

NBP
FINANCIAL SECTOR
INCOME FUND

ANNUAL REPORT
2022

AM1
Rated by PACRA

MISSION STATEMENT

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

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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

MCB Bank Limited
JS Bank Limited
Meezan Bank Limited
Habib Bank Limited
United Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Askari Bank Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
National Bank of Pakistan
Soneri Bank Limited

Samba Bank Limited
Zarai Taraqati Bank Limited
MCB Islamic Bank Limited
Faysal Bank Limited
The Bank of Punjab
Albaraka Bank of Pakistan
Bank Islami Pakistan Limited
U Microfinance Bank Limited
Telenor Microfinance Bank Limited
Khushali Microfinance Bank Limited
HBL Microfinance Bank Limited
Mobilink Micro Finance Bank Limited
Dubai Islamic Bank Pakistan 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, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

7th Floor Clifton Diamond Building, Block No. 4,
Scheme No. 5, Clifton Karachi.
UAN: 021 (111-111-632),
(Toll Free): 0800-20002,
Fax: (021) 35825329
Website: www.nbpfunds.com

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Phone: 051-2514987
Fax: 051-4859031

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



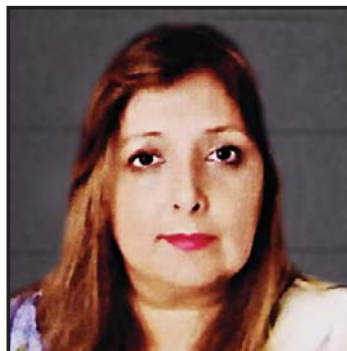
Mr. Tauqeer Mazhar
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Ms. Mehnaz Salar
Director



Mr. Imran Zaffar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Asim Wahab Khan, CFA
Chief Investment Officer



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation &
Strategy Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Khalid Mehmoood
Chief Financial Officer



Mr. Salman Ahmed, CFA
Head of Fixed Income



Mr. Hassan Raza, CFA
Head of Research



Mr. Muhammad Umer Khan
Head of Human Resources &
Administration



Syed Sharoz Mazhar, CFA
Head of Business &
Sales Strategy



Mr. Zaheer Iqbal, ACA FPFA
Head of Operations



Mr. Waheed Abidi
Head of Internal Audit



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



Syed Haseeb Ahmed Shah
Head of Compliance

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the 11th Annual Report of **NBP Financial Sector Income Fund (NFSIF)** for the year ended June 30, 2022.

Fund's Performance

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

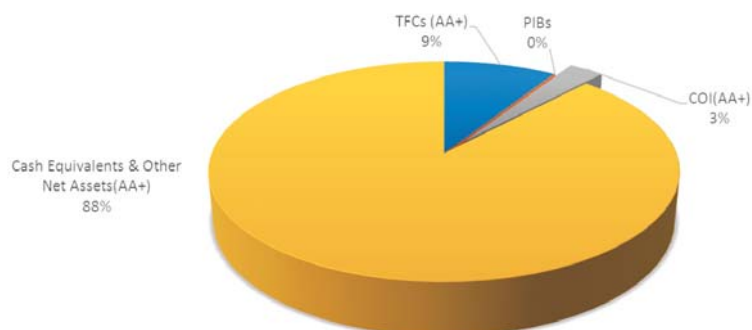
SBP held twenty-six (26) T-Bill auctions, realizing a total of Rs. 17.1 trillion. The sovereign yields also witnessed high movements resulting in sharp rise in secondary market yields, which maintained their high delta from the Policy Rate. The yields on T-Bills for 3-month, 6-month and 12-month tenures increased by 770, 762 and 749 basis points, respectively. Similarly, yields on 3-year, 5-year, and 10-year PIBs surged by 4.46%, 3.44%, and 2.98%, respectively.

The Fund is unique as it invests a minimum of 70% of its assets in financial sector (mainly banks) debt securities, instruments or deposits. Minimum entity/instrument rating of debt securities are AA-. This minimizes credit risk and at the same time enhances the liquidity of the Fund. Duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

The trading activity in corporate debt securities remained sluggish as the cumulative traded value stood at Rs. 10.2 billion. However, market witnessed fresh issuance of TFCs and Sukuks in the Power & Distribution and Banking sectors.

The size of NBP Financial Sector Income Fund decreased by 4% from Rs. 40,638 million to Rs. 39,200 million. However, during the period, the unit price of the Fund has increased from Rs. 9.5310 (Ex-Div) on June 30, 2021 to Rs. 10.5510 on June 30, 2022 thus posting a return of 10.7% as compared to its Benchmark return of 10.8% 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. 4,681.48 million during the year. After deducting total expenses of Rs. 349.14 million, the net income is Rs. 4,332.33 million. The asset allocation of NBP Financial Sector Income Fund as on June 30, 2022 is as follows:



Income Distribution:

The Board of Directors of the Management Company has approved interim cash dividend of 10.17% of the opening ex-NAV (10.72% of the par value) during the year ended June 30, 2022.

Taxation

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

Sindh Workers' Welfare Fund (SWWF)

On August 13, 2021, provisioning against Sindh Workers' Welfare Fund by NBP FINANCIAL SECTOR INCOME FUND amounting to Rs. 82.31 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 FINANCIAL SECTOR INCOME FUND by 0.18% 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, 2023.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held five meetings during the year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2022, the Board included:

Category	Names
Independent Directors	1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Tauqeer Mazhar 3. Ms. Mehnaz Salar 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive Officer

Director

Date: **September 27, 2022**
Place: Karachi.

ڈائریکٹرز رپورٹ

این بی پی فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP فنانشل سیکٹرز انکم فنڈ کی گیارہویں سالانہ رپورٹ برائے ختمہ سال 30 جون 2022ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

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

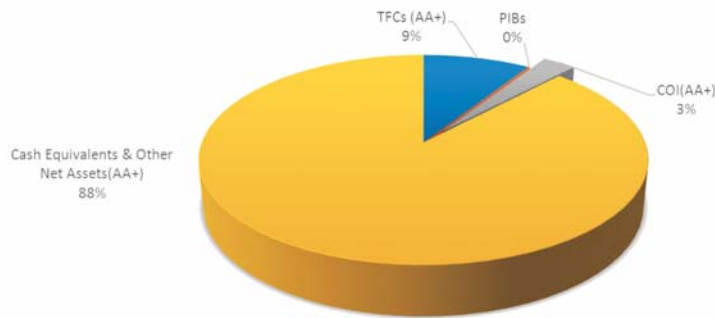
اسٹیٹ بینک پاکستان نے چھبیس (26) ٹی بیل نیلامیوں کا انعقاد کیا، جس سے کل 17.1 ٹریلین روپے کی وصولی ہوئی۔ حکومتی شرح منافع میں بھی حرکت دیکھی گئی جس کے نتیجے میں ثانوی مارکیٹ کی شرح منافع میں تیزی سے اضافہ ہوا، جس نے پالیسی ریٹ سے اپنے اعلیٰ تغیر کو برقرار رکھا۔ 3-ماہ، 6-ماہ اور 12-ماہ کی مدت کے لئے T-Bills کی شرح منافع میں بالترتیب 762، 770 اور 749 پیسہ پوائنٹس کا اضافہ ہوا۔

یہ فنڈ منفرد ہے کیونکہ یہ اپنے اثاثوں کا کم از کم 70% مالیاتی شعبے (بنیادی طور پر بینکوں) کے قرضوں کی سیکورٹیز، آلات یا ڈپازٹس میں لگاتا ہے۔ قرض کی ضمانتوں کی کم از کم ہستی/آل کی درجہ بندی AA- ہے۔ یہ کریڈٹ رسک کو کم کرتا ہے اور ساتھ ہی ساتھ فنڈ کی لیکویڈیٹی کو بڑھاتا ہے۔ فنڈ کی مدت ایک سال سے زیادہ نہیں ہو سکتی۔ یہ شرح سود یا قیمتوں کے خطرے کو کم کرتا ہے۔ فنڈ اپنے اثاثوں کا 90.25% دنوں سے بھی کم وقت میں T-Bills یا بینکوں کے ساتھ بچت کھاتوں میں لگاتا ہے، جس سے فنڈ کی لیکویڈیٹی پر وفا عمل میں مزید اضافہ ہوتا ہے۔

کارپوریٹ ڈیٹ سیکورٹیز میں تجارتی سرگرمیاں سست رہیں کیونکہ مجموعی تجارت 10.2 بلین روپے رہی۔ تاہم، مارکیٹ نے پاور اینڈ ڈسٹری بیوشن اور بینکنگ کے شعبوں میں TFCs اور سلوک کا تیار اجراء دیکھا۔

NBP فنانشل سیکٹرز انکم فنڈ کا ساٹھ ماہ 40,638 ملین روپے سے کم ہو کر 39,200 ملین روپے ہو گیا، یعنی 4% کمی ہوئی۔ تاہم، مذکورہ مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2021 کو 9.5310 روپے (Ex-Div) سے بڑھ کر 30 جون 2022 کو 10.5510 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت کے دوران 10.8% شیئنگ مارک منافع کے مقابلے میں 10.7% منافع دیا۔ فنڈ کا یہ منافع پیمنٹس فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

فنڈ کو سال کے دوران 4,681.48 ملین روپے کی کل آمدنی ہوئی۔ 349.14 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد، خالص آمدنی 4,332.33 ملین روپے ہے۔ 30 جون 2022 کے مطابق NBP فنانشل سیکٹرز انکم فنڈ کی ایسٹ ایلوکییشن حسب ذیل ہے:



آمدنی کی تقسیم

میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2022 کے اختتام کے بعد اویپنگ ex-NAV کا 10.17% (بنیادی قدر کا 10.72%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

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

سندھ ورکرز ویلفیئر فنڈ (SWWF)

13 اگست 2021 کو NBP فنانشل سیکٹرز فنڈ کی طرف سے سندھ ورکرز ویلفیئر فنڈ کی پروڈیونگ کے بعد ماسلہ نمبر SRB/TP/70/2013/8772 مورخہ 13 اگست 2021 کی رو سے سندھ ریونیو بورڈ کی طرف سے موصولہ کلیئرنگ پر میوچل فنڈز ایسوسی ایشن آف پاکستان کو دی گئی 82.31 ملین روپے کی رقم واپس کر دی گئی۔ پروڈیونگ کی اس واپسی کے باعث 13 اگست 2021 کو NBP اسلاک فنانشل سیکٹرز اکم فنڈ کے NAV میں 0.18% کا غیر معمولی اضافہ ہوا ہے۔ یہ ایک ایسا موقع ہے جو کہ مستقبل میں دوبارہ آنے کا امکان نہیں ہے۔

آڈیٹرز

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

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

1. میٹجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور پونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ 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 ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
11. پونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 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 پونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
13. کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر 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 2022 کو بورڈ آف ڈائریکٹرز دوج 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 (چیئرمین) •2 جناب توقیر مظہر •3 محترمہ مہناز سالار •4 جناب علی سیدگل •5 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

تاریخ: 27 ستمبر 2022ء

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Financial Sector Income Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2022 in accordance with the provisions of the following:

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

Badiuddin Akber
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2022

FUND MANAGER REPORT

NBP Financial Sector Income Fund

NBP Financial Sector Income Fund (NFSIF) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Financial Sector Income Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.

Benchmark

6-Month KIBOR.

Fund Performance Review

This is the 11th Annual report since the launch of the Fund on October 28, 2011. The Fund size decreased by 4% and stands at Rs. 39.2 billion as of June 30, 2022. During FY22 the Fund posted a return of 10.7% versus the benchmark return of 10.8%. The Fund's return since inception is 9.2% p.a. During the same period, the benchmark return has been 8.7% p.a. This translates into outperformance of 0.6% p.a. This outperformance is net of management fee and all other expenses.

The Fund is unique as it invests a minimum of 70% of its assets in the financial sector (mainly banks) debt securities, instruments, or deposits. The minimum entity/instrument rating of debt securities is AA. This minimizes credit risk and at the same time enhances the liquidity of the Fund. The duration of the Fund cannot be more than one year. This minimizes interest rate or pricing risk. The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which further enhances the liquidity profile of the Fund.

The trading activity in corporate debt securities remained sluggish as the cumulative traded value stood at Rs. 10.2 billion. However, market witnessed fresh issuance of TFCs and Sukuks in the Power & Distribution and Banking sectors.

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

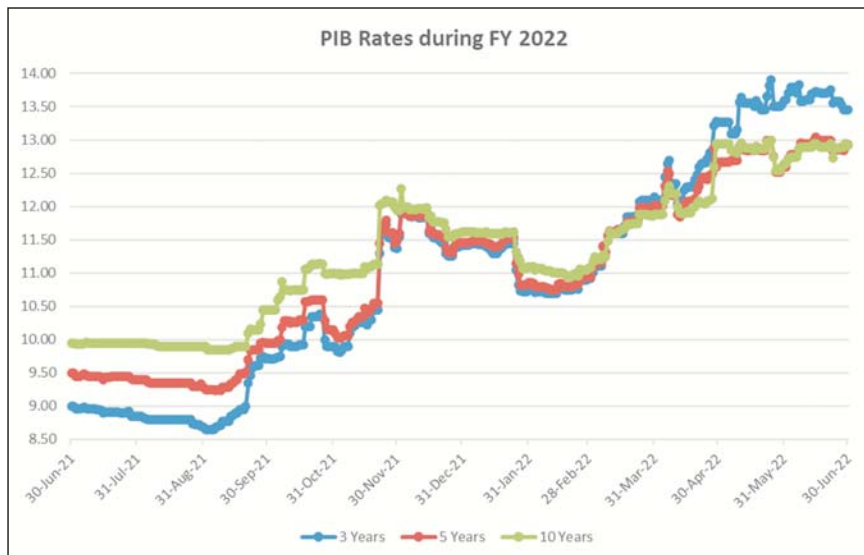
SBP held twenty-six (26) T-Bill auctions, realizing a total of Rs. 17.1 trillion. The sovereign yields also witnessed high movements resulting in sharp rise in secondary market yields, which maintained their high delta from the Policy Rate. The yields on T-Bills for 3-month, 6-month and 12-month tenures increased by 770, 762 and 749 basis points, respectively. Similarly, yields on 3-year, 5-year, and 10-year PIBs surged by 4.46%, 3.44%, and 2.98%, respectively.

Particulars	30-Jun-22	30-Jun-21
Term finance certificates	9.60%	9.69%
Certificate of investments	3.01%	7.38%
Pakistan Investment Bonds	0.09%	4.86%
Equity securities - listed (Spread transactions)	-	4.92%
Term deposit receipt	-	0.59%
Market Treasury Bills	-	72.56%
Cash (Cash Equivalents) & Other Assets	87.30%	-
Total	100.00%	100.00%

NBP FINANCIAL SECTOR INCOME FUND



PIB yields during the year are shown in the below graph:



Distribution for the Financial Year 2022

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Aug-21	1.369%	10.6783	10.5414
Oct-21	1.358%	10.6772	10.5414
Dec-21	1.633%	10.7047	10.5414
Feb-22	1.743%	10.7157	10.5414
Apr-22	2.043%	10.7457	10.5414
Jun-22	2.570%	10.7984	10.5414

Unit Holding Pattern of NBP Financial Sector Income Fund as on June 30, 2022

Size of Unit Holding (Units)1-1000	# of Unit Holders
1-1000	1732
1001-5000	421
5001-10000	243
10001-50000	856
50001-100000	517
100001-500000	908
500001-1000000	208
1000001-5000000	208
5000001-10000000	24
10000001-100000000	32
100000001-1000000000	4
Total	5153

During the period under question:

There has been no significant change in the state of affairs of the Fund. NBP Financial Sector Income Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

On August 13, 2021, provisioning against Sindh Workers' Welfare Fund by NBP FINANCIAL SECTOR INCOME FUND amounting to Rs. 82.31 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 FINANCIAL SECTOR INCOME FUND by 0.18% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the unit holders of NBP Financial Sector Income Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NBP Financial Sector Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2022, 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, 2022, 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.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Valuation and existence of investment</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 Equity Securities, Government Securities (treasury bills and Pakistan investment bonds), term finance certificates, letter of placement, term deposits receipt, certificate of investment and commercial paper 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>	<ul style="list-style-type: none"> Obtained an understanding of relevant controls placed by the Management Company applicable to the balance; Independently verified existence of investments from Central Depository Company (CDC) account Statement, Investment Portfolio Services (IPS), bank confirmations and other relevant documents; Performed test of details on sale, purchase and maturity of investments on a sample basis by inspecting deal tickets, counterparty confirmation, broker confirmation and bank statements; and Tested valuation of investments by independently tracing rate to externally quoted market prices and Pakistan revaluation rates (PKRV)

S. No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Tested valuation of debt securities other than government debt in accordance with criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP).

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 (Directors' Report, Fund Manager Report & Trustee Report to the Unit Holders) included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management 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.

Other matter

The condensed interim financial information of the Fund for the half year ended December 31, 2020 and the financial statements of the Fund for the year ended June 30, 2021 were reviewed and audited by another firm of chartered accountants, who had expressed unmodified conclusion and opinion thereon vide report dated September 30, 2021.

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 28, 2022

UDIN: AR202210091j7hZxkPWQ

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
Assets			
Bank balances	5	33,577,976	29,289,389
Investments	6	4,980,022	11,150,164
Receivable against Margin Trading System	7	-	107,127
Profit receivables	8	270,970	302,360
Receivables from funds under management by Management Company against conversion of units		643,253	67,366
Advance, deposit and prepayment	9	6,617	3,819
Total assets		39,478,838	40,920,225
Liabilities			
Payable to NBP Fund Management Limited - Management Company	10	65,197	49,519
Payable to Central Depository Company of Pakistan Limited - Trustee	11	2,804	2,949
Payable to Securities and Exchange Commission of Pakistan	12	8,598	5,692
Payable against redemption / conversion of units		23,339	28,751
Accrued expenses and other liabilities	13	178,794	195,716
Total liabilities		278,732	282,627
Net assets		39,200,106	40,637,598
Unitholders' fund (as per statement attached)		39,200,106	40,637,598
Contingency and commitment	14		
		(Number of units)	
Number of units in issue	15	3,715,311,951	3,855,034,331
		(Rupees)	
Net assets value per unit		10.5510	10.5414

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
Income			
(Loss) / gain on sale of investments		(18,450)	10,262
Income on spread transactions		49,874	10,526
Dividend income - spread transactions (listed)		1,943	40,369
Income from term deposit receipts		9,041	114,146
Income from term finance certificates, sukuks and commercial papers		471,508	318,994
Income from government securities		166,512	167,667
Income from letter of placement		351,439	177,735
Income from certificate of investment		4,899	78,444
Income from margin trading system		6,201	28,980
Profit on bank deposits		3,522,585	1,439,577
Net unrealised appreciation on re-measurement of investments at 'fair value through profit or loss'		41,199	38,816
Total income		4,606,751	2,425,516
Expenses			
Remuneration to NBP Fund Management Limited - Management Company	10.1	145,867	149,501
Sindh Sales Tax on remuneration to Management Company	10.2	18,963	19,435
Remuneration to Central Depository Company of Pakistan Limited - Trustee	11.1	32,244	21,346
Sindh Sales Tax on remuneration to Trustee	11.2	4,192	2,775
Reimbursement of selling and marketing expenses	10.3	80,554	67,802
Reimbursement of allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	49,798	34,267
Annual fee - Securities and Exchange Commission of Pakistan		8,598	5,692
Settlement and bank charges		1,000	5,266
Auditors' remuneration	16	993	954
Mutual fund rating fee		484	348
Securities transaction cost		5,922	11,888
Legal and professional charges		306	173
Annual listing fee		28	28
Other charges		192	166
Total expenses		349,141	319,641
Net income from operating activities		4,257,610	2,105,875
Reversal / (Provision) for Sindh Workers' Welfare Fund	13.1	74,725	(42,118)
Net income for the year before taxation		4,332,335	2,063,757
Taxation	17	-	-
Net income for the year		4,332,335	2,063,757
Allocation of net income for the year			
Net income for the year		4,332,335	2,063,757
Income already paid on units redeemed		(1,614,093)	(267,620)
		2,718,242	1,796,137
Accounting income available for distribution:			
- Relating to capital gains		22,749	26,750
- Excluding capital gains		2,695,493	1,769,387
		2,718,242	1,796,137

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	----- (Rupees in '000) -----	
Net income for the year	4,332,335	2,063,757
Other comprehensive income	-	-
Total comprehensive income for the year	4,332,335	2,063,757

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP FINANCIAL SECTOR INCOME FUND



STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2022

Notes	2022			2021		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	40,465,420	172,178	40,637,598	9,115,885	122,460	9,238,345
Issue of 12,634,884,987 units (2021: 6,226,742,057 units)						
- Capital value	133,189,377	-	133,189,377	65,556,386	-	65,556,386
- Element of income	1,476,604	-	1,476,604	534,315	-	534,315
Total proceeds on issuance of units	134,665,981	-	134,665,981	66,090,701	-	66,090,701
Redemption of 12,774,607,367 units (2021: 3,249,196,166 units)						
- Capital value	(134,662,246)	-	(134,662,246)	(34,208,187)	-	(34,208,187)
- Element of loss	(228,614)	(1,614,093)	(1,842,707)	(100,694)	(267,620)	(368,314)
Total payments on redemption of units	(134,890,860)	(1,614,093)	(136,504,953)	(34,308,881)	(267,620)	(34,576,501)
Interim Distribution for the year ended 30 June 2022: Re. 0.1369 (Date of distribution: 26 August 2021)						
- Capital value	-	(340,929)	(340,929)	-	(262,124)	(262,124)
- Refund of capital	(217,063)	-	(217,063)	(89,848)	-	(89,848)
Total distribution	(217,063)	(340,929)	(557,992)	(89,848)	(262,124)	(351,972)
Interim Distribution for the year ended 30 June 2022: Re. 0.1358 (Date of distribution: 26 October 2021)						
- Capital value	-	(362,414)	(362,414)	-	(329,180)	(329,180)
- Refund of capital	(183,066)	-	(183,066)	(92,581)	-	(92,581)
Total distribution	(183,066)	(362,414)	(545,480)	(92,581)	(329,180)	(421,761)
Interim Distribution for the year ended 30 June 2022: Re. 0.1633 (Date of distribution: 28 December 2021)						
- Capital value	-	(443,922)	(443,922)	-	(535,075)	(535,075)
- Refund of capital	(159,672)	-	(159,672)	(199,224)	-	(199,224)
Total distribution	(159,672)	(443,922)	(603,594)	(199,224)	(535,075)	(734,299)
Interim Distribution for the year ended 30 June 2022: Re. 0.1743 (Date of distribution: 24 February 2022)						
- Capital value	-	(422,175)	(422,175)	-	(620,040)	(620,040)
- Refund of capital	(215,375)	-	(215,375)	(50,632)	-	(50,632)
Total distribution	(215,375)	(422,175)	(637,550)	(50,632)	(620,040)	(670,672)
Interim Distribution for the year ended 30 June 2022: Re. 0.2043 (Date of distribution: 27 April 2022)						
- Capital value	-	(484,307)	(484,307)	-	-	-
- Refund of capital	(247,170)	-	(247,170)	-	-	-
Total distribution	(247,170)	(484,307)	(731,477)	-	-	-
Interim Distribution for the year ended 30 June 2022: Re. 0.2570 (Date of distribution: 29 June 2022)						
- Capital value	-	(631,246)	(631,246)	-	-	-
- Refund of capital	(223,516)	-	(223,516)	-	-	-
Total distribution	(223,516)	(631,246)	(854,762)	-	-	-
Total comprehensive income for the year	-	4,332,335	4,332,335	-	2,063,757	2,063,757
Net assets at end of the year	38,994,679	205,427	39,200,106	40,465,420	172,178	40,637,598
Undistributed income brought forward						
- Realised		133,362			123,006	
- Unrealised		38,816			(546)	
Accounting income available for distribution:		172,178			122,460	
- Relating to capital gains		22,749			26,750	
- Excluding capital gains		2,695,493			1,769,387	
		2,718,242			1,796,137	
- Cash distribution		(2,684,993)			(1,746,419)	
Undistributed income carried forward		205,427			172,178	
Undistributed income carried forward						
- Realised		164,228			133,362	
- Unrealised		41,199			38,816	
		205,427			172,178	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			10.5414			10.5282
Net assets value per unit at end of the year			10.5510			10.5414

The annexed notes 1 to 28 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2022

Note	2022 ----- (Rupees in '000) -----	2021 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	4,332,335	2,063,757
Adjustments:		
Net unrealised appreciation on re-measurement of investments at 'fair value through profit or loss'	(41,199)	(38,816)
(Reversal) / Provision for Sindh Workers' Welfare Fund	(74,725)	42,118
	4,216,411	2,067,059
Increase / (decrease) in assets		
Investments	6,211,341	(7,727,277)
Profit receivables	31,390	(201,065)
Receivable against Margin Trading System	107,127	(107,127)
Advance, deposit and prepayment	(2,798)	(3,229)
	6,347,060	(8,038,698)
Decrease / (increase) in liabilities		
Payable to NBP Fund Management Limited - Management Company	15,678	12,978
Payable to Central Depository Company of Pakistan Limited - Trustee	(145)	2,251
Payable to Securities and Exchange Commission of Pakistan	2,906	4,020
Payable against purchase of investment	-	(833,945)
Accrued expenses and other liabilities	57,803	(10,058)
	76,242	(824,754)
Net cash generated from / (used in) operating activities	10,639,713	(6,796,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issuance of units	132,844,232	65,682,448
Payment against redemption of units	(136,510,365)	(34,694,756)
Distribution paid	(2,684,993)	(1,746,419)
Net cash (used in) / generated from financing activities	(6,351,126)	29,241,273
Net increase in cash and cash equivalents	4,288,587	22,444,880
Cash and cash equivalents at beginning of the year	29,289,389	6,844,509
Cash and cash equivalents at end of the year	33,577,976	29,289,389

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NBP Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 11, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund is an open-ended mutual fund classified as an "income scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has maintained an asset manager rating of 'AM1' (2021: AM1) to the Management Company and stability rating of 'A+(f)' (2021: A+(f)) to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.7 The Fund also provides accidental death (free), life insurance / life takaful and health coverage to unitholders of the Fund as stated in the Offering Document.
- The cost of premium is borne by the investor (where applicable). Such premium cost is deducted from the unit holder's investment on a monthly basis in case of life insurance and annual basis in case of health insurance and deposited with the Insurance Company / Takaful Operator by the Management Company as per the terms and conditions of the Insurance / Takaful coverage defined in the Insurance / Takaful policy document signed between the Insurance Company / Takaful Operator and Management Company.
- 1.8 "During the year ended June 30, 2021 the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely " Sindh Trust Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on October 14, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act."

2 BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
 - the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations) and requirements of the Trust Deed.

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

- 2.1.2** The SECP vide SRO 800 (I)/2021 dated 22 June 2021 modified the effective date for applicability of International Financial Reporting Standard 9 - Financial Instruments in place of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement) for Non-Banking Finance Companies and Modarabas, as "Reporting period / year ending on or after 30 June 2022 (earlier application permitted)". However, as permitted the Fund had already applied the IFRS 9 during the period ended 30 June 2019 with the exception of below mentioned impairment requirements as referred in note 2.1.3 of these financial statements.
- 2.1.3** The SECP vide letter ref SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 has deferred the applicability of impairment requirements of International Financial Reporting Standard (IFRS) 9 "Financial Instruments" in relation to debt securities for mutual funds. Accordingly, the impairment requirements of IFRS 9 have not been considered for debt securities and requirements of SECP Circular 33 of 2012 have continued to be followed.

2.2 Accounting convention

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousand rupees, unless otherwise stated.

2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the subsequent year is included in the following notes:

- Classification and valuation of financial instruments (Note 4.1.2, 4.1.3 and 6);
- Impairment of financial assets (Note 4.1.7); and
- Provision (Note 4.2).

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

New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations 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:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021

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 periods beginning on or after:

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	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
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These policies have been consistently applied to all the periods presented in the financial statements.

4.1 Financial instruments

The Fund applied IFRS 9 (refer note 2.1.2) except for impairment requirements for which the Fund has continued to follow the requirements of SECP (refer note 2.1.3).

4.1.1 Recognition and initial measurement

The Fund initially recognises regular-way transactions in financial assets and financial liabilities at FVTPL on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

4.1.2 Classification - Financial assets

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

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

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

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

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

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

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

Business model assessment

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

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets

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

The Fund has determined that it has two business models.

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

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

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

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

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

4.1.3 Subsequent measurement - Financial assets

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / mark-up or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / mark-up income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

Debt securities (other than Government securities) Debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities (note 2.1.3). In determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Government securities

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

4.1.4 Financial liabilities – Classification, subsequent measurement and gains and losses

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest, are recognised in income statement.

Financial liabilities are initially classified as measured at amortised cost and also subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in income statement. Any gain or loss on derecognition is also recognised in income statement.

4.1.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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

"The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market prices used for financial assets held by the Fund is current bid price."

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4.1.6 Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

4.1.7 Impairment of financial assets

The Fund at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 the recoverable amount.

The SECP through its letter SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 has deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and has instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012.

4.1.8 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in income statement.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in income statement.

The Fund derecognises a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognised.

4.1.9 Offsetting of financial assets and liabilities

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

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

4.1.10 Derivatives

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

4.1.11 Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.12 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as 'financial assets at fair value through profit or loss' and carried on the statements of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the Income Statement in accordance with the requirements of IFRS 9 'Financial Instruments: Recognition and Measurement'.

4.1.13 Receivable against Margin Trading System (MTS)

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the income statement. Transaction costs are expensed in the income statement.

4.2 Provisions

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

4.3 Taxation

The income of the Fund is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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.

4.4 Issue and redemption of units

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

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

4.5 Element of income

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

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

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

4.6 Net assets value per unit

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

4.7 Earnings per unit

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

4.8 Income recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss ' are included in the income statement in the period in which they arise.
- Income on deposits with banks and mark-up / return on investments in debt and government securities is recognized in the income statements using effective yield method.
- Dividend income on equity securities held for spread transactions is recognised when the right to receive the dividend is established. For quoted equity securities, this is usually the ex-dividend date.

4.9 Distribution

Distributions declared are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

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

5 BANK BALANCES

	Note	2022 ----- (Rupees in '000) -----	2021
In current accounts		325	7,663
In savings accounts	5.1	<u>33,577,651</u>	<u>29,281,726</u>
		<u><u>33,577,976</u></u>	<u><u>29,289,389</u></u>

5.1 These accounts carry profit at the rates ranging from 6.5% to 18.28% (30 June 2021: 6.5% to 9%) per annum.

6 INVESTMENTS

		2022	2021
	Note	(Rupees in '000)	
Investments by category			
Financial assets 'at fair value through profit or loss'			
Term finance certificates (TFCs) and sukuks - listed	6.1	1,682,869	1,864,533
Term finance certificates (TFCs) and sukuks - unlisted	6.2	2,082,115	2,073,174
Market Treasury Bills	6.3	-	238,739
Pakistan Investment Bonds	6.4	33,963	-
Letter of placement	6.5	-	-
Equity securities - listed (Spread transactions)	6.6	-	1,973,718
		3,798,947	6,150,164
At amortised cost			
Term deposit receipt	6.7	-	2,000,000
Certificate of investments	6.8	-	3,000,000
Commercial Paper	6.9	1,181,075	-
		1,181,075	5,000,000
		4,980,022	11,150,164

6.1 Term finance certificates (TFCs) and sukuks - listed

Name of the investee company	As at 1 July 2021	Purchases during the year	Sales / matured during the year	As at 30 June 2022	Market value/ carrying value as at 30 June 2022	Market value/ carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
Note	(Number of certificates)				(Rupees in '000)	(%)	
JS Bank Limited - TFC	1,150	-	-	1,150	115,367	0.29	2.32
Hub Power Company Limited - Sukuk	2,416	-	-	2,416	247,473	0.63	4.97
K- Electric - Sukuk	132,576	-	-	132,576	676,933	1.73	13.59
Hub Power Company Limited - Sukuk	8,150	-	-	8,150	643,096	1.64	12.91
	144,292	-	-	144,292	1,682,869	4.29	33.79

Carrying value before fair value adjustments as at 30 June 2022

1,660,738

6.1.1 The Fund has applied discretionary mark-down on 27 June 2022 to the fair value of the security. Post to discretionary mark-down the price of Hub Power Company Limited has decreased from Rs. 102.8786 (MUFAP Price) to Rs. 102.4311 per unit.

6.2 Term finance certificates (TFCs) and sukuks - unlisted

Name of the investee company	As at 1 July 2021	Purchases during the year	Sales / matured during the year	As at 30 June 2022	Market value/ carrying value as at 30 June 2022	Market value/ carrying value as a percentage of net assets	Market value/ carrying value as a percentage of total investments
Note	(Number of certificates)				(Rupees in '000)	(%)	
JS Bank Limited	23,400	-	23,400	-	-	-	-
Jahangir Siddiqui and Company Limited	28,000	-	-	28,000	50,529	0.13	1.01
Jahangir Siddiqui and Company Limited	32,800	-	-	32,800	84,720	0.22	1.70
Askari Commercial Bank Limited	333	-	50	283	287,245	0.73	5.77
Bank of Punjab	500	-	-	500	50,021	0.13	1.00
Hub Power Holding Limited - Sukuk	6,000	-	-	6,000	582,166	1.49	11.69
Meezan Sukuk	-	172	-	172	178,020	0.45	3.57
Samba Bank Limited	8,464	-	-	8,464	849,414	2.17	17.06
	99,497	172	23,450	76,219	2,082,115	5	42

Carrying value before fair value adjustments as at 30 June 2022

2,064,813

NBP FINANCIAL SECTOR INCOME FUND



6.2.1 The Fund has applied discretionary mark-down on 27 June 2022 to the fair value of the security. Post to discretionary mark-down the price of Bank of Punjab has decreased from Rs. 102.3740 (MUFAP Price) to Rs. 102.2015 per unit.

6.2.2 Significant terms and conditions of term finance certificates and sukuk outstanding at the year end are as follows:

Name of securities	Number of certificates	Repayment frequency	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Listed term finance certificates and sukuk							
JS Bank Limited - TFC	1,150	Semi Annually	114,793,000	6 - month Kibor 1.40%	29 December 2017	29 December 2024	A+
Hub Power Company Limited - Sukuk	2,416	Annually	241,600,000	6 - month Kibor 1.90%	19 March 2020	19 March 2024	AA+
K- Electric - Sukuk	132,576	Quarterly	662,880,000	3 - month Kibor 1.70%	03 August 2020	03 August 2027	AA+
Hub Power Company Limited - Sukuk	8,150	Quarterly	611,250,000	3 - month Kibor 1.90%	22 August 2019	22 August 2023	AA+
Unlisted term finance certificates and sukuk							
JS Bank Limited	-	-	-	-	-	-	-
Jahangir Siddiqui and Company Limited	28,000	Semi Annually	49,000,000	6 - month Kibor 1.40%	18 July 2017	18 July 2022	AA+
Jahangir Siddiqui and Company Limited	32,800	Semi Annually	82,000,000	6 - month Kibor 1.40%	06 March 2018	06 March 2023	AA+
Askari Commercial Bank Limited	283	Quarterly	283,000,000	3 - month Kibor 1.20%	17 March 2020	17 March 2030	AA
Bank of Punjab	500	Semi Annually	49,920,000	6 - month Kibor 1.25%	23 April 2018	23 April 2028	AA
Hub Power Holding Limited - Sukuk	6,000	Semi Annually	600,000,000	-	12 November 2020	12 November 2025	AAA
Meezan Sukuk	172	Semi Annually	172,000,000	-	16 December 2021	16 December 1931	AAA
Samba Bank Limited	8,464	Semi Annually	846,061,440	6 - month Kibor 1.35%	01 March 2021	01 March 1931	AA-

6.3 Market Treasury Bills

Issue date	Tenor	Face value			Market value / carrying value as at 30 June 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2021	Purchases during the year	Sales / matured during the year			
		(Rupees in '000)			(%)		
27 August 2020	12 Months	-	455,000	455,000	-	-	-
11 February 2021	6 Months	141,000	2,000,000	2,141,000	-	-	-
11 March 2021	6 Months	-	472,000	472,000	-	-	-
25 March 2021	6 Months	-	190,000	190,000	-	-	-
20 May 2021	3 Months	-	2,960,000	2,960,000	-	-	-
03 June 2021	3 Months	100,000	13,115,000	13,215,000	-	-	-
15 July 2021	3 Months	-	500,000	500,000	-	-	-
29 July 2021	3 Months	-	600,000	600,000	-	-	-
29 July 2021	6 Months	-	65,000	65,000	-	-	-
02 July 2021	3 Months	-	2,065,000	2,065,000	-	-	-
12 August 2021	3 Months	-	500,000	500,000	-	-	-
12 August 2021	6 Months	-	500,000	500,000	-	-	-
26 August 2021	6 Months	-	500,000	500,000	-	-	-
09 September 2021	6 Months	-	1,000,000	1,000,000	-	-	-
06 May 2021	6 Months	-	5,500,000	5,500,000	-	-	-
21 October 2021	3 Months	-	1,867,500	1,867,500	-	-	-
03 June 2021	6 Months	-	4,715,000	4,715,000	-	-	-
04 November 2021	3 Months	-	4,785,000	4,785,000	-	-	-
02 December 2021	3 Months	-	1,000,000	1,000,000	-	-	-
16 December 2021	3 Months	-	500,000	500,000	-	-	-
27 January 2022	3 Months	-	4,400,000	4,400,000	-	-	-
10 February 2022	3 Months	-	2,750,000	2,750,000	-	-	-
07 April 2022	3 Months	-	2,500,000	2,500,000	-	-	-
21 April 2022	3 Months	-	6,625,000	6,625,000	-	-	-
		241,000	59,564,500	59,805,500	-	-	-

Carrying value before fair value adjustments as at 30 June 2022

NBP FINANCIAL SECTOR INCOME FUND



6.4 Pakistan Investment Bonds

Issue date	Tenor	Face value				Market value/ carrying value as at 30 June 2022	Market value as percentage of net assets	Market value as percentage of total investments
		As at 1 July 2021	Purchases during the period	Sales / matured during the period	As at 30 June 2022			
19 July 2012	10 Year	-	34,000	-	34,000	33,963	0.09	0.68
		-	34,000	-	34,000	33,963	0.09	0.68

Carrying value before fair value adjustments as at 30 June 2022.

34,047

6.5 Letter of Placement

Issue date	Counter Party	Face value				Market value / carrying value as at 30 June 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2021	Purchases during the year	Sales / matured during the year	As at 30 June 2022			
		(Rupees in '000)					(%)	
6-Jul-21	PAIR Investment Company	-	1,500,000	1,500,000	-	-	-	-
12-Jul-21	PAIR Investment Company	-	500,000	500,000	-	-	-	-
23-Jul-21	Pak Brunei Investement Company	-	470,000	470,000	-	-	-	-
27-Jul-21	Pak Brunei Investement Company	-	2,000,000	2,000,000	-	-	-	-
27-Jul-21	Pak Kuwait Investement Company	-	2,000,000	2,000,000	-	-	-	-
28-Jul-21	Pak Kuwait Investement Company	-	2,500,000	2,500,000	-	-	-	-
29-Jul-21	Pak Brunei Investement Company	-	6,000,000	6,000,000	-	-	-	-
30-Jul-21	PAIR Investment Company	-	400,000	400,000	-	-	-	-
30-Jul-21	Pak Brunei Investement Company	-	6,001,184	6,001,184	-	-	-	-
2-Aug-21	PAIR Investment Company	-	400,000	400,000	-	-	-	-
2-Aug-21	Pak-Oman Inv. Co. Ltd.	-	1,200,000	1,200,000	-	-	-	-
5-Aug-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	-
6-Aug-21	PAIR Investment Company	-	1,500,000	1,500,000	-	-	-	-
6-Aug-21	Pak Brunei Investement Company	-	6,509,470	6,509,470	-	-	-	-
6-Aug-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	-
9-Aug-21	Pak-Oman Inv. Co. Ltd.	-	3,000,000	3,000,000	-	-	-	-
13-Aug-21	Pak Brunei Investement Company	-	6,518,459	6,518,459	-	-	-	-
20-Aug-21	Pak Brunei Investement Company	-	6,527,434	6,527,434	-	-	-	-
27-Aug-21	Pak-Oman Inv. Co. Ltd.	-	4,500,000	4,500,000	-	-	-	-
30-Aug-21	PAIR Investment Company	-	500,000	500,000	-	-	-	-
30-Aug-21	Pak-Oman Inv. Co. Ltd.	-	1,500,000	1,500,000	-	-	-	-
1-Oct-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	-
1-Oct-21	Pak-Oman Inv. Co. Ltd.	-	3,000,000	3,000,000	-	-	-	-
4-Oct-21	PAIR Investment Company	-	1,000,000	1,000,000	-	-	-	-
29-Oct-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	-
10-Nov-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	-
12-Nov-21	PAIR Investment Company	-	500,000	500,000	-	-	-	-
12-Nov-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	-
12-Nov-21	Pak-Oman Inv. Co. Ltd.	-	500,000	500,000	-	-	-	-
19-Nov-21	Pak Brunei Investement Company	-	500,000	500,000	-	-	-	-
22-Nov-21	Pak-Oman Inv. Co. Ltd.	-	3,100,000	3,100,000	-	-	-	-
23-Nov-21	Pak Brunei Investement Company	-	2,300,000	2,300,000	-	-	-	-
24-Nov-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	-

NBP FINANCIAL SECTOR INCOME FUND



Issue date	Counter Party	Face value			As at 30 June 2022	Market value / carrying value as at 30 June 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2021	Purchases during the year	Sales / matured during the year				
		(Rupees in '000)			(%)			
26-Nov-21	PAIR Investment Company		500,000	500,000	-	-	-	
26-Nov-21	Pak Kuwait Investement Company		1,100,000	1,100,000	-	-	-	
26-Nov-21	Pak-Libya Holding Co. Pvt. Ltd.		1,500,000	1,500,000	-	-	-	
26-Nov-21	Pak-Oman Inv. Co. Ltd.	-	1,000,000	1,000,000	-	-	-	
29-Nov-21	Pak-Oman Inv. Co. Ltd.	-	1,000,000	1,000,000	-	-	-	
1-Dec-21	Pak Kuwait Investement Company	-	1,500,000	1,500,000	-	-	-	
1-Dec-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	
2-Dec-21	Pak-Oman Inv. Co. Ltd.	-	1,750,000	1,750,000	-	-	-	
6-Dec-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,500,000	1,500,000	-	-	-	
6-Dec-21	Pak-Oman Inv. Co. Ltd.	-	1,100,000	1,100,000	-	-	-	
7-Dec-21	Pak Kuwait Investement Company	-	2,200,000	2,200,000	-	-	-	
8-Dec-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	
8-Dec-21	Pak-Oman Inv. Co. Ltd.	-	1,500,000	1,500,000	-	-	-	
10-Dec-21	Pak Kuwait Investement Company	-	2,000,000	2,000,000	-	-	-	
10-Dec-21	Pak-Libya Holding Co. Pvt. Ltd.	-	1,000,000	1,000,000	-	-	-	
14-Dec-21	Pak Kuwait Investement Company	-	1,500,000	1,500,000	-	-	-	
14-Dec-21	Pak-Oman Inv. Co. Ltd.	-	1,250,000	1,250,000	-	-	-	
5-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
5-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
10-Jan-22	Pak Kuwait Investement Company Limited	-	2,700,000	2,700,000	-	-	-	
14-Jan-22	PAIR Investment Company Limited	-	500,000	500,000	-	-	-	
14-Jan-22	PAIR Investment Company Limited	-	500,000	500,000	-	-	-	
17-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
21-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
21-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
27-Jan-22	PAIR Investment Company Limited	-	500,000	500,000	-	-	-	
27-Jan-22	PAIR Investment Company Limited	-	500,000	500,000	-	-	-	
27-Jan-22	PAIR Investment Company Limited	-	500,000	500,000	-	-	-	
28-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,003,104	1,003,104	-	-	-	
28-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,001,975	1,001,975	-	-	-	
28-Jan-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,001,975	1,001,975	-	-	-	
31-Jan-22	Pak Kuwait Investement Company Ltd	-	2,715,876	2,715,876	-	-	-	
31-Jan-22	Pak Kuwait Investement Company Ltd	-	3,000,000	3,000,000	-	-	-	
11-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
11-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
11-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	500,000	500,000	-	-	-	
14-Feb-22	Pak Kuwait Investement Company Ltd	-	2,726,397	2,726,397	-	-	-	
18-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
18-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	500,000	500,000	-	-	-	
18-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
25-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
25-Feb-22	Pak-Libya Holding Co. (Pvt.) Ltd	-	1,000,000	1,000,000	-	-	-	
28-Feb-22	Pak Kuwait Investement Company Ltd	-	3,000,000	3,000,000	-	-	-	
28-Feb-22	The Bank of Khyber	-	4,000,000	4,000,000	-	-	-	
10-Mar-22	The Bank of Khyber	-	4,011,397	4,011,397	-	-	-	

Issue date	Counter Party	Face value			As at 30 June 2022	Market value / carrying value as at 30 June 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2021	Purchases during the year	Sales / matured during the year				
		(Rupees in '000)					(%)	
1-Apr-22	Pak Kuwait Investement Company Ltd		4,500,000	4,500,000	-	-	-	-
1-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,000,000	1,000,000	-	-	-	-
1-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,000,000	1,000,000	-	-	-	-
1-Apr-22	PAIR Investment Company Limited		1,000,000	1,000,000	-	-	-	-
1-Apr-22	PAIR Investment Company Limited		500,000	500,000	-	-	-	-
8-Apr-22	Pak Kuwait Investement Company Ltd		4,508,889	4,508,889	-	-	-	-
8-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,001,995	1,001,995	-	-	-	-
8-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,001,995	1,001,995	-	-	-	-
11-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,003,024	1,003,024	-	-	-	-
11-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,003,024	1,003,024	-	-	-	-
12-Apr-22	Pak Kuwait Investement Company Ltd		3,500,000	3,500,000	-	-	-	-
12-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,003,367	1,003,367	-	-	-	-
12-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,003,367	1,003,367	-	-	-	-
15-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,004,415	1,004,415	-	-	-	-
15-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,004,415	1,004,415	-	-	-	-
20-Apr-22	Pak-Libya Holding Co. (Pvt.) Ltd		1,000,000	1,000,000	-	-	-	-
			158,521,762	158,521,762				

Carrying value before fair value adjustments as at 30 June 2022

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6.6 Equity securities - listed (spread transactions) at fair value through profit or loss

The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready market and sells them in future market on the same day, resulting in spread income due to difference in ready and future stock prices. This way the Fund has no open exposure to the stock market.

All shares have a nominal face value of Rs. 10 each.

	As at 1 July 2021	Purchased during the year	Settled during the year	As at 30 June 2022	Market value as at 30 June 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
	Number of shares				(Rupees in '000)	%	
Automobile Assembler							
Pak Suzuki Motor Co. Limited	209,500	70,500	280,000	-	-	-	-
Cable & Electrical Goods							
Pak Elektron Limited	2,689,500	5,349,000	8,038,500	-	-	-	-
Waves Singer Pakistan Limited	-	2,237,500	2,237,500	-	-	-	-
Cement							
Cherat Cement Company Limited	4,500	120,500	125,000	-	-	-	-
D.G. Khan Cement Co. Limited	1,920,000	2,207,500	4,127,500	-	-	-	-
Fauji Cement Co. Limited	940,000	1,239,000	2,179,000	-	-	-	-
Lucky Cement Limited	153,000	227,500	380,500	-	-	-	-
Maple Leaf Cement Factory	4,050,500	8,056,500	12,107,000	-	-	-	-
Pioneer Cement Limited	182,500	1,415,500	1,598,000	-	-	-	-

NBP FINANCIAL SECTOR INCOME FUND



	As at 1 July 2021	Purchased during the year	Settled during the year	As at 30 June 2022	Market value as at 30 June 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
	----- Number of shares -----				(Rupees in '000)	----- % -----	
Chemical							
Descon Oxychem Limited	-	23,000	23,000	-	-	-	-
Engro Polymer & Chemicals	1,712,000	1,085,000	2,797,000	-	-	-	-
Lotte Chemical Pakistan Limited	1,166,000	1,075,500	2,241,500	-	-	-	-
Commercial Banks							
Bank Al Habib Limited	26,500	3,500	30,000	-	-	-	-
Bank Of Punjab Limited	2,194,000	1,371,500	3,565,500	-	-	-	-
Faysal Bank Limited	1,500	2,000,000	2,001,500	-	-	-	-
Habib Bank Limited	89,000	188,500	277,500	-	-	-	-
MCB Bank Limited	2,500	-	2,500	-	-	-	-
United Bank Limited	18,000	55,000	73,000	-	-	-	-
Engineering							
Agha Steel Industries Limited	-	23,500	23,500	-	-	-	-
Aisha Steel Mills Limited	2,233,500	1,577,000	3,810,500	-	-	-	-
Amreli Steels Limited	218,000	469,500	687,500	-	-	-	-
International Industries Limited	378,000	681,500	1,059,500	-	-	-	-
Mughal Iron & Steel Industries	314,500	526,500	841,000	-	-	-	-
Fertilizer							
Engro Fertilizers Limited	-	6,000	6,000	-	-	-	-
Engro Corporation Limited	115,000	81,000	196,000	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	965,500	1,317,500	2,283,000	-	-	-	-
Food & Personal Care Products							
The Organic Meat Company Limited	-	277,000	277,000	-	-	-	-
Unity Foods Limited	-	4,113,000	4,113,000	-	-	-	-
Glass & Ceramics							
Shabbir Tiles and Ceramics Limited	69,000	500	69,500	-	-	-	-
Tariq Glass Industries Limited	71,000	251,000	322,000	-	-	-	-
Oil & Gas Exploration Companies							
Oil & Gas Development Company Limited	536,000	1,808,000	2,344,000	-	-	-	-
Pakistan Petroleum Limited	256,500	505,500	762,000	-	-	-	-
Oil & Gas Marketing Companies							
Pakistan State Oil Co. Limited	469,000	1,354,500	1,823,500	-	-	1,823,500	-
Sui Northern Gas Pipe Line Limited	2,481,000	2,554,000	5,035,000	-	-	5,035,000	-
Pharmaceuticals							
The Searle Company Limited	61,500	204,000	265,500	-	-	-	-
Power Generation and Distribution							
Kot Addu Power Company Limited	388,500	733,500	1,122,000	-	-	-	-
K-Electric Limited	3,368,000	680,000	4,048,000	-	-	-	-
Refinery							
Chenergyco PK Limited	21,854,500	57,394,000	79,248,500	-	-	-	-
Technology & Communication							
Avanceon Limited	-	2,124,000	2,124,000	-	-	-	-
Pakistan Telecommunication Company Limited	2,309,000	4,754,500	7,063,500	-	-	-	-

NBP FINANCIAL SECTOR INCOME FUND



	As at 1 July 2021	Purchased during the year	Settled during the year	As at 30 June 2022	Market value as at 30 June 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
	Number of shares				(Rupees in '000)	%	
Textile Composite							
Nishat Chunian Limited	1,165,000	1,737,000	2,902,000	-	-	-	-
Nishat Mills Limited	411,000	665,000	1,076,000	-	-	-	-
Transport							
Pakistan International Bulk Terminal Limited	5,091,500	4,179,500	9,271,000	-	-	-	-
					-	-	-
Market value as at 30 June 2022					-		
Net impact of mark to market on future contracts					-		
Total Market Value of Investment in Spread Transactions as at 30 June 2022					-		
Carrying value as at 30 June 2022					-		

6.7 Term deposit receipts - at amortised cost

Name of the Bank	Profit rate per annum	Maturity date	As at 1 July 2021	TDR's placed during the year	Matured during the year	As at 30 June 2022	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
(Rupees in '000)								
Soneri Bank Limited	7.50%	22-Jul-21	2,000,000	-	2,000,000	-	-	-
			<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

6.8 Certificate of investments - at amortised cost

Name of Issuer	Profit rate per annum	Maturity date	As at 1 July 2021	Placed during the year	Matured during the year	As at 30 June 2022	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
(Rupees in '000)								
Pak-Oman Investment Company Limited	7.45%	9 July 2021	3,000,000	-	3,000,000	-	-	-
			<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

6.9 Commercial Paper

Issue Description	Face value				Market value / carrying value as at June 30, 2022	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2021	Purchases during the year	Sales / matured during the year	As at June 30, 2022			
	Rupees in '000'						
Lucky ICP 09-NOV-21 09-MAY-22	-	125,000	125,000	-	-	0.00%	0.00%
JSGCL 29-NOV-21 30-MAY-22	-	170,000	170,000	-	-	0.00%	0.00%
Lucky ICP-2 12-JAN-22 12-JUL-22	-	395,000	-	395,000	393,549	1.00%	7.90%
China Power CP 12-APR-22 09-OCT-22	-	433,000	-	433,000	417,413	1.06%	8.38%
Lucky ICP-2 06 May 2022 02 Nov 22	-	390,000	-	390,000	370,113	0.94%	7.43%
	<u>-</u>	<u>1,513,000</u>	<u>295,000</u>	<u>1,218,000</u>	<u>1,181,075</u>	<u>3.01%</u>	<u>23.72%</u>

6.9.1 These carry yield ranging from 12.31% to 14.92 per annum and are due to mature latest by 02 November 2022.

7 RECEIVABLE AGAINST MARGIN TRADING SYSTEM

These are matured at the option of financee subject to maximum period of 60 days.

	Note	2022 ----- (Rupees in '000)	2021 -----
8 PROFIT RECEIVABLES			
Profit receivables on savings accounts		176,494	162,488
Accrued mark-up on Term finance certificates		92,646	59,516
Accrued mark-up on Certificate of investments		-	50,823
Accrued mark-up on Term deposit receipts		-	28,811
Accrued mark-up on MTS		-	722
Accrued mark-up on Government securities		1,830	-
		<u>270,970</u>	<u>302,360</u>
9 ADVANCE, DEPOSIT AND PREPAYMENT			
Advance tax	9.1	3,453	3,453
Security deposit		2,850	100
Prepaid mutual fund rating fee		314	266
		<u>6,617</u>	<u>3,819</u>

9.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 150 and 151. However, withholding tax on profit on bank deposit and investment paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008- VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends, profit on bank deposits and profit on letter of placement as at 30 June 2022 amounts to Rs. 3.453 million (2021: Rs. 3.453 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by HCS in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court (HSC) through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the HSC by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the HSC granted the petitioners leave to appeal from the initial judgement of HCS. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as Advance tax as at 30 June 2021 and 30 June 2020, as in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	2022 ----- (Rupees in '000) -----	2021
10 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management remuneration	10.1	6,630	18,018
Sindh Sales Tax on Management remuneration	10.2	862	2,342
Sales load and transfer load		7,636	4,682
Sindh Sales Tax on sales and transfer load		993	609
Reimbursement of selling and marketing expenses	10.3	36,973	10,450
Reimbursement of allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	11,242	13,062
Other expenses		861	356
		65,197	49,519

10.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged remuneration at an effective rate of 0.34% of the average annual net assets of the Fund during the year.

10.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2021: 13%) was charged on management remuneration and sales load.

10.3 In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion has charged selling and marketing expenses at an effective rate of 0.19% of the average annual net assets of the Fund during the year:

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

The Management Company based on its discretion has charged accounting and operational charges at an effective rate of 0.12% of the average annual net assets of the Fund during the year:"

	Note	2022 ----- (Rupees in '000) -----	2021
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration	11.1	2,481	2,610
Sindh Sales Tax on Trustee remuneration	11.2	323	339
		2,804	2,949

11.1 Effective from 1 July 2019 the Trustee has charged remuneration at the rate of 0.075% per annum of net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

11.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2021:13%) was charged on trustee remuneration.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as Income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan, at an amount equal to 0.02% of the average annual net assets of the Fund.

PAYABLE AGAINST REDEMPTION / CONVERSION OF UNITS

This includes an amount of Rs. 0.633 million and Rs. 0.678 million payable on account of conversion of units from NBP Stock Fund and NBP Islamic Sarmaya Izafa Fund respectively.

13	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2022	2021
			----- (Rupees in '000) -----	
	Provision for Sindh Workers' Welfare Fund	13.1	-	74,733
	Federal Excise Duty on remuneration to Management Company	13.2	14,948	14,947
	Federal Excise Duty on sales and transfer load		467	467
	Auditors' remuneration		612	966
	Printing charges		234	350
	Bank and CDC charges		654	1,540
	Withholding tax		82,700	87,364
	Capital gain tax		69,843	9,423
	Legal and professional charges		148	119
	Brokerage		-	5,057
	Others		9,188	750
			178,794	195,716

13.1 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.

13.2 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

The Honorable Sindh High Court (SHC) through its order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has interalia declared that Federal Excise Act 2005 (FED Act) on services, other than shipping agents and related services, is ultra vires to the Constitution from 1 July 2011. However, the declaration made by the Honorable Court, as directed, will have effect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued recognising the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 16.444 million out of which Rs. 1.496 million have been paid to the Management Company (30 June 2021: Rs. 1.496 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Re. 0.0040 (30 June 2021: Re. 0.0039) per unit.

14 CONTINGENCY AND COMMITMENT

There is no contingency and commitment as at 30 June 2022 (2021: Nil), except as disclosed elsewhere.

	Note	2022 ----- (Rupees in '000) -----	2021 -----
15 NUMBER OF UNITS IN ISSUE			
Total units in issue at beginning of the year		3,855,034,331	877,488,440
Add: units issued against			
- Sale		12,516,697,460	6,185,725,515
- Refund of capital at zero value		118,187,527	41,016,542
		12,634,884,987	6,226,742,057
Less: Units redeemed		(12,774,607,367)	(3,249,196,166)
Total units in issue at end of the year		3,715,311,951	3,855,034,331
16 AUDITORS' REMUNERATION			
Annual audit fee		464	425
Half yearly review		175	175
Other certifications		200	200
Out of pocket expenses and others including government levy		154	154
		993	954

17 TAXATION

17.1 The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.3 and 16.2), no provision for taxation has been made in these financial statements.

18 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 0.81% per annum (2021: 1.27% per annum). Total expense ratio (excluding government levies) is 0.74% per annum (2021: 1.02% per annum).

19 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2022		
	Amortised Cost	At Fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	33,577,976	-	33,577,976
Investments	1,181,075	3,798,947	4,980,022
Profit receivable	270,970	-	270,970
Receivables from funds under management by Management Company against conversion of units	643,253	-	643,253
Security deposit	100	-	100
	35,673,374	3,798,947	39,472,321

	30 June 2022		
	At Fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	65,197	65,197
Payable to Central Depository Company of Pakistan Limited - Trustee	-	2,804	2,804
Payable against redemption / conversion of units	-	23,339	23,339
Accrued expenses and other liabilities	-	10,836	10,836
Net assets attributable to unit holders	-	39,200,106	39,200,106
	-	39,302,282	39,302,282

	30 June 2021		
	Amortised Cost	At Fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	29,289,389	-	29,289,389
Investments	5,000,000	6,150,164	11,150,164
Receivable against Margin Trading System	107,127	-	107,127
Profit receivable	302,360	-	302,360
Receivables from funds under management by Management Company against conversion of units	67,366	-	67,366
Security deposit	100	-	100
	34,766,342	6,150,164	40,916,506

	30 June 2021		
	At Fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	49,519	49,519
Payable to Central Depository Company of Pakistan Limited -Trustee	-	2,949	2,949
Payable against redemption of units	-	28,751	28,751
Accrued expenses and other liabilities	-	8,782	8,782
Net assets attributable to unit holders	-	40,637,598	40,637,598
	-	40,727,599	40,727,599

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

20.1 Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding ten percent or more units of the Fund.

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

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

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

20.5 Transactions during the year:	2022	2021
	----- (Rupees in '000) -----	
NBP Fund Management Limited - Management Company		
Remuneration to Management Company	145,867	149,501
Sindh Sales Tax on remuneration to Management Company	18,963	19,435
Sales load and transfer load including SST	28,915	18,404
Reimbursement of selling and marketing expenses	80,554	67,802
Reimbursement of allocation of expenses related to registrar services, accounting, operation and valuation services	49,798	34,267
Divided re-invested: Nil units (2021: 175,760 units)	-	1,851
Units issued: Nil units (2021: 40,824,206 units)	-	431,099
Units redeemed: Nil units (2021: 40,999,966 units)	-	435,366
ADC charges including SST	1,052	587
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	32,244	21,346
Sindh Sales Tax on Trustee remuneration	4,192	2,775
National Bank of Pakistan - Parent of the Management Company		
Profit earned	92,342	678
Purchase of T-Bills	3,224,657	-
Sale of T-Bills	734,156	-
Hub Power Company Limited (Common Directorship)*		
Interest income on sukuk earned	-	107,341
Hub Power Holding Limited (Common Directorship)*		
Purchase of Sukuk and TFC	-	494,751
Interest income on sukuk earned	-	3,222
Bank Islami Pakistan Limited (Common Directorship)		
Profit earned	48,749	192
Taurus Securities Limited (Common Directorship)		
Brokerage charges	211	951

NBP FINANCIAL SECTOR INCOME FUND



	2022	2021
	----- (Rupees in '000) -----	
Fauji Fertilizer Company Limited (Common Directorship)		
Units issued: 5,461,397,903 units (2021: 728,543,024 units)	57,635,293	7,670,212
Units redeemed: 5,737,897,122 units (2021: Nil units)	61,391,580	-
Dividend re-invested: 197,941 units (2021: 27,072,344 units)	2,087	285,078
National Clearing Company of Pakistan (Common Directorship)		
Dividend re-invested: 385,748 units (2021: 348,635 units)	4,068	3,671
Units issued / Trasferred In: 2,619,730 units (2021: 74,591 units)	27,663	785
Units Redeemed / Transferred Out 4,608,077 units (2021: Nil units)	48,964	-
HAIDER AMJAD (close family member of key management personnel)		
Units Issued / Trasferred In 89,244 units (2021: Nil units)	950	-
Units Redeemed / Transferred Out 89,244 units (2021: Nil units)	952	-
BALTORO PARTNERS PVT LIMITED - Sponsor		
Dividend Re-invest Units Issued 33,841 units (2021: Nil units)	357	-
Units Issued / Trasferred In 1,897,307 units (2021: Nil units)	20,000	-
Units Redeemed / Transferred Out 1,400,893 units (2021: Nil units)	15,000	-
Khushhali Microfinance Bank Limited (Common Directorship)**		
Mark-up on bank deposit	178,311	114,067
Telenor Microfinance Bank Limited (Common Directorship)**		
Mark-up on bank deposit	456	50
Employees of the Management Company		
Dividend re-invested: 180,355 units (2021: 140,684 units)	1,902	1,481
Units issued: 65,042,528 units (2021: 39,930,697 units)	688,827	423,121
Units redeemed: 64,243,435 units (2021: 46,356,744 units)	686,147	493,937
Muhammad Murtaza Ali - Company Secretary/COO		
Units issued: Nil units (2021: 94,445 units)	-	1,000
Units redeemed: Nil units (2021: 94,445 units)	-	1,006
Khalid Mehmood - CFO		
Dividend re-invest units issued 210 units (2021: 78 units)	2	1
Units Issued / Transferred In Nil Units (2021: 18,997 units)	-	200
Units Redeemed / Transferred Out 19,285 units (2021: Nil Units)	205	-
NBP Government Securities Liquid Fund		
Sale of Treasury Bill	-	24,966
NBP Money Market Fund		
Purchase of Treasury Bill	984,162	998,146
Sale of Treasury Bill	-	179,758
NBP Government Securities Saving Fund		
Purchase of PIB	35,787	-
NBP Savings Fund		
Sale of Treasury Bill	-	900,375
Pakistan Stock Exchange Limited (Common Directorship)*		
Listing fee	-	25

NBP FINANCIAL SECTOR INCOME FUND



	2022	2021
	----- (Rupees in '000) -----	
Portfolios managed by NBP Funds		
Dividend re-invested: 5,680,032 units (2021: 2,082,448)	59,896	21,930
Units issued: 310,429,751 units (2021: 202,093,673)	3,275,819	2,131,311
Units redeemed: 304,435,541 units (2021: 128,216,051)	3,256,269	1,373,899
Sale of T-Bill	318,595	-
Persons holding directly or indirectly 10% or more of the units in issue / net assets of the Fund		
Ibrahim Holdings Private Limited		
Dividend re-invested: 75,621,448 units (2021: 25,595,887 units)	797,411	269,525
Units issued: 455,505,515 units (2021: 843,545,840 units)	4,801,460	8,880,992
Units redeemed: 414,180,000 units	4,410,500	-
20.6 Amounts outstanding at year end		
NBP Fund Management Limited - Management Company		
Management remuneration payable	6,630	18,018
Sindh Sales Tax payable	862	2,342
Sales load and transfer load payable	7,636	4,682
Sindh Sales Tax on sales and transfer load	993	609
Reimbursement of selling and marketing expenses	36,973	10,450
Reimbursement of allocation of expenses related to registrar services, accounting, operation and valuation services	11,242	13,062
ADC charges including SST	692	187
Other payable	169	169
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	2,481	2,610
Sindh Sales Tax on Trustee remuneration	323	339
Security deposit	100	100
National Bank of Pakistan - Parent of the Management Company		
Balance in current account	325	325
Balance in savings account	106,171	2,059
Profit receivable on bank deposit	439	9
Portfolios managed by NBP Funds		
83,693,548 units held (2021: 76,925,696 units)	883,049	810,905
Fauji Fertilizer Company Limited (Common Directorship)		
Units held: 479,314,090 (2021: 755,615,367 units)	5,057,243	7,965,244
Hub Power Holding Limited (Common Directorship)*		
Interest Income receivable	-	222
Hub Power Company Limited - Sukuk (Common Directorship)*		
Interest Income receivable	-	15,333
Khushhali Microfinance Bank Limited (Common Directorship)		
Bank Balance	34,022,719	1,076,055
Interest income receivable	44,436	6,748

NBP FINANCIAL SECTOR INCOME FUND



	2022	2021
	----- (Rupees in '000) -----	
Telenor Microfinance Bank Limited (Common Directorship)		
Bank Balance	24	23
Interest income receivable	726	271
Bank Islami Pakistan Limited (Common Directorship)		
Bank Balance	8,078	17,025
Profit receivable	182	72
National Clearing Company of Pakistan Limited (Common Directorship)		
4,172,578 units held (2021: 5,775,177 units)	44,025	60,878
Employees of the Management Company		
2,909,180 units held (2021: 2,100,737 units)	30,695	22,145
Khalid Mehmood - CFO		
Nil units held (2021: 19,074 units)	-	201
Persons holding directly or indirectly 10% or more of the units in issue / net assets of the Fund		
Ibrahim Holdings Private Limited		
986,088,690 units held (2021: 869,141,727 units)	10,404,222	9,161,971

*Current year balances with these parties have not been disclosed as these were not related parties as at June 30, 2022.

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualifications	Experience in years
1.	Dr. Amjad Waheed	Chief Executive Officer	Doctorate in Business Administration, MBA and CFA	34
2.	Mr. Salman Ahmed (Note 21,1)	Chief Investment Officer	CFA	17
3.	Mr. Asim Wahab Khan	Deputy Chief Investment Officer	CFA	16
4.	Mr. Usama Bin Razi	Head of Fixed Income	BE, MBA	18
5.	Mr. Hassan Raza	Head of Research	ACCA, BSC and CFA	11

21.1 Mr. Salman Ahmed is the Fund Manager of the Fund. Other Funds being managed by the Fund manager are as follows:

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

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

List of top ten brokers / dealers by percentage of commission paid / payable during the year ended 30 June 2022:

S. No.	Particulars	2022 (%)
1.	Aqeel Karim Dehdi Securities (Private) Limited	43.52
2.	M.R.A Securities	17.16
3.	BMA Capital Management Limited	13.97
4.	Adam Securities (Private) Limited	7.7
5.	Al Habib Capital Markets (Private) Limited	6.1
6.	Taurus Securities Limited	4.23
7.	J.S. Global Capital Limited	2.41
8.	Topline Securities Limited	2.37
9.	Spectrum Securities (Private) Limited	1.9
10.	Alfa Adhi Securities (Private) Limited	0.45

List of brokers / dealers by percentage of commission paid / payable during the year ended 30 June 2021:

S. No.	Particulars	2021 (%)
1.	M. R.A Securities	47.68
2.	Adam Securities (Pvt) Limited	28.36
3.	Taurus Securities Limited	8.79
4.	Aqeel Karim Dehdi Securities (Pvt) Limited	6.06
5.	BMA Capital Management Limited	3.24
6.	Al Habib Capital Markets (Pvt) Limited	1.47
7.	Topline Securities Limited	1.31
8.	J.S. Global Capital Limited	1.2
9.	Darson Securities (Pvt) Limited	0.82
10.	Next Capital Limited	0.42

23 PATTERN OF UNIT HOLDING

Category

Category	As at 30 June 2022		
	Number of unit holders'	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
Individuals	4,861	8,789,325	22.42
Insurance Companies	4	533,380	1.36
Bank and DFIs	1	0	-
Retirement Funds	89	3,754,357	9.58
Public Limited Companies	9	6,211,257	15.85
Others	189	19,911,786	50.80
	5,153	39,200,106	100.00

Category	As at 30 June 2021		
	Number of unit holders'	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ---
Individuals	4,332	6,309,373	15.53
Associated Companies and Directors	2	3,075,442	7.57
Insurance Companies	2	958	-
Bank and DFIs	1	-	-
Retirement Funds	81	2,845,345	7.00
Public Limited Companies	11	10,448,649	25.71
Others	150	17,957,832	44.19
	4,579	40,637,599	100.00

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of directorship	Attended	Leave granted	
Mr. Shaikh Muhammad Abdul Wahid Sethi	5	5	-	
Tauqeer Mazhar (note 24.2)	4	4	-	
Mr. Syed Hasan Irtiza Kazmi	5	5	-	
Mr. Ali Saigol	5	5	-	
Mr. Imran Zaffar	5	4	1	85th BOD Meeting
Mr. Khalid Mansoor	5	4	1	82nd BOD Meeting
Mr. Humayun Bashir	5	5	-	
Dr. Amjad Waheed	5	5	-	
Ms. Mehnaz Salar	5	5	-	

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

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

25 FINANCIAL RISK MANAGEMENT

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

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

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

The Fund primarily invest in a portfolio of money market investments such as government securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

25.1 Market risk

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

Management of market risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

25.1.1 Currency risk

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

25.1.2 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates and bank balances exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 385.77 million (2021: Rs 332.19 million).

(b) Sensitivity analysis for fixed rate instruments

As at 30 June 2022, the Fund does not hold any fixed rate instruments that may expose the Fund to fair value interest rate risk.

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

Yield / 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:

Effective yield / interest rate (%)	30 June 2022				Total	
	Exposed to yield / interest risk			Not exposed to Yield/ Interest risk		
	Upto three months	More than three months and upto one year	More than one year			
	----- (Rupees in '000) -----					
On-balance sheet financial instruments						
Financial Assets						
Bank balances	6.5% - 18.28%	33,577,651	-	-	325	33,577,976
Investments	7.22% - 7.5%	1,215,038	-	3,764,984	-	4,980,022
Receivable against Margin Trading System	8.25% - 15.47%	-	-	-	-	-
Profit receivable		-	-	-	270,970	270,970
Receivables from fund under management by Management Company against conversion of units		-	-	-	643,253	643,253
Deposit		-	-	-	100	100
		34,792,689	-	3,764,984	914,648	39,472,321
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	65,197	65,197
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,804	2,804
Payable against redemption / conversion of units		-	-	-	23,339	23,339
Payable against purchase of investment		-	-	-	-	-
Net Assets attributable to unit holder		39,200,106	-	-	-	39,200,106
Accrued expenses and other liabilities		-	-	-	10,836	10,836
		39,200,106	-	-	102,176	39,302,282
On-balance sheet gap		(4,407,417)	-	3,764,984	812,472	170,039
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		(4,407,417)	-	3,764,984	812,472	170,039
Cumulative interest rate sensitivity gap		(4,407,417)	(4,407,417)	(642,433)		

NBP FINANCIAL SECTOR INCOME FUND



30 June 2021

Effective yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to Yield/ Interest risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
(Rupees in '000)						
On-balance sheet financial instruments						
Financial Assets						
Bank balances	6.5% - 15.5%	6,837,811	-	-	6,698	6,844,509
Investments	8.62% - 15.81%	834,084	-	2,549,987	-	3,384,071
Profit receivable		-	-	-	101,295	101,295
Receivables from fund under management by Management Company against conversion of units		-	-	-	91,398	91,398
Deposit		-	-	-	100	100
		<u>7,671,895</u>	<u>-</u>	<u>2,549,987</u>	<u>199,491</u>	<u>10,421,373</u>
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	36,541	36,541
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	698	698
Payable against redemption / conversion of units		-	-	-	147,006	147,006
Payable against purchase of investment		-	-	-	833,945	833,945
Net Assets attributable to unit holder		40,637,598	-	-	-	40,637,598
Accrued expenses and other liabilities		-	-	-	1,941	1,941
		<u>40,637,598</u>	<u>-</u>	<u>-</u>	<u>1,020,131</u>	<u>41,657,729</u>
On-balance sheet gap		<u>(32,965,703)</u>	<u>-</u>	<u>2,549,987</u>	<u>(820,640)</u>	<u>(31,236,356)</u>
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>(32,965,703)</u>	<u>-</u>	<u>2,549,987</u>	<u>(820,640)</u>	<u>(31,236,356)</u>
Cumulative interest rate sensitivity gap		<u>(32,965,703)</u>	<u>(32,965,703)</u>	<u>(30,415,716)</u>		

25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund does not hold any security which exposes the Fund to significant price risk.

25.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment and bank balances. Risks attributable to investments in Term Finance Certificates is limited as the counter parties are financial institutions with reasonably high credit ratings. While bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances. The bank ratings are based on The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited as at 30 June 2022 and 30 June 2021.

Ratings	2022 (Rupees in '000)	2021
AAA	1,276,366	199,523
AA+	283,864	7,524,594
AA	29	380
AA-	867,748	4,325,570
A+	19,173,862	8,994,237
A	11,976,107	8,237,747
Suspended	-	7,338
	33,577,976	29,289,389

The maximum exposure to credit risk before any credit enhancement as at 30 June 2022 is the carrying amount of the financial assets.

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 assets is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

25.3 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.

Management of liquidity risk

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

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

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

Maturity analysis for financial liabilities

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

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

	30 June 2022			
	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	65,197			65,197
Payable to Central Depository Company of Pakistan Limited - Trustee	2,804	-	-	2,804
Payable against redemption / conversion of units	23,339	-	-	23,339
Accrued expenses and other liabilities	10,836	-	-	10,836
Net assets attributable to unit holders	39,200,106	-	-	39,200,106
	39,302,282	-	-	39,302,282
	30 June 2021			
	Upto three months	Over three months and upto one year	Over one year	Total
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	49,519			49,519
Payable to Central Depository Company of Pakistan Limited - Trustee	2,949	-	-	2,949
Payable against redemption / conversion of units	28,751	-	-	28,751
Accrued expenses and other liabilities	8,782	-	-	8,782
Net assets attributable to unit holders	40,637,598			40,637,598
	40,727,599	-	-	40,727,599

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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 or indirectly.

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

For valuation techniques for specific instruments, refer note 4.1.3.

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

NBP FINANCIAL SECTOR INCOME FUND



June 30, 2022

	Carrying value			Fair value				
	Fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note	(Rupees in '000)							
Financial assets measured at fair value								
Investment in term finance certificates - listed	1,682,869	-	-	1,682,869		1,682,869		1,682,869
Investment in term finance certificates - unlisted	2,082,115	-	-	2,082,115		2,082,115		2,082,115
Pakistan Investment Bonds	33,963	-	-	33,963		33,963		33,963
	3,798,947	-	-	3,798,947				

Financial assets not measured at fair value 26.1

Term deposit receipt	-	-	-	-				
Certificate of investments	-	1,181,075	-	1,181,075				
Bank balances	-	33,577,976	-	33,577,976				
Receivable against Margin Trading System	-	-	-	-				
Profit receivables	-	270,970	-	270,970				
Receivables from fund under management by Management Company against conversion of units	-	643,253	-	643,253				
Deposit	-	100	-	100				
	-	35,673,374	-	35,673,374				

Financial liabilities not measured at fair value 26.1

Payable to NBP Fund Management Limited - Management Company	-	-	65,197	65,197				
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	2,804	2,804				
Payable against redemption / conversion of units	-	-	23,339	23,339				
Net assets attributable to unit holders	-	-	39,200,106	39,200,106				
Accrued expenses and other liabilities	-	-	10,836	10,836				
	-	-	39,302,282	39,302,282				

	June 30, 2021							
	Carrying value				Fair value			
	Fair value through profit or loss	At amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
Financial assets measured at fair value								
Investment in term finance certificates - listed	1,864,533	-	-	1,864,533	-	1,864,533	-	1,864,533
Investment in term finance certificates - unlisted	2,073,174	-	-	2,073,174	-	2,073,174	-	2,073,174
Treasury Bills	238,739	-	-	238,739	-	238,739	-	238,739
Equity Securities - listed (Spread transactions)	1,973,718	-	-	1,973,718	1,973,718	-	-	1,973,718
	<u>6,150,164</u>	<u>-</u>	<u>-</u>	<u>6,150,164</u>	<u>1,973,718</u>	<u>4,176,446</u>	<u>-</u>	<u>6,150,164</u>
Financial assets not measured at fair value 26.1								
Term trade receipt	-	2,000,000	-	2,000,000				
Certificate of investments	-	3,000,000	-	3,000,000				
Bank balances	-	29,289,389	-	29,289,389				
Receivable against Margin Trading System	-	107,127	-	107,127				
Profit receivables	-	302,360	-	302,360				
Receivables from fund under management by Management Company against conversion of units	-	67,366	-	67,366				
Deposit	-	100	-	100				
	<u>-</u>	<u>34,766,342</u>	<u>-</u>	<u>34,766,342</u>				
Financial liabilities not measured at fair value 26.1								
Payable to NBP Fund Management Limited - Management Company	-	-	49,519	49,519				
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	2,949	2,949				
Payable against redemption / conversion of units	-	-	28,751	28,751				
Net assets attributable to unit holders	-	-	40,637,598	40,637,598				
Accrued expenses and other liabilities	-	-	8,782	8,782				
	<u>-</u>	<u>-</u>	<u>90,001</u>	<u>40,727,599</u>				

26.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

26.2 Financial instruments not measured at FVTPL include Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units.

"As at 30 June 2022, the Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the Fund."

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

"In according with the risk management policies stated in note 25, the fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary."

28 DATE OF AUTHORISATION FOR ISSUE

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2022	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017
Net assets (Rs. '000')	39,200,105.97	40,637,598	9,238,345	4,178,933	2,354,909	1,152,369
Net Income (Rs. '000')	4,332,335	2,063,757	1,056,160	334,121	116,066	56,911
Net Asset Value per units (Rs.)	10.5510	10.5414	10.5282	10.5124	11.1248	10.4933
Offer price per unit	10.6702	10.6605	10.6472	10.6312	11.2505	10.6119
Redemption price per unit	10.5510	10.5414	10.5282	10.5124	11.1248	10.4933
Ex - Highest offer price per unit (Rs.)	10.6702	10.6605	10.6472	10.6312	11.2505	10.6119
Ex - Lowest offer price per unit (Rs.)	9.6419	9.8950	9.2795	9.1714	10.6136	9.8018
Ex - Highest redemption price per unit (Rs.)	10.5510	10.5414	10.5282	10.5124	11.1248	10.4933
Ex - Lowest redemption price per unit (Rs.)	9.5341	9.7844	9.2795	9.0657	10.4950	9.6854
Fiscal Year Opening Ex Nav	9.5310	9.7821	9.2764	9.6155	10.4933	9.6844
Total return of the fund (Annualized)	10.70%	7.76%	13.46%	9.33%	6.02%	8.35%
Capital growth	0.54%	0.34%	0.13%	0.38%	0.01%	-0.45%
Income distribution as a % of ex nav	10.17%	7.42%	13.32%	8.94%	6.01%	8.80%
Income distribution as a % of par value	10.72%	7.81%	14.01%	9.39%	6.31%	8.52%
Distribution dates						
Interim						
26-Aug-21	0.1369					
26-Oct-21	0.1358					
28-Dec-21	0.1633					
24-Feb-22	0.1743					
27-Apr-22	0.2043					
29-Jun-22	0.2570					
29-Sep-20		0.2302				
23-Dec-20		0.1729				
29-Mar-21		0.1982				
25-Jun-21		0.1798				
26-Jun-20			1.4007			
21-Dec-18				0.3729		
24-Jun-19				0.5657		
4-Jul-18					0.6309	
19-Jun-17						0.8520
29-Jun-16						
30-Jun-15						
Average annual return (launch date October 28, 2011)						
(Since inception to June 30, 2022)	9.22%					
(Since inception to June 30, 2021)		9.07%				
(Since inception to June 30, 2020)			9.22%			
(Since inception to June 30, 2019)				8.68%		
(Since inception to June 30, 2018)					8.58%	
(Since inception to June 30, 2017)						9.04%
(Since inception to June 30, 2016)						
(Since inception to June 30, 2015)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	10 Days	9 Days	13 Days	13 Days	46 Days	56 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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