



## اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

**NBP منجمنٹ لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 16 ستمبر 2021ء

مقام: کراچی



## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Money Market 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, 2021 in accordance with the provisions of the following:

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

**Badiuddin Akber**

Chief Operating Officer

Central Depository Company of Pakistan Limited

Karachi, September 27, 2021

## FUND MANAGER REPORT

### NBP Islamic Money Market Fund

NBP Islamic Money Market Fund (NIMMF) is an Open-End Shariah Compliant Money Market Fund.

### Investment Objective of the Fund

To provide competitive return with maximum possible capital preservation by investing in low risk and liquid Shariah Compliant authorized instruments.

### Benchmark

Three months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP.

### Fund Performance Review

This is the Fourth Annual report since the launch of the Fund on February 28, 2018. The Fund size decreased by 18% during the year and stands at Rs. 4,823 million as of June 30, 2021. Since its inception, the Fund has earned an annualized return of 8.3% versus the benchmark return of 3.9%, thus registering an outperformance of 4.4% p.a. During FY21, the Fund posted 6.2% return versus the benchmark return of 3.4%, thus registering an outperformance of 2.8% p.a. This outperformance is net of management fee and other expenses.

NIMMF is an Islamic Money Market Scheme with no direct or indirect exposure to the stock market. The Fund aims to consistently provide a better return than the profit rates offered by Islamic Banks/Islamic windows of commercial banks. The minimum eligible rating is AA, while the Fund is not allowed to invest in any security exceeding six months of maturity. The weighted average time to maturity of the Fund cannot exceed 90 days while also providing easy liquidity along with a high-quality credit profile.

The market witnessed fresh issuance of short-term corporate sukuks and commercial papers mainly belonging to the Power sector to meet the increasing funding requirements. Inflation as measured by the CPI remained elevated at 8.9% in FY21 mainly due to surge in food prices. During FY21, the State Bank of Pakistan (SBP) held five Monetary Policy Committee (MPC) meetings and maintained the benchmark Policy Rate at 7%. Despite high inflation reading, the SBP continued with the accommodative monetary policy stance, citing significant slack in the economy and mounting risks to the economic recovery emanating from the rising Coronavirus cases in the country.

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

Particulars	30-Jun-21	30-Jun-20
Commercial papers	3.87%	9.70%
TFCS / Sukuks	9.64%	-
TDRs	9.33%	19.25%
Bai Muajjal	-	8.47%
Cash, Bank Placements & Other Assets	77.16	62.58%
<b>Total</b>	<b>100%</b>	<b>100%</b>



## Distribution for the Financial Year 2021

Interim Period	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Jun-21	6.08%	10.6431	10.0355

## Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	487
1-1000	1684
1001-5000	240
5001-10000	94
10001-50000	215
50001-100000	115
100001-500000	238
500001-1000000	44
1000001-5000000	71
5000001-10000000	3
10000001-100000000	8
<b>Total</b>	<b>3199</b>

## During the period under question

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

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 16,078,833. If the same were not made the NAV per unit/FY21 return of scheme would be higher by Rs. 0.0335/.35%. For details, investors are advised to read note 17 of the Financial Statement of the Scheme for the year ended June 30, 2021.

On August 13, 2021, provisioning against Sindh Workers' Welfare Fund by NBP ISLAMIC MONEY MARKET FUND amounting to Rs. 16.75 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP ISLAMIC MONEY MARKET FUND by 0.37% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.





## STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

**NBP Islamic Money Market Fund** (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2021. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 16, 2021**  
Karachi

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



## REPORT OF THE SHARI'AH SUPERVISORY BOARD

September 13, 2021/Safar 05, 1443

**Alhamdulillah**, the period from July 01, 2020 to June 30, 2021 was the Fourth year of the operations of NBP Islamic Money Market Fund (NIMMF). This report is being issued in accordance with clause 3.7 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

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

On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NIMMF for the year ended June 30, 2021 are not in compliance with the Shari'ah principles.

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

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Islamic Money Market Fund

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of NBP Islamic Money Market Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the income statement, the statement of comprehensive income, the statement of movement in unit holders' fund and the 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, 2021, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key audit matter

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 year.

This matter was 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 this matter.

Key Audit Matter	How the matter was addressed in our audit
<p><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in Islamic commercial paper, sukuks, term deposits receipts and certificate of musharaka which are the main driver of the Fund's performance.</p> <p>Considering the above factors, the valuation and existence are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the account balance;</li> <li>independently verified existence of investments from Central Depository " Company (CDC) account statement, bank statements and other relevant documents ;</li> <li>performed test of details on sale, purchase and maturity of investments on a sample basis;</li> <li>tested valuation of investments; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated.</li> </ul>



## **Information other than the financial statements and auditor's report thereon**

Management Company 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.

## **Responsibilities of Management Company and Those Charged with Governance for the financial statements**

Management Company 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 the Management Company 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 Company 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 Company 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 are 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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- 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 Those Charged with Governance of 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 Those Charged with Governance of 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 Those Charged with Governance of 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**

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

The engagement partner on the audit resulting in this independent auditor's report is **Nadeem Yousuf Adil**.

**Yousuf Adil**  
Chartered Accountants

Place: Karachi  
Date: September 30, 2021



## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>ASSETS</b>			
Bank balances	5	3,767,594	3,742,608
Investments	6	1,101,709	2,202,102
Preliminary and floatation costs	7	360	581
Deposits, prepayment and other receivable	8	284	263
Profit accrued	9	30,530	27,032
Receivable against transfer of units	10	7,835	63,982
<b>Total assets</b>		<b>4,908,312</b>	<b>6,036,568</b>
<b>LIABILITIES</b>			
Payable to NBP Fund Management Limited - Management Company	11	10,180	10,709
Payable to Central Depository Company of Pakistan Limited - Trustee	12	286	298
Payable to the Securities and Exchange Commission of Pakistan	13	955	693
Payable against redemption of units		37,621	109,581
Accrued expenses and other liabilities	14	36,628	28,891
<b>Total liabilities</b>		<b>85,670</b>	<b>150,172</b>
<b>NET ASSETS</b>		<b>4,822,642</b>	<b>5,886,396</b>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<b>4,822,642</b>	<b>5,886,396</b>
<b>Contingencies and commitments</b>	15		
		----- Number of units -----	
<b>Number of units in issue</b>	21	<b>479,846,676</b>	<b>586,559,970</b>
		----- Rupees -----	
<b>Net asset value per unit</b>	22	<b>10.0504</b>	<b>10.0355</b>

The annexed notes from 1 to 33 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, 2021

INCOME	2021	2020
Note	----- Rupees in '000 -----	-----
Return / profit on:		
- bank balances	186,308	310,873
- term deposit receipts	60,219	30,564
- sukuk	43,873	41,857
- commercial papers	30,507	41,891
- bai muajjal	17,533	1,973
Loss on sale of investments	-	(103)
<b>Total income</b>	<b>338,440</b>	<b>427,055</b>
<b>EXPENSES</b>		
Remuneration of NBP Asset Management Limited - Management Company	11.1 4,777	4,188
Sindh Sales Tax on remuneration of the Management Company	11.2 621	544
Reimbursement of operational expenses to the Management Company	5,579	3,466
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	12.1 3,105	2,253
Sindh Sales Tax on remuneration of the Trustee	12.2 404	293
Selling and marketing expense - Management Company	11.4 26,972	24,106
Annual fee to the Securities and Exchange Commission of Pakistan	955	693
Settlement and bank charges	262	423
Auditors' remuneration	16 499	516
Shariah advisor fee	609	507
Preliminary and floatation cost	221	221
Fund rating fee	207	212
Legal and professional charges	391	113
Annual listing fee	28	28
Printing charges	33	175
Brokerage expense	-	25
<b>Total expenses</b>	<b>44,663</b>	<b>37,763</b>
<b>Net income from operating activities</b>	<b>293,777</b>	<b>389,292</b>
Provision for Sindh Workers' Welfare Fund	17 (5,876)	(7,786)
<b>Net income for the year before taxation</b>	<b>287,901</b>	<b>381,506</b>
Taxation	18 -	-
<b>Net income for the year after taxation</b>	<b>287,901</b>	<b>381,506</b>
<b>Earnings per unit</b>	19	
<b>Allocation of net income for the year</b>		
Net income for the year after taxation	287,901	381,506
Income already paid on units redeemed	(132,387)	(311,621)
	<b>155,514</b>	<b>69,885</b>
<b>Accounting income available for distribution:</b>		
- Relating to capital gain	-	-
- Excluding capital gain	155,514	69,885
	<b>155,514</b>	<b>69,885</b>

The annexed notes from 1 to 33 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, 2021

	2021	2020
	----- Rupees in '000 -----	
Net income for the year after taxation	<u>287,901</u>	<u>381,506</u>
<b>Total comprehensive income for the year</b>	<b><u>287,901</u></b>	<b><u>381,506</u></b>

The annexed notes from 1 to 33 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, 2021

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	(Rupees in '000)					
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	5,877,657	8,739	5,886,396	748,809	1,685	750,494
Issue 943,088,304 (2020: 1,774,087,279 units)						
- Capital value	9,464,363	-	9,464,363	18,179,567	-	18,179,567
- Element of income	197,739	-	197,739	503,335	-	503,335
Total proceeds on issuance of units	9,662,102	-	9,662,102	18,682,902	-	18,682,902
Redemption of 1,049,801,598 (2020: 1,262,407,545 units)						
- Capital value	(10,535,284)	-	(10,535,284)	(12,340,985)	-	(12,340,985)
- Element of loss	(98,753)	(132,387)	(231,140)	(790,679)	(311,621)	(1,102,300)
Total payments on redemption of units	(10,634,037)	(132,387)	(10,766,424)	(13,131,664)	(311,621)	(13,443,285)
Total comprehensive income for the year	-	287,901	287,901	-	381,506	381,506
Annual distribution at the rate of Nil / Unit (2020: Rs. 1.1770 / unit)	-	-	-	(422,390)	(62,831)	(485,221)
Interim distribution at the rate of Re. 0.6076 / Unit declared on June 23, 2021 (2020: Nil / Unit)	(98,653)	(148,680)	(247,333)	-	-	-
Total distribution for the year	(98,653)	(148,680)	(247,333)	(422,390)	(62,831)	(485,221)
<b>Net assets at end of the year</b>	<b>4,807,069</b>	<b>15,573</b>	<b>4,822,642</b>	<b>5,877,657</b>	<b>8,739</b>	<b>5,886,396</b>
Undistributed income brought forward						
- Realised		8,739			1,685	
Accounting income available for distribution						
- Relating to capital gain		-			-	
- Excluding capital gain		155,514			69,885	
Interim distribution		(148,680)			(62,831)	
<b>Undistributed income carried forward</b>		<b>15,573</b>			<b>8,739</b>	
Undistributed income carried forward						
- Realised		15,573			8,739	
- Unrealised		-			-	
		15,573			8,739	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<b>10.0355</b>			<b>10.0226</b>
<b>Net assets value per unit at end of the year</b>			<b>10.0504</b>			<b>10.0355</b>

The annexed notes from 1 to 33 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, 2021

	2021	2020
Note	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	287,901	381,506
<b>Adjustments</b>		
Return / profit on bank balances	(186,308)	(310,873)
Return / profit on investments	(152,132)	(116,285)
Loss on sale of investments	-	103
Preliminary expenses and floatation costs	221	221
Provision for Sindh Workers' Welfare Fund	5,876	7,786
	<b>(44,442)</b>	<b>(37,542)</b>
<b>Decrease / (increase) in assets</b>		
Investments - net	417,393	(1,069,205)
Deposits, prepayment and other receivable	(21)	(65)
	<b>417,372</b>	<b>(1,069,270)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(529)	8,476
Payable to the Trustee	(12)	191
Payable to the Securities and Exchange Commission of Pakistan	262	(235)
Accrued expenses and other liabilities	1,861	17,899
	<b>1,582</b>	<b>26,331</b>
	<b>374,512</b>	<b>(1,080,481)</b>
Return on bank balances received	186,172	298,342
Return on term deposit receipts received	61,398	26,914
Return on commercial papers received	30,507	41,891
Return on sukuks received	37,359	41,857
Return on bai muajjal received	19,506	-
<b>Net cash generated from / (used in) operating activities</b>	<b>709,454</b>	<b>(671,477)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received on issuance of units	9,619,596	18,196,531
Amounts paid on redemption of units	(10,838,384)	(13,333,704)
Dividend paid	(148,680)	(62,831)
<b>Net cash (used in) / generated from financing activities</b>	<b>(1,367,468)</b>	<b>4,799,996</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>(658,014)</b>	<b>4,128,519</b>
Cash and cash equivalents at the beginning of the year	4,875,608	747,089
<b>Cash and cash equivalents at the end of the year</b>	<b>5.3 4,217,594</b>	<b>4,875,608</b>

The annexed notes from 1 to 33 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, 2021

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Islamic Money Market Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited [formally; NBP Fullerton Asset Management Limited] as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on January 09, 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 07, 2018 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

The Fund is an open-ended mutual fund and classified as sharia compliant "money market" scheme by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide competitive return with maximum possible capital preservation by investing in low risk and liquid Shariah Compliant authorized instruments.

The Pakistan Credit Rating Agency (PACRA) has maintained an asset manager rating of 'AM1' to the Management Company and has assigned stability rating AA(f) to the Fund.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan limited (CDC) as trustee of the Fund.

The Trust Act, 1882 has been repealed due to promulgation of Provincial Trust Act "Sindh Trusts Act, 2020" as empowered under the Eighteenth Amendment to the Constitution of Pakistan. Various new requirements including registration under the Sindh Trusts Act, 2020 have been introduced. In order to fulfill the requirement for registration of Trust Deed under Sindh Trusts Act, 2020, the Management Company has submitted Trust Deed of the Fund to Registrar (acting under Sindh Trusts Act, 2020).

### 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.
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) .

Where provisions of and directives issued under the Companies Act, 2017, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules, the NBFC Regulations and requirements of Trust Deed have been followed.

#### 2.2 Basis of measurement

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund. All amounts have been rounded off to the nearest thousands of Rupee, unless otherwise indicated.



## 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

## 2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan. It requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) classification and valuation of financial instrument (note 4.2 and 6)
- (b) impairment of financial instrument (note 4.2.1.3)
- (c) provisions (note 4.6)

## 3 ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS:

### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

### 3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments



are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

**Effective from accounting period beginning on or after:**

Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

## 4 SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 4.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

### 4.1 Financial assets and liabilities

### 4.2 Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

The Fund recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognized unless one of the parties has performed its part of the contract or the contract is a derivative contract.



## 4.2.1 Classification and measurement

### 4.2.1.1 Financial assets

There are three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVOCI") and
- Fair value through profit or loss ("FVTPL").

#### Financial asset at amortised cost

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

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

#### Financial asset at FVOCI

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

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

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

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

#### Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss

#### Business Model Assessment

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered.



## 4.2.1.2 Financial liabilities

The Fund classifies its financial liabilities in the following categories

- Measured at amortized cost (AC) ;or
- Measured at Fair value through profit or loss (FVTPL) ;or

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The adoption of IFRS 9 does not have any impact on the Fund's accounting policies related to financial liabilities.

## 4.2.1.3 Impairment of financial assets

The SECP has, through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017, deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore, the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

## 4.2.2 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

### **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.

#### **Basis of valuation of instruments (other than debt and government securities) at amortised cost:**

Subsequent to initial recognition, financial assets classified as amortised cost are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **4.2.3 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

#### **4.2.4 Derecognition**

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### **4.2.5 Offsetting of financial instruments**

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **4.3 Impairment of non financial assets**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the Income Statement.

#### **4.4 Issuance and redemption of units**

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

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

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

An equalisation account called the element of income / (loss) included in prices of units sold less those in units





redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets 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 shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

#### **4.6 Provisions**

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

#### **4.7 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit / return sukuk certificates, bank balances, commercial papers and term deposits are recognized on a time proportion basis using the effective interest method.

#### **4.8 Taxation**

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

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.9 Distributions to the 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 period in which such distributions are declared and approved by the Board of Directors of the Management Company.



## 4.10 Expenses

All expenses including remuneration of the Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognized in the Income Statement on an accrual basis.

## 4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## 4.12 Earnings per unit

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

	Note	2021 Rupees in '000	2020
<b>5 BANK BALANCES</b>			
Current accounts	5.1	16,684	11,329
Savings accounts	5.2	3,750,910	3,731,279
		<u>3,767,594</u>	<u>3,742,608</u>

5.1 These include bank balances of Rs. 1.19 million (2020: Rs. 0.198 million) maintained with Bank Islami Pakistan (related party) and of Rs. 1.39 million (2020: Nil) maintained with National Bank of Pakistan (related party).

5.2 These savings accounts carry profit at rates ranging from 6.25% to 7.16% per annum (2020: 2.50% to 14.50% per annum).

	Note	2021 Rupees in '000	2020
<b>5.3 CASH AND CASH EQUIVALENT</b>			
Current accounts		16,684	11,329
Saving accounts		3,750,910	3,731,279
Term deposit receipts	6.3	450,000	1,133,000
		<u>4,217,594</u>	<u>4,875,608</u>

## 6 INVESTMENTS

### At fair value through profit or loss

Commercial papers	6.1	186,709	570,770
Sukuks	6.2	465,000	-
Term deposit receipts	6.3	450,000	1,133,000
Bai muajjal	6.4	-	498,332
		<u>1,101,709</u>	<u>2,202,102</u>



## 6.1 Commercial papers

Name of the investee company	Note.	Face value				Carrying value as at June 30, 2021	Carrying value as at June 30, 2020
		As at July 01, 2020	Placements during the year	Sales / matured during the year	As at June 30, 2021		
----- Rupees in '000' -----							
K-Electric		550,000	-	550,000	-	-	536,300
K-Electric		35,000	-	35,000	-	-	34,470
K-Electric		-	82,000	82,000	-	-	-
K-Electric		-	35,000	35,000	-	-	-
K-Electric		-	480,000	480,000	-	-	-
K-Electric		-	115,000	115,000	-	-	-
K-Electric		-	19,000	19,000	-	-	-
K-Electric	6.1.1	-	20,000	-	20,000	19,657	-
K-Electric	6.1.1	-	60,000	-	60,000	58,556	-
K-Electric	6.1.1	-	110,000	-	110,000	108,496	-
		<b>585,000</b>	<b>921,000</b>	<b>1,316,000</b>	<b>190,000</b>	<b>186,709</b>	<b>570,770</b>
<b>Total Cost of Placements</b>		<b>888,550</b>					
<b>Market value as at June 30, 2021</b>						<b>186,709</b>	

### 6.1.1 Significant terms and conditions of commercial papers outstanding as at June 30, 2021 are as follows:

Particulars	Profit/ profit rates	Issue date	Maturity date	Face value	Carrying value	Carrying value as a % of net assets	Carrying value as a % of total investment
----- Rupees in '000' ----- % -----							
K-Electric	8.07%	March 02, 2021	September 02, 2021	110,000	108,496	2.25%	9.85%
K-Electric	8.48%	March 16, 2021	September 16, 2021	20,000	19,657	0.41%	1.78%
K-Electric	8.23%	April 19 ,2021	October 19, 2021	60,000	58,556	1.21%	5.32%
				<b>190,000</b>	<b>186,709</b>		

## 6.2 Sukuks

Name of the investee company	Number of certificates				Market value as at June 30, 2021	Investment as a percentage of	
	As at July 01, 2020	Purchases during the year	Disposals / matured during the year	As at June 30, 2021		Net assets	Market value of total investments
----- Rupees '000' ----- % -----							
All sukuk have a face value of Rs. 100,000 each .							
HUB Power Company Limited	-	6,750	6,750	-	-	0.00%	0.00%
Kot Addu Power Company	-	2,500	2,500	-	-	0.00%	0.00%
HUB Power Company	-	4,650	-	4,650	465,000	9.64%	42.21%
<b>Carrying value as at June 30, 2021</b>					<b>465,000</b>		



**6.2.1** Significant terms and conditions of sukuk outstanding as at June 30, 2021 are as follows:

Name of security	Total Face Value	Face value (unredeemed)	Profit rate (per annum)	Issue Date	Maturity Date
-----Rupees '000'-----					
HUB Power Company Limited	465,000	465,000	6 month KIBOR + 1.00%	May 05, 2021	November 05, 2021

**6.3** Term deposit receipts

Name of the investee company	Note.	Carrying Value				Carrying Value as at June 30, 2020
		As at July 01, 2020	Purchases during the year	Sold / matured during the year	As at June 30, 2021	
----- Rupees in '000 -----						
UBL Ameen Islamic Banking		1,133,000	-	1,133,000	-	1,133,000
United Bank Limited		-	250,000	250,000	-	-
United Bank Limited		-	67,000	67,000	-	-
UBL Ameen Islamic Banking		-	8,000	8,000	-	-
UBL Ameen Islamic Banking		-	9,500	9,500	-	-
UBL Ameen Islamic Banking		-	250,000	250,000	-	-
UBL Ameen Islamic Banking		-	255,000	255,000	-	-
UBL Ameen Islamic Banking		-	218,000	218,000	-	-
UBL Ameen Islamic Banking		-	250,000	250,000	-	-
UBL Ameen Islamic Banking		-	209,000	209,000	-	-
UBL Ameen Islamic Banking		-	54,000	54,000	-	-
UBL Ameen Islamic Banking		-	220,000	220,000	-	-
UBL Ameen Islamic Banking		-	47,000	47,000	-	-
UBL Ameen Islamic Banking		-	209,000	209,000	-	-
UBL Ameen Islamic Banking		-	250,000	250,000	-	-
UBL Ameen Islamic Banking		-	50,000	50,000	-	-
UBL Ameen Islamic Banking		-	700,000	700,000	-	-
Dubai Islamic Bank Pakistan Limited		-	670,000	670,000	-	-
UBL Ameen Islamic Banking		-	129,000	129,000	-	-
UBL Ameen Islamic Banking		-	51,000	51,000	-	-
UBL Ameen Islamic Banking		-	200,000	200,000	-	-
UBL Ameen Islamic Banking		-	261,000	261,000	-	-
Dubai Islamic Bank Pakistan Limited		-	670,000	670,000	-	-
UBL Ameen Islamic Banking		-	166,000	166,000	-	-
Dubai Islamic Bank Pakistan Limited		-	35,000	35,000	-	-
UBL Ameen Islamic Banking		-	463,000	463,000	-	-
UBL Ameen Islamic Banking		-	235,000	235,000	-	-
UBL Ameen Islamic Banking		-	12,000	12,000	-	-
UBL Ameen Islamic Banking		-	465,000	465,000	-	-
UBL Ameen Islamic Banking		-	248,000	248,000	-	-
UBL Ameen Islamic Banking	6.3.1	-	450,000	-	450,000	-
		1,133,000	7,101,500	7,784,500	450,000	1,133,000
<b>Face value as at June 30, 2021</b>					<b>450,000</b>	



6.3.1 Significant terms and conditions of term deposits receipts outstanding as at June 30, 2021 are as follows:

Particulars	Profit / profit rates	Issue date	Maturity Date	Carrying value	Carrying value as a % of net assets	Carrying value as a % of total investment
Rupees in '000						
UBL Ameen Islamic Banking	6.90%	June 03, 2021	July 03, 2021	450,000	9.33%	40.85%

## 6.4 Bai Muajjal

This represents the sale of K-Electric Commercial Papers as Bai Muajjal to Pak Burnie Investment Company Limited on June 10, 2020 and on June 11, 2020 (having face value of Rs. 300 Million and Rs. 113 Million). These carried profit rates of 7.60% and were matured on September 10, 2020.

7 PRELIMINARY AND FLOATATION COSTS	Note	2021 Rupees in '000	2020
Preliminary expenses and floatation costs at beginning of the year	7.1	581	802
Less: amortisation during the year		(221)	(221)
Closing balance		<u>360</u>	<u>581</u>

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over a period of five years commencing from March 01, 2018 as per the requirements set out in the Trust Deed of the Fund.

8 DEPOSITS, PREPAYMENT AND OTHER RECEIVABLE	2021 Rupees in '000	2020
Security deposit with Central Depository Company of Pakistan Limited	100	100
Mutual fund rating fee	114	93
Advanced tax	70	70
	<u>284</u>	<u>263</u>

## 9 PROFIT ACCRUED

Profit accrued on:

- bank balances	21,545	21,409
- sukuks	6,514	-
- bai muajjal	-	1,973
- term deposit receipts	2,471	3,650
	<u>30,530</u>	<u>27,032</u>

## 10 RECEIVABLE AGAINST TRANSFER OF UNITS

This includes amounts receivable to the Fund from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units transferred by various unit holders based on their request for transfer of units from the other collective investment schemes to the Fund.



11	PAYABLE TO MANAGEMENT COMPANY	Note	2021	2020
			Rupees in '000	
	Remuneration of the Management Company	11.1	389	406
	Sindh Sales Tax on remuneration of the Management Company	11.2	51	53
	Sales load		1,900	1,978
	Sindh Sales Tax on sales load	11.2	247	257
	Operational charges	11.3	1,475	981
	Selling and marketing expense	11.4	5,899	6,883
	ADC charges and Sindh Sales Tax on ADC charges		68	-
	Other payable		151	151
			<b>10,180</b>	<b>10,709</b>

**11.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of a Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets provided that Management Company may charge performance based or fixed fee or the combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

During the year, the Management Company has charged management remuneration as follows:

- 0.5% per annum on the daily income of the Fund from April 23, 2019 until July 11, 2020
- 1% per annum on the daily income of the Fund subject to minimum 0.1% as average of NAV and maximum 1% of average NAV, applicable from July 12, 2020 onwards

For the purpose of above calculation, daily net income is equals to gross income minus all expenses of the Fund excluding management remuneration and related sales tax thereon.

**11.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2020: 13%) on remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

**11.3** As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the scheme. Accordingly, the Management Company has charged 0.1% till October 26, 2020 and then revised it on October 27, 2020 to 0.125% of daily NAV of the Fund.

**11.4** SECP through its Circular No. 11 of 2019 dated July 5, 2019, has removed cap of 0.4% on all open end funds (except "Fund of Funds"). In addition to the requirement of Board approval, now these expenses to be paid to AMC on reimbursement basis and subject to approval of the Trustee.

In pursuance of the above circular the Fund has charged 0.7% from July 01, 2020 to October 26, 2020, thereafter, it has been charged at 0.5% of daily NAV of the Fund.

12	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2021	2020
			Rupees in '000	
	Remuneration of the Trustee	12.1	253	264
	Sindh Sales Tax on remuneration of the Trustee	12.2	33	34
			<b>286</b>	<b>298</b>



- 12.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per tariff specified therein, based on the net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

During the year, Trustee has charged its fee 0.065% per annum of net assets.

- 12.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2020: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

## **13 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

- 13.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorised as "Shariah compliant money market scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02% of the average annual net assets of the Fund. The fee is paid annually in arrears.

<b>14 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>----- Rupees in '000 -----</b>	
Auditors' remuneration		<b>479</b>	514
Provision for Sindh Workers' Welfare Fund	17	<b>16,079</b>	10,203
Withholding tax		<b>15,903</b>	6,930
Capital gain tax		<b>3,204</b>	10,412
Legal and professional charges		<b>242</b>	104
Bank charges		<b>26</b>	32
Printing charges		<b>58</b>	108
Payable to Broker		-	25
Settlement Charges		<b>15</b>	15
Shariah advisor fee		<b>622</b>	520
Others		-	28
		<b>36,628</b>	<b>28,891</b>

## **15 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2021 and as at June 30, 2020.

<b>16 AUDITORS' REMUNERATION</b>	<b>2021</b>	<b>2020</b>
	<b>----- Rupees in '000 -----</b>	
Annual audit fee	<b>345</b>	315
Review Fee	<b>135</b>	126
Out of pocket expenses and sales tax	<b>19</b>	75
	<b>499</b>	<b>516</b>

## **17 PROVISION FOR SINDH WORKERS' WELFARE FUND**

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.



MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As at June 30, 2021, the provision in relation to SWWF amounted to Rs. 16.079 million (2020: 10.203 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2021 would have been higher by Rs. 0.0335 (2020: Rs. 0.174) per unit.

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies, in consultation with SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds, for the period from May 21, 2015 to August 12, 2021, on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognised in the financial statements of the Fund.

## 18 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2021 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

## 19 EARNINGS PER UNIT

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

## 20 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the year) is 0.89% per annum including 1.06% representing government levies on Collective Investment Schemes such as sales tax and Securities and Exchange Commission of Pakistan fee for the year.

	2021	2020
	----- Number of Units -----	
<b>21 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	586,559,970	74,880,236
Add: units issued during the year	943,088,304	1,774,087,279
Less: units redeemed during the year	(1,049,801,598)	(1,262,407,545)
<b>Total units in issue at the end of the year</b>	<b>479,846,676</b>	<b>586,559,970</b>

## 22 NET ASSET VALUE PER UNIT

The net asset value 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.

## 23 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

- 23.1** Connected persons and related parties include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Baltoro Growth Fund being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 23.2** The transactions with connected persons and related parties are carried at agreed terms.
- 23.3** Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.
- 23.4** Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

	2021	2020
	----- Rupees in '000 -----	
<b>23.5 Details of transactions with connected persons are as follows:</b>		
<b>NBP Fund Management Company</b>		
Remuneration of the Management Company	4,777	4,188
Sindh Sales Tax on Management Company's remuneration	621	544
Operational expenses	5,579	3,466
Selling and marketing expense - Management Company	26,972	24,106
Sales load and transfer load	1,822	2,612
ADC Charges and Sindh Sales Tax on ADC charges	158	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	3,105	2,253
Sindh Sales Tax on Remuneration of the Trustee	404	293
CDC settlement charges	30	7
<b>Employees of the Management Company</b>		
Dividend re-invest units issued 48,820 units (2020: 63,171 units)	490	633
Units issued / transferred in: 42,603,120 units (2020: 32,288,739 units)	435,898	338,770
Units redeemed / transferred out: 45,265,032 units (2020: 25,397,759 units)	465,211	270,991
<b>CDC Trustee NAFA Islamic Capital Preservation Plan-1 - (Common Management)</b>		
Units issued / transferred in: 2,638,884 units (2020: 13,301,995 units)	26,488	133,071
Unit redeemed / transferred out: 9,843,413 units (2020: 67,678,446 units)	100,140	705,795
<b>CDC Trustee Nafa Islamic Capital Preservation Plan-II (Common Management)</b>		
Units Issued / Trasferred In 7,313,900 units	74,441	-
Units Redeemed / Transferred Out 3,073,832 units	32,350	-



	2021	2020
	----- Rupees in '000 -----	
<b>CDC Trustee Nafa Islamic Capital Preservation Plan-III (Common Management)</b>		
Units Issued / Trasferred In 6,685,643 units	67,629	-
Units Redeemed / Transferred Out 1,756,800 units	18,437	-
<b>CDC Trustee Nafa Islamic Capital Preservation Plan-IV (Common Management)</b>		
Units Issued / Trasferred In 5,212,472 units	52,711	-
Units Redeemed / Transferred Out 1,296,567 units	13,545	-
<b>CDC-Trustee Nbp Islamic Capital Preservation Plan-V (Common Management)</b>		
Units Issued / Trasferred In 5,916,145 units	59,834	-
Units Redeemed / Transferred Out 1,466,359 units	15,283	-
<b>Hub Power Company (Common Directorship with the Management Company)</b>		
Sukuk Purchased	1,140,000	560,000
Sukuk income	33,356	41,857
<b>CDC Trustee NBP Riba Free Savings Fund (Common Management)</b>		
Commercial Paper Purchased	-	201,131
<b>CDC Trustee NBP Financial Sector Income Fund (Common Management)</b>		
Commercial Paper Purchased	-	305,515
<b>Pakistan Stock Exchange (Common Directorship with the Management Company)</b>		
Annual listing fee paid	28	28
<b>CDC Trustee NBP Islamic Mahana Amdani Fund (Common Management)</b>		
Commercial Paper Sold	342,518	-
Sukuk Sold	519,788	-
<b>CDC Trustee NBP Islamic Daily Dividend Fund (Common Management)</b>		
Commercial Paper Sell	240,173	-
<b>CDC Trustee NBP Islamic Income Fund</b>		
Commercial Paper Purchased	184,736	-
Commercial Paper Sold	39,428	-
<b>Fauji Fertilizer Company Limited (Common Directorship with the Management Company)</b>		
Dividend re-invested / units issued: 31 units (2020: Nil units)	-	-
Units issued / transferred in: 832 units (2020: 37,525,416 units)	8	380,000
Unit redeemed / transferred out: Nil units (2020: 37,525,416 units)	-	384,335



	2021	2020
	----- Rupees in '000 -----	
<b>Portfolio managed by Management Company</b>		
Dividend Re-invest Units Issued 515,649 units (2020: 207,440 units)	5,176	2,080
Units issued / transferred in: 44,218,708 units (2020: 30,201,811 units)	445,204	189,494
Unit redeemed / transferred out: 36,968,453 units (2020: 2,276,411 units)	375,604	25,494
<b>CDC Trustee Nafa Islamic Principal Preservation Fund (Common Management)</b>		
Units Issued / transferred In 1,223,868 units	12,287	-
<b>23.6 Amounts outstanding as at year end are as follows:</b>		
<b>NBP FUND Management Limited</b>		
Remuneration of the Management Company	389	406
Sindh Sales Tax payable on remuneration of the Management Company	51	53
Operational expenses	1,475	981
Sales load	1,900	1,978
Sindh Sales Tax and Federal Excise Duty on sales load	247	257
ADC charges and Sindh Sales Tax on ADC charges	68	-
Selling and marketing expense	5,899	6,883
Other Payable	151	1,251
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	253	264
Sindh Sales tax Remuneration payable	33	34
CDC Charges	15	1
Security deposit	100	100
<b>Employees of Management Company</b>		
Investment held in the Fund: 4,075,064 Units (2020: 718,454 units)	40,956	7,210
<b>CDC Trustee NAFA Islamic Capital Preservation Plan-1 - (Common Management)</b>		
Investment held in the Fund: 5,981,867 units (2020: 13,186,397 units)	60,120	132,332
<b>CDC Trustee NAFA Islamic Capital Preservation Plan-II - (Common Management)</b>		
Investment held in the Fund: 4,240,068 units	42,614	-
<b>CDC Trustee NAFA Islamic Capital Preservation Plan-III - (Common Management)</b>		
Investment held in the Fund: 4,928,844 units	49,537	-
<b>CDC Trustee NAFA Islamic Capital Preservation Plan-IV - (Common Management)</b>		
Investment held in the Fund: 3,915,905 units	39,356	-



	2021	2020
	----- Rupees in '000 -----	
<b>CDC-Trustee NBP Islamic Capital Preservation Plan-V (Common Management)</b>		
Investment held in the Fund: 4,449,786 units	44,722	-
<b>Portfolio Managed by Management Company</b>		
Investment held in the Fund: 24,923,849 units (2020: 16,615,027 units)	250,495	166,740
<b>CDC Trustee NAFA Islamic Principal Preservation Fund (Common Management)</b>		
Investment held in the Fund: 1,223,868 units	12,300	-
<b>National Bank of Pakistan - Parent of the Management Company</b>		
Bank balances	1,398	-
<b>BankIslami Pakistan Limited ( Common Directorship with the Management Company)</b>		
Bank balances	1,192	199

## 24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Qualifications	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA and CFA	33
2	Mr. Sajjad Anwar	CFA and MBA	21
3	Mr. Asim Wahab Khan	CFA	26
4	Mr. Muhammad Ali Bhabha	CFA, MBA, FRM and MS	15
5	Mr. Hassan Raza	ACCA, BSC and CFA	10

**24.1** Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

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



## 25 PATTERN OF UNIT HOLDING

Category	As at June 30, 2021		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
	Rupees in '000		
Individuals	3,082	2,044,378	42.39%
Associated Companies and Directors	-	-	0.00%
Insurance Companies	2	77,155	1.59%
Bank and DFIs	-	-	0.00%
NBFCs	6	248,650	5.15%
Retirement Funds	57	1,149,078	23.82%
Public Limited Companies	3	182	0.00%
Others	49	1,303,199	27.02%
	<b>3,199</b>	<b>4,822,642</b>	<b>100%</b>

Category	As at June 30, 2020		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
	(Rupees in '000)		
Individuals	1,356	3,283,102	55.77%
Insurance companies	5	202,654	3.44%
Non banking finance companies	3	342,722	5.82%
Retirement funds	27	559,626	9.50%
Public listed companies	1	165	0.00%
Others	29	1,498,128	25.45%
	<b>1,421</b>	<b>5,886,396</b>	<b>100%</b>

## 26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 76th, 77th, 78th, 79th, 80th Board meetings were held on July 16, 2020, September 17, 2020, October 27, 2020, February 26, 2021 and April 30, 2021 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	5	5	-	-
*Mr. Saad ur Rahman Khan	3	2	1	77th Meeting
Syed Hasan Irtiza Kazmi	5	5	-	-
Mr. Ali Saigol	5	5	-	-
Mr. Imran Zaffar	5	5	-	-
Mr. Khalid Mansoor	5	5	-	-
Mr. Humayun Bashir	5	5	-	-
Mr. Saad Amanullah Khan	5	5	-	-
Dr. Amjad Waheed	5	5	-	-
**Ms. Mehnaz Salar	2	2	-	-



\* Mr. Saad ur Rahman Khan resigned as Director on December 03, 2020.

\*\* Ms. Mehnaz Salar was appointed as Director on the Board with effect from February 03, 2021.

## 27 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2021			
	At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----			
<b>Financial assets</b>			
Bank balances	3,767,594	-	3,767,594
Investment	-	1,101,709	1,101,709
Profit accrued	30,530	-	30,530
Security Deposit	100	-	100
Receivable against transfer of units	7,835	-	7,835
	<b>3,806,059</b>	<b>1,101,709</b>	<b>4,907,768</b>
<b>Financial liabilities</b>			
Payable to the Management Company	10,180	-	10,180
Payable to Central Depository Company of Pakistan Limited - Trustee	286	-	286
Payable against redemption of units	37,621	-	37,621
Accrued expenses and other liabilities	1,442	-	1,442
Net assets attributable to redeemable units	4,822,642	-	4,822,642
	<b>4,872,171</b>	<b>-</b>	<b>4,872,171</b>
As at June 30, 2020			
	At amortised cost	At fair value through profit or loss	Total
-----Rupees in '000-----			
<b>Financial assets</b>			
Bank balances	3,742,608	-	3,742,608
Investment	-	2,202,102	2,202,102
profit accrued	27,032	-	27,032
Security Deposit	100	-	100
Receivable against transfer of units	63,982	-	63,982
	<b>3,833,722</b>	<b>2,202,102</b>	<b>6,035,824</b>
<b>Financial liabilities</b>			
Payable to the Management Company	10,709	-	10,709
Payable to Central Depository Company of Pakistan Limited - Trustee	298	-	298
Payable against redemption of units	109,581	-	109,581
Accrued expenses and other liabilities	1,346	-	1,346
Net assets attributable to redeemable units	5,886,396	-	5,886,396
	<b>6,008,330</b>	<b>-</b>	<b>6,008,330</b>



## 28 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 28.1 Market risk

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

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan and Investment Committee.

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

#### 28.1.1 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, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

#### 28.1.2 Interest rate risk

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

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

As at June 30, 2021, the Fund holds balance in saving accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in bank profit rates as on June 30, 2021, the net assets of the Fund would have been higher / lower by approximately Rs. 37.51 million (2020: 37.31 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund holds Commercial paper and Term deposit receipts that expose the Fund to fair value interest rate risk as at June 30, 2021. In case of 100 basis points increase/decrease in coupon rate on June 30, 2021, with all other variables held constant, the net assets of the Fund of the Fund as at and net income for the year would have been higher/lower by Rs. 1.08 million (2020: Rs. 0.744 million).

Interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:



As at June 30, 2021

Yield / Profit rate	Total	Exposed to yield / profit rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments	%	----- Rupees in '000 -----			
<b>Financial assets</b>					
Balances with banks	6.25 - 7.16	3,767,594	3,750,910	-	16,684
Investment		1,101,709	1,101,709	-	-
Mark up accrued		30,530	-	-	30,530
Deposit		100	-	-	100
Receivable against transfer of units		7,835	-	-	7,835
		<b>4,907,768</b>	<b>4,852,619</b>	-	<b>55,149</b>
<b>Financial liabilities</b>					
Payable to the Management Company		10,180	-	-	10,180
Payable to the Trustee		286	-	-	286
Accrued expenses and other liabilities		1,442	-	-	1,442
Payable against redemption of units		37,621	-	-	37,621
Net assets attributable to redeemable units		<b>4,822,642</b>	-	-	<b>4,822,642</b>
		<b>4,872,171</b>	-	-	<b>4,872,171</b>
On-balance sheet gap		<b>35,597</b>	<b>4,852,619</b>	-	<b>(4,817,022)</b>
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-

As at June 30, 2020

Yield / profit rate	Total	Exposed to yield / profit rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments	%	----- Rupees in '000 -----			
<b>Financial assets</b>					
Balances with banks	2.5 - 14.50	3,742,608	3,731,279	-	11,329
Investment		2,202,102	2,202,102	-	-
Mark up accrued		27,032	-	-	27,032
Deposit		100	-	-	100
Receivable against transfer of units		63,982	-	-	63,982
		<b>6,035,824</b>	<b>5,933,381</b>	-	<b>102,443</b>
<b>Financial liabilities</b>					
Payable to the Management Company		10,709	-	-	10,709
Payable to the Trustee		298	-	-	298
Accrued expenses and other liabilities		1,346	-	-	1,346
Payable against redemption of units		109,581	-	-	109,581
Net assets attributable to redeemable units		<b>5,886,396</b>	-	-	<b>5,886,396</b>
		<b>6,008,330</b>	-	-	<b>6,008,330</b>
On-balance sheet gap		<b>27,494</b>	<b>5,933,381</b>	-	<b>(5,905,887)</b>
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-





## 28.1.3 Price risk

Price 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 (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to equity price risk as the Fund does not hold any equity securities as at June 30, 2021 (2020: Nil).

## 28.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances, profit accrued receivable on investment, bank balances and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the investment Committee) require the Fund to invest in debt securities that have been rated by a well known rating agency. The risk of default is considered minimal due to inherent systematic measures taken therein. Therefore, the Fund does not expect to incur material credit losses on its financial assets.

The Fund's significant credit risk arises mainly on account of its placements with banks. The credit rating profile of balances with banks is as follow:

Bank balances by rating category	June 30, 2021	June 30, 2020
AAA	99.934%	98.11%
AA+	0.002%	0.02%
AA-	0.00%	1.42%
AA	0.03%	0.42%
A+	0.03%	0.00%
Suspended	0.00%	0.14%

The maximum exposure to credit risk before any credit enhancement is as follows:

	June 30, 2021		June 30, 2020	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
----- Rupees in '000 -----				
Balances with banks	3,750,910	3,750,910	3,731,279	3,731,279
Profit accrued	30,530	30,530	27,032	27,032
Deposits	214	214	193	193
	<b>3,781,654</b>	<b>3,781,654</b>	<b>3,758,504</b>	<b>3,758,504</b>

### 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 Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby, mitigating any significant concentrations of credit risk.



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

----- June 30, 2021 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	10,180	10,180	-	-
Payable to the Trustee	286	286	-	-
Accrued expenses and other liabilities	1,442	1,442	-	-
Payable against redemption of units	37,621	37,621	-	-
Net assets attributable to redeemable units	4,822,642	4,822,642	-	-
	<u>4,872,171</u>	<u>4,872,171</u>	<u>-</u>	<u>-</u>

----- June 30, 2020 -----				
Total	Upto three months	Over three months and upto one year	Over one year	
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	10,709	10,709	-	-
Payable to the Trustee	298	298	-	-
Accrued expenses and other liabilities	1,346	1,346	-	-
Payable against redemption of units	109,581	109,581	-	-
Net assets attributable to redeemable units	5,886,175	5,886,175	-	-
	<u>6,008,109</u>	<u>6,008,109</u>	<u>-</u>	<u>-</u>

## 29 FAIR VALUE OF FINANCIAL INSTRUMENTS

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



## Fair value hierarchy

- **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 (that is, as prices) or indirectly (that is, derived from prices)
- **Level 3** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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

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

		Carrying Value			Fair Value			
		Fair value through profit & loss	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
<b>June 30, 2021</b>	<b>Note</b>	----- Rupees in '000 -----						
<b>Financial assets measured at fair value</b>								
Commercial papers	6	186,709	-	186,709	-	186,709	-	186,709
Term deposit receipts	6	450,000	-	450,000	-	450,000	-	450,000
Sukuks	6	465,000	-	465,000	-	465,000	-	465,000
		<u>1,101,709</u>	<u>-</u>	<u>1,101,709</u>	<u>-</u>	<u>636,709</u>	<u>-</u>	<u>636,709</u>
<b>Financial assets not measured at fair value</b>								
Bank balances	5	-	3,767,594	3,767,594	-	-	-	-
Profit accrued	9	-	30,530	30,530	-	-	-	-
Deposit and other receivable	8	-	214	214	-	-	-	-
Receivable against conversion of units		-	7,835	7,835	-	-	-	-
		<u>-</u>	<u>3,806,173</u>	<u>3,806,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	11	-	10,180	10,180	-	-	-	-
Remuneration payable to the trustee	12	-	286	286	-	-	-	-
Accrued expenses and other liabilities	14	-	1,442	1,442	-	-	-	-
Payable against redemption of units		-	37,621	37,621	-	-	-	-
Net assets attributable to redeemable units			4,822,642	4,822,642	-	-	-	-
		<u>-</u>	<u>4,872,171</u>	<u>4,872,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



	Carrying Value			Fair Value				
	Fair value through profit & loss	Amortized Cost	Total	Level 1	Level 2	Level 3	Total	
June 30, 2020	----- Rupees in '000 -----							
Financial assets measured at fair value								
Commercial papers	6	570,770	-	570,770	-	570,770	-	570,770
Term deposit receipts	6	1,133,000	-	1,133,000	-	1,133,000	-	1,133,000
Bai Muajjal	6	498,332	-	498,332	-	498,332	-	498,332
		<u>2,202,102</u>	<u>-</u>	<u>2,202,102</u>	<u>-</u>	<u>2,202,102</u>	<u>-</u>	<u>2,202,102</u>
Financial assets not measured at fair value								
Bank balances	5	-	3,742,608	3,742,608	-	-	-	-
Profit accrued	9	-	27,032	27,032	-	-	-	-
Deposit and other receivable	8	-	193	193	-	-	-	-
Receivable against conversion of units		-	63,982	63,982	-	-	-	-
		<u>-</u>	<u>3,833,815</u>	<u>3,833,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Payable to the Management Company	11	-	10,709	10,709	-	-	-	-
Remuneration payable to the trustee	12	-	298	298	-	-	-	-
Accrued expenses and other liabilities	14	-	1,321	1,321	-	-	-	-
Payable against redemption of units		-	109,581	109,581	-	-	-	-
Net assets attributable to redeemable units		-	5,886,175	5,886,175	-	-	-	-
		<u>-</u>	<u>6,008,084</u>	<u>6,008,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**29.1** The Fund has not disclosed the fair values for these financial assets (other than investment) and for financial liabilities, as these are either short term in nature or are repriced periodically. Therefore, their carrying amounts are reasonable approximation of their fair values.

### 30 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the statement of movement in unit holders' fund.

The Fund has no restrictions on the issuance and redemption of units. As required under the NBFC Regulations, 2008 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' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 28, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by disposal of investments where necessary.

### 31 INCOME ALREADY PAID ON REDEMPTION OF UNITS

Mutual Funds are exempt from income tax on their Income if they distribute at least 90% of their accounting income as per clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance 2001 (Ordinance).



Distribution of income by collective investment schemes includes (a) the income already distributed upon redemption of units and (b) the remaining amount of income distributed by way of cash dividend.

Open end mutual funds continuously offer issuance and redemption of units at prevailing Net Assets Value (NAV) applicable at the time of offer and redemption. The unit-holder who invests in the open end mutual fund during the year and redeems during the same year has effectively taken his due share of income for the year and the differential amount (proceeds received less original investment) is and should be treated as "distribution of profit". In case of unit holder who existed at the beginning of the year and makes redemption during the year, the amount representing his due share of income from the current year's income is and should be considered as "distribution of profit".

In assessment for Tax Year 2018, the said exemption has been denied by The Additional Commissioner – Audit (AC), on the ground that the amount paid as income on units redeemed by investors during the tax year cannot be treated as distribution of income as per criteria envisaged under Clause 99 of Part 1 of the Second Schedule of the Ordinance and AC due to commented that the distribution by the Fund fell short of 90% distribution threshold.

During the year income tax order was passed for tax year 2018 dated January 13, 2021 through which a tax demand of Rs. Rs. 7,398,900, was raised by the concerned Additional Commissioner Inland Revenue (ACIR) of Federal Board of Revenue (FBR). In response to the order, the Fund have filed appeal with commissioner dated February 10, 2021, which is pending before commissioner appeal inland revenue.

The Fund have also obtained stay from the Hon'ble High Court of Sindh (SHC) dated February 12, 2021 against recovery of impugned tax demand. In its judgment, SHC held that since the subject matter is pending before commissioner appeal inland revenue, the recovery of impugned demand will not be enforced till the final decision of appeal.

Further, the issue of distribution of income is also being contested by MUFAP on behalf of the mutual funds industry at various regulatory and Government levels and are very hopeful that the matter will be resolved soon as the matter has merely arisen due to incorrect interpretation by the relevant commissioners as to what construes as distribution of profit by an open end mutual fund.

The Management Company has also filed representation to the Chairman FBR under section 7 of FBR, ACT, 2007, in response to which a letter dated February 25, 2021 was issued by Revenue Division of FBR which states that the subject matter was referred to ICMAP, ICAP and SECP for their expert opinion and all three referees have expressed identical opinions, holding that the payments of income on redemption are to be construed as 'distribution of profits'. In view of the same, FBR has advised concerned ACIR to decide the issue in view of the legal position narrated in this letter.

Based on the above facts, the Management company believes that the Fund have distributed required amount of income to be eligible for tax exemption under clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance 2001 and hence, no provision for taxation is required to be made in the these financial statements.

## 32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 16, 2021.

## 33 GENERAL

33.1 Figures have been rounded off to the nearest thousand rupees.

For NBP Fund Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

Particulars	For the Year Ended June 30, 2021	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019	For the Year Ended June 30, 2018
Net assets at the year / period ended (Rs '000)	4,822,642	5,886,396	750,493	1,518,654
Net income for the year / period ended (Rs '000)	287,901	381,506	93,790	24,663
Net Asset Value per unit at the year / period ended (Rs)	10.0504	10.0355	10.0226	10.1518
Offer Price per unit at year end	10.1640	10.0922	10.0792	10.2092
Redemption Price per unit at year end	10.0504	10.0355	10.0226	10.1518
Highest offer price per unit (Rs)	10.5665	10.0922	10.0792	10.2092
Lowest offer price per unit (Rs)	9.5177	8.9728	9.3269	10.0000
Highest redemption price per unit (Rs)	10.0504	10.0355	10.0226	10.1518
Lowest redemption price per unit (Rs)	9.4642	8.9728	9.2716	10.0000
Opening Nav of Fiscal Year	9.4626	8.9695	10.0000	10.0000
Total return of the fund	6.21%	11.85%	8.15%	1.52%
Capital growth	0.16%	0.11%	0.45%	0.00%
Income distribution as a % of ex nav	6.05%	11.74%	7.70%	1.52%
Income distribution as a % of par value	6.08%	11.77%	7.70%	1.52%
<b>Distribution</b>				
Interim distribution per unit	0.6076	1.1767	0.7702	-
Final distribution per unit	-	-	-	0.1518
<b>Distribution Dates</b>				
Interim	-	-	29-Jan-19	-
Interim	-	-	27-Feb-19	-
Interim	-	-	29-Mar-19	-
Interim	-	-	26-Apr-19	-
Interim	-	-	30-May-19	-
Interim	23-Jun-21	24-Jun-20	24-Jun-19	-
Final	-	-	-	4-Jul-18
Average annual return of the fund (launch date February 28, 2019)				
(Since inception to June 30, 2021)	8.30%			
(Since inception to June 30, 2020)		9.20%		
(Since inception to June 30, 2019)			7.25%	
(Since inception to June 30, 2018)				4.50%
Portfolio Composition ( Please see Fund Manager Report)				
Weighted average portfolio duration	16 Days	24 Days	1 Days	1 Days

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

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