

NBP FUNDS

Managing Your Savings

Aitemaad اعتماد



Islamic Savings

اسلامک سیونگز

NBP Fund Management Limited



NBP RIBA FREE SAVINGS 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 Shakra-e-Faisal, Karachi.

Bankers to the Fund

Al Baraka Islamic Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bankislami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Limited
Soneri Bank Limited
United Bank Limited

Auditors

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

Legal Advisor

Akhund Forbes
D-21, Block 4, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



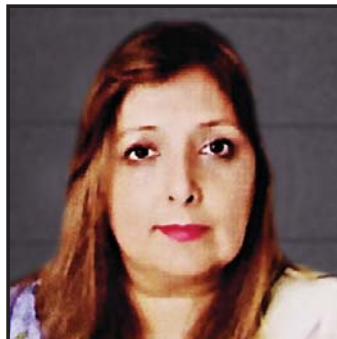
Mr. Tauqeer Mazhar
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Ms. Mehnaz Salar
Director



Mr. Imran Zaffar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Asim Wahab Khan, CFA
Chief Investment Officer



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation &
Strategy Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Salman Ahmed, CFA
Head of Fixed Income



Mr. Hassan Raza, CFA
Head of Research



Mr. Muhammad Umer Khan
Head of Human Resources &
Administration



Syed Sharoz Mazhar, CFA
Head of Business &
Sales Strategy



Mr. Zaheer Iqbal, ACA FPFA
Head of Operations



Mr. Waheed Abidi
Head of Internal Audit



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



Syed Haseeb Ahmed Shah
Head of Compliance

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the 12th Annual Report of **NBP Riba Free Savings Fund (NRFSF)** for the year ended June 30, 2022.

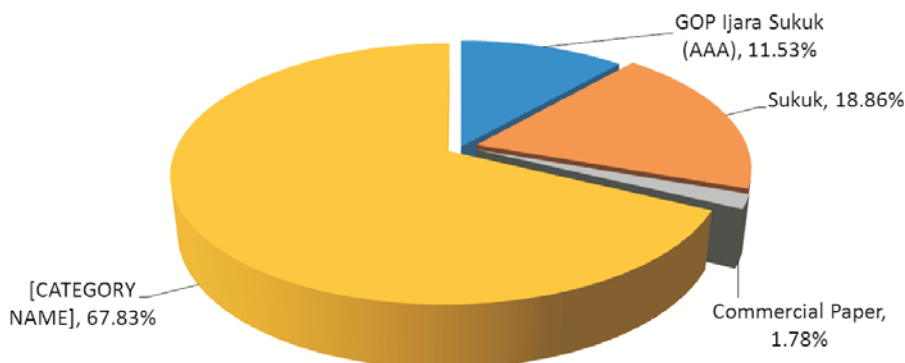
Fund's Performance

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.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to stock market. The stability rating of the Fund by PACRA is A+ (f), which denotes a strong capacity to maintain relative stability in returns and very low exposure to risks. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah compliant securities with six monthly coupon resets. This minimizes pricing risk.

The size of NBP Riba Free Savings Fund has decreased from Rs. 4,327 million to Rs. 2,793 million during the period, i.e., a drop of 35%. During the period, the unit price of the Fund has increased from Rs. 9.4482 (Ex-Div) on June 30, 2021 to Rs. 10.2667 on June 30, 2022 thus posting a return of 8.7% as compared to its Benchmark return of 3.3% for the same period. The return of the Fund is net of management fee and all other expenses.

The Fund has earned a total income of Rs. 350.63 million during the year. After deducting total expenses of Rs. 63.38 million, the net income is Rs. 287.25 million. The asset allocation of NRFSF as on June 30, 2022 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 8.41% of the opening ex-NAV (8.61% 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 Riba Free Savings Fund amounting to Rs. 34.71 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 Riba Savings Fund by 0.88% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retired 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 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 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 19 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 پی فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP ریفری سیونگز فنڈ (NRFSF) کی بارہویں سالانہ رپورٹ برائے سال تختہ 30 جون 2022ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

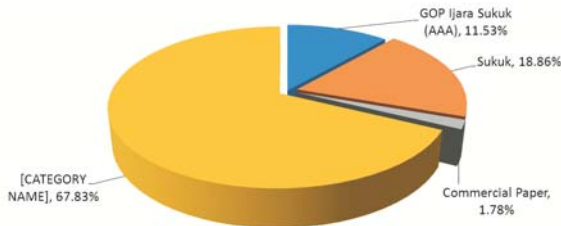
مالی سال 22 کے دوران، اسٹیٹ بینک آف پاکستان (SBP) نے آٹھ (8) ماہیٹری پالیسی اجلاس منعقد کئے اور اہم ملکی سیاسی شورا اور عالمی غیر یقینی صورتحال کی وجہ سے افراط زر کے دباؤ کا مقابلہ کرنے، معاشی استحکام کو یقینی بنانے اور بیرونی اور قیمتوں کے استحکام کی حفاظت کے لیے؛ ڈسکاؤنٹ کی شرح کو 8% سے بڑھا کر 14.75% 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 چیلنجنگ آؤٹ لک کا سامنا کرنے پر مجبور کر دیا۔ ملکی سطح پر، افراط زر میں بھی بڑھنے کا رجحان رہا جس کی وجہ سے (i) غذائی اجزاء کی قیمتوں میں تیزی سے اضافہ، (ii) روپیہ پر مسلسل دباؤ، (iii) یوٹیلٹی ٹیرف میں اضافہ، اور (iv) ایندھن کی سبسڈی کا ختم ہونا۔ CPI کی 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 میں جون-22 کے آخر میں 9.8 بلین امریکی ڈالر تک کم ہو گئے۔ افراط زر کا نقطہ نظر خراب ہو گیا اور بیرونی استحکام کے لیے خطرات بڑھ گئے ہیں، آئندہ سال کی پہلی ششماہی میں شرح مزید بڑھنے کا امکان ہے۔

NRFSF ایک اسلامک انکم اسکیم ہے، جس کا اسٹاک مارکیٹ سے کوئی براہ راست یا بالواسطہ تعلق نہیں ہے۔ فنڈ کو PACRA کی طرف سے A+(f) کی اسٹیٹیمیٹی ریٹنگ دی گئی ہے جو منافع جات میں استحکام برقرار رکھنے کی زبردست اہلیت اور خطرات کی زد میں آنے کے بہت معمولی امکانات کی نشان دہی کرتی ہے۔ فنڈ کا مقصد اسلامی بینکوں / کمرشل بینکوں کی اسلامی وڈوز کی پیش کردہ منافع کی شرحوں کے مقابلے تو اتار سے بہتر منافع فراہم کرنا ہے، جب کہ اعلیٰ کوائٹی کے کریڈٹ پروفائل کے ساتھ آسان لیکویڈیٹی بھی مہیا کرنا ہے۔ کسی بھی واحد انسٹرومنٹ کی میچورٹی، ماسوائے حکومت پاکستان کے اجارہ سلوک، 6 ماہ سے تجاوز نہیں کر سکتی۔ GOP اجارہ سلوک 6 ماہ کو پین ری سیٹ کے ساتھ فلوٹنگ ریٹ شریعہ کمپلیٹ سیکورٹیز ہیں۔ یہ پرائنگ رسک کو کم از کم کرتی ہے۔

NBP ریفری سیونگز فنڈ کا سائز اس مدت کے دوران 4,327 ملین روپے سے کم ہو کر 2,793 ملین روپے ہو گیا، یعنی 35% کی کمی ہوئی۔ زبردست مدت کے دوران، فنڈ کی پونٹ قیمت 30 جون 2021 کو 9.4482 روپے (EX-Div) سے بڑھ کر 30 جون 2022 کو 10.2667 روپے ہو چکی ہے، لہذا فنڈ نے اسی مدت کے دوران 3.3% بچ مارک منافع کے مقابلے میں 8.7% کا منافع دیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

فنڈ نے سال کے دوران 350.63 ملین روپے کی کل آمدنی کمائی ہے۔ 63.38 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 287.25 ملین روپے ہے۔

30 جون 2022 کو NBP ریفری سیونگز فنڈ کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2022 کے اختتام کے بعد اویونگ ex-NAV کا 8.41% (بنیادی قدر کا 8.61%) 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 انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

سندھ ورکرز ویلفیئر فنڈ (SWWF)

13 اگست 2021 کو NBP ریفری سیونگز فنڈ کی طرف سے سندھ ورکرز ویلفیئر فنڈ کی پروڈنگ کے بعد مر اسل نمبر SRB/TP/70/2013/8772 مورخہ 12 اگست 2021 کی رو سے سندھ ریونیو بورڈ کی طرف سے موصول کثیر بلنگیشن پر میوچل فنڈ زاہوسی ایشن آف پاکستان کو دی گئی 34.71 ملین روپے کی پروڈنگ رپورٹس کر دی گئی۔ پروڈنگ کی اس واپسی کے باعث 13 اگست 2021 کو NBP ریفری سیونگز فنڈ کے NAV میں 0.88% کا غیر معمولی اضافہ ہوا ہے۔ یہ ایک ایسا موقع ہے جو کہ مستقبل میں دوبارہ آنے کا امکان نہیں ہے۔



آڈیٹرز

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

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

1. منجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلواور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شہریاتی 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 مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں ظاہر کی گئی ہے۔
11. یونٹ ہولڈنگ کا تفصیلی پیرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
13. کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریٹ نہیں رکھتی۔ 30 جون 2022 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

نام	کیٹگری
1. جناب خالد منصور 2. جناب سعد امان اللہ خان 3. جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
1. شیخ محمد عبدالواحد سیٹھی (چیئر مین) 2. جناب توقیر مظہر 3. محترمہ مہناز سالار 4. جناب علی سیگل 5. جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز



اظہار تشکر

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

بورڈ اپنے اسٹاف اور آرٹسٹری 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 ڈیز 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 Riba Free Savings Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2022 in accordance with the provisions of the following:

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

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2022

FUND MANAGER REPORT

NBP Riba Free Savings Fund

NBP Riba Free Savings Fund (NRFSF) is an Open-end Shariah Compliant Income Scheme.

Investment Objective of the Fund

The objective of NBP Riba Free Savings Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah Compliant banks and money market/debt securities.

Benchmark

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

Fund Performance Review

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.

NRFSF is an Islamic Income Scheme with no direct or indirect exposure to the stock market. The Fund was awarded A+(f) stability rating by PACRA. The Fund aims to consistently provide better returns than profit rates offered by Islamic Banks/Islamic windows of commercial banks, while also providing easy liquidity along with a good quality credit profile. The maturity of any single instrument except GOP Ijarah Sukuks cannot exceed six months. GOP Ijarah Sukuks are floating rate Shariah-compliant securities with six-monthly coupon resets. This minimizes pricing risk.

This is the 12th Annual report since the launch of the Fund on August 20, 2010. The Fund size has decreased by 35% and stands at Rs. 2,793 million as of June 30, 2022. The Fund has posted a return of 8.0% p.a. since its inception versus the benchmark return of 5.3% p.a. During FY22, the Fund posted a return of 8.7% as compared to the benchmark return of 3.3%. This translates into outperformance of 5.4% p.a. This outperformance is net of management fee and all other expenses.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-22	30-Jun-21
Cash (Cash Equivalents) & Other Assets	67.83%	64.68%
GOP Ijara Sukuk	11.53%	14.33%
Sukuk	18.86%	6.41%
Commercial Paper	1.78%	14.58%
Total	100.00%	100.00%

Distribution for the Financial Year 2022

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June 24, 2022	8.61%	11.1038	10.2426

Unit Holding Pattern of NBP Riba Free Savings Fund as on June 30, 2022

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	937
1-1000	2,980
1001-5000	431
5001-10000	279
10001-50000	869
50001-100000	354
100001-500000	395
500001-1000000	49
1000001-5000000	34
10000001-100000000	3
Total	6,331

During the period under question:

There has been no significant change in the state of affairs of the Fund, other than stated above. NBP Riba Free Savings 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 Riba Free Savings Fund amounting to Rs. 34.71 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 Riba Savings Fund by 0.88% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Riba Free Savings Fund (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2022. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 27, 2022**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

REPORT OF THE SHARI'AH SUPERVISORY BOARD

September 12, 2022/Safar 15, 1444

Alhamdulillah, the period from July 1, 2021 to June 30, 2022 was the Twelvth year of the operations of NBP Riba Free Savings Fund (NRFSF). This report is being issued in accordance with clause 3.14 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of NRFSF in light of Shari'ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NRFSF by NBP Funds are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that causes us to believe that all the operations of NRFSF for the year ended June 30, 2022 are not in compliance with Shari'ah principles.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

Introduction

We were engaged by the Board of Directors of NBP Fund Management Limited (the Management Company) to report on the Management Company's assessment of compliance with the Shariah Principles of NBP Riba Free Savings Fund (the Fund), as set out in the annexed Statement of Compliance with the Shariah Principles (the Statement) prepared by the Management Company for the year ended June 30, 2022, in the form of an independent reasonable assurance conclusion about whether the annexed Statement reflects, in all material respects the status of compliance of the Fund with the Shariah Principles as specified in the Offering Document in respect of investments made by the Fund. Our engagement was conducted by a team of assurance practitioners.

Applicable Criteria

The criteria for the assurance engagement against which the annexed Statement has been assessed comprises of the Shariah Principles as specified in the Offering Document in respect of investments made by the Fund.

Management's Responsibility for Shariah Compliance

The Management Company of the Fund is responsible for preparation of the annexed Statement that is free from material misstatement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed Statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Fund with the Shariah Principles.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The Firm applies International Standard on Quality Control (ISQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility and Summary of Work Performed

Our responsibility is to examine the annexed Statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed Statement reflects the status of compliance of the Fund with the Shariah Principles as specified in the Offering Document in respect of investments made by the Fund, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Fund's compliance with the Shariah Principles, in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Management Company's internal control over the Fund's compliance with the Shariah Principles. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Shariah Principles, and consequently cannot provide absolute assurance that the objective of compliance with the Shariah Principles, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed primarily comprised the following:

- checking compliance with respect to making investments of the Fund in accordance with Shariah Principles; and
- checking that the Shariah Advisor has certified that the investments made during the year ended June 30, 2022 are in compliance with the Shariah Principles.

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures performed during our reasonable assurance engagement, we report that in our opinion, the annexed Statement, presents fairly, in all material respects, the status of the Fund's compliance with the Shariah Principles specified in the Offering Document in respect of investments made by the Fund for the year ended June 30, 2022.

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Riba Free Savings Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Net Asset Value (Refer notes 4 and 5 to the annexed financial statements)</p> <p>The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2022 amounted to Rs. 1,954.436 million and Rs. 898.769 million respectively.</p> <p>The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2022 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> tested the design and operating effectiveness of the key controls for valuation of investments; obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2022 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; re-performed valuation to assess that investments are carried as per the valuation

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

Other Information

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

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

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

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

UDIN: AR202210061BP9pD2k1i

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2022

	2022	2021
Note	----- (Rupees in '000) -----	
ASSETS		
Bank balances	4 1,954,436	2,317,066
Investments	5 898,769	2,838,332
Profit receivable	6 40,215	24,633
Receivable against issuance of units	481	3,228
Deposits and prepayments	7 487	461
Total assets	2,894,388	5,183,720
LIABILITIES		
Payable to NBP Fund Management Limited - the Management Company	8 21,135	22,618
Payable to Central Depository Company of Pakistan Limited - the Trustee	9 196	299
Payable to the Securities and Exchange Commission of Pakistan	10 703	1,005
Payable against purchase of investments	-	625,481
Payable against redemption of units	40,689	129,126
Accrued expenses and other liabilities	11 38,411	78,193
Total liabilities	101,134	856,722
NET ASSETS	<u>2,793,254</u>	<u>4,326,998</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	<u>2,793,254</u>	<u>4,326,998</u>
CONTINGENCIES AND COMMITMENTS	12	
	----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE	13 <u>272,070,677</u>	<u>422,452,898</u>
	----- (Rupees) -----	
NET ASSET VALUE PER UNIT	14 <u>10.2667</u>	<u>10.2426</u>

The annexed notes 1 to 29 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

	2022	2021
Note	(Rupees in '000)	
INCOME		
Income on corporate sukuk certificates	37,385	21,245
Income on term deposit receipts	21,962	75,269
Income on Islamic commercial papers	31,660	52,543
Income on government securities	47,909	66,896
Income on bai muajjal receivable	761	10,451
Profit on bank balances	180,597	135,749
	320,274	362,153
(Loss) / gain on sale of investments - net	(4,000)	22,208
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	225	2,250
	(3,775)	24,458
Total income	316,499	386,611
EXPENSES		
Remuneration of NBP Fund Management Limited - the Management Company	8.1 19,422	26,196
Sindh sales tax on remuneration of the Management Company	8.2 2,525	3,406
Reimbursement of allocated expenses	8.4 4,395	5,829
Reimbursement of selling and marketing expenses	8.5 30,134	35,159
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	9.1 2,637	3,767
Sindh sales tax on remuneration of the Trustee	9.2 343	490
Annual fee to the Securities and Exchange Commission of Pakistan	10.1 703	1,005
Securities transaction cost	16	83
Settlement and bank charges	627	640
Auditors' remuneration	15 978	732
Annual rating fee	547	497
Legal and professional charges	386	253
Annual listing fee	28	28
Printing charges	117	130
Shariah advisor fee	521	643
Total operating expenses	63,379	78,858
Net income from operating activities	253,120	307,753
Reversal of / (provision against) Sindh Workers' Welfare Fund - net	11.1 34,128	(6,155)
Net income for the year before taxation	287,248	301,598
Taxation	16 -	-
Net income for the year after taxation	287,248	301,598
Earnings per unit	17	
Allocation of net income for the year:		
Net income for the year after taxation	287,248	301,598
Income already paid on units redeemed	(98,315)	(111,764)
	188,933	189,834
Accounting income available for distribution		
- Relating to capital gain	-	12,040
- Excluding capital gain	188,933	177,794
	188,933	189,834

The annexed notes 1 to 29 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 after taxation	287,248	301,598
Other comprehensive income	-	-
Total comprehensive income for the year	<u>287,248</u>	<u>301,598</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

	2022			2021		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at the beginning of the year	4,279,800	47,198	4,326,998	5,119,835	42,837	5,162,672
Issue of 198,142,447 units (2021: 529,389,039 units)						
- Capital value (at ex - net asset value per unit)	2,029,494	-	2,029,494	5,416,656	-	5,416,656
- Element of income	69,172	-	69,172	107,716	-	107,716
Total proceeds on issuance of units	2,098,666	-	2,098,666	5,524,372	-	5,524,372
Redemption of 348,524,668 units (2021: 611,500,389 units)						
- Capital value (at ex - net asset value per unit)	(3,569,799)	-	(3,569,799)	(6,256,811)	-	(6,256,811)
- Element of loss	(43,076)	(98,315)	(141,391)	(57,801)	(111,764)	(169,565)
Total payments on redemption of units	(3,612,875)	(98,315)	(3,711,190)	(6,314,612)	(111,764)	(6,426,376)
Total comprehensive income for the year	-	287,248	287,248	-	301,598	301,598
Distribution for the year Rs. 0.8612 per unit declared on June 24, 2022 (2021: Rs. 0.6215 per unit declared on June 23, 2021)	(25,793)	(182,675)	(208,468)	(49,795)	(185,473)	(235,268)
Net assets at the end of the year	<u>2,739,798</u>	<u>53,456</u>	<u>2,793,254</u>	<u>4,279,800</u>	<u>47,198</u>	<u>4,326,998</u>
Undistributed income brought forward						
- Realised income		44,948			65,720	
- Unrealised income / (loss)		2,250			(22,883)	
		<u>47,198</u>			<u>42,837</u>	
Accounting income available for distribution						
- Relating to capital gain		-			12,040	
- Excluding capital gain		188,933			177,794	
		<u>188,933</u>			<u>189,834</u>	
Distribution for the year Rs. 0.8612 per unit declared on June 24, 2022 (2021: Rs. 0.6215 per unit declared on June 23, 2021)		(182,675)			(185,473)	
Undistributed income carried forward		<u>53,456</u>			<u>47,198</u>	
Undistributed income carried forward						
- Realised income		53,231			44,948	
- Unrealised income		225			2,250	
		<u>53,456</u>			<u>47,198</u>	
Net asset value per unit at the beginning of the year			(Rupees) <u>10.2426</u>			(Rupees) <u>10.2319</u>
Net asset value per unit at the end of the year			<u>10.2667</u>			<u>10.2426</u>

The annexed notes 1 to 29 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

	2022	2021
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year after taxation	287,248	301,598
Adjustments:		
Income on corporate sukuk certificates	(37,385)	(21,245)
Income on term deposit receipts	(21,962)	(75,269)
Income on Islamic commercial papers	(31,660)	(52,543)
Income on government securities	(47,909)	(66,896)
Income on bai muajjal receivable	(761)	(10,451)
Profit on bank balances	(180,597)	(135,749)
Unrealised appreciation on re-measurement of investments 'at fair value through profit or loss' - net	5.6 (225)	(2,250)
Loss / (gain) on sale of investments - net	4,000	(22,208)
(Reversal of) / provision against Sindh Workers' Welfare Fund - net	11.1 (34,128)	6,155
	(350,627)	(380,456)
Decrease / (increase) in assets		
Investments - net	307	2,154,306
Deposits and prepayments	(26)	(24)
	281	2,154,282
Increase in liabilities		
Payable to NBP Fund Management Limited - the Management Company	(1,483)	(3,028)
Payable to Central Depository Company of Pakistan Limited - the Trustee	(103)	(81)
Payable to the Securities and Exchange Commission of Pakistan	(302)	(204)
Accrued expenses and other liabilities	(5,654)	(27,370)
	(7,542)	(30,683)
Profit received on bank balances, term deposit receipts, corporate sukuk certificates, Islamic commercial papers, government securities and bai muajjal receivable	304,692	399,325
Net cash generated from operating activities	<u>234,052</u>	<u>2,444,066</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received from issuance of units - excluding refund of capital	2,075,620	5,483,432
Amounts paid on redemption of units	(3,799,627)	(6,391,746)
Distributions paid	(182,675)	(185,473)
Net cash used in financing activities	(1,906,682)	(1,093,787)
Net (decrease) / increase in cash and cash equivalents during the year	(1,672,630)	1,350,279
Cash and cash equivalents at the beginning of the year	3,627,066	2,276,787
Cash and cash equivalents at the end of the year	4.3 <u>1,954,436</u>	<u>3,627,066</u>

The annexed notes 1 to 29 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 Riba Free Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 18, 2010, in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).
- 1.2 During the year ended June 30, 2021 the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund was required to be registered under the Sindh Trust Act. Accordingly, on October 18, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (the SECP). The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.4 The Fund has been categorised as an open ended Shariah compliant income scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs. 10 per unit. Thereafter, the units were being offered for public subscription on a continuous basis from August 20, 2010 and are transferable and redeemable by surrendering them to the Fund.
- 1.5 The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in Shariah compliant banks and money market / debt securities.
- 1.6 The Pakistan Credit Rating Agency (PACRA) has reaffirmed an asset manager rating of the Management Company of AM1 on June 22, 2022 (2021: AM1 on June 23, 2021). The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes. Furthermore, the Pakistan Credit Rating Agency Limited (PACRA) has maintained the stability rating of the Fund to A+(f) on April 19, 2022 (2021: A+(f) on April 16, 2021).
- 1.7 The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan as the Trustee of the Fund.

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 Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

2.2 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2021. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain amendments that are mandatory for the Fund's accounting period beginning on or after July 1, 2022 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

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

The estimates and judgments that have a significant effect on these financial statements of the Fund relate to classification and valuation of financial assets (notes 3.2 and 5), provision for Federal Excise Duty (note 8.3), provision for SWWF (note 11.1) and provision for taxation (note 3.14 and 16).

2.5 Basis of measurement

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the income statement.

3.2.2 Classification and subsequent measurement

Debt instruments

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

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

based on the business model of the entity.

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

3.2.3 Impairment

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

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

3.2.4 Impairment loss on debt securities

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

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

3.2.5 Regular way contracts

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

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the income statement.

3.3 Financial liabilities

3.3.1 Classification and subsequent measurement

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

3.3.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the income statement.

3.4 Offsetting of financial assets and financial liabilities

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

3.5 Provisions

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

3.6 Net asset value per unit

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

3.7 Issue and redemption of units

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

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

3.8 Distributions to unit holders

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

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

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

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

3.10 Revenue recognition

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

3.11 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the income statement on an accrual basis.

3.12 Preliminary expenses and floatation costs

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

3.13 Foreign currency translation

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

3.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally

recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders in cash. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, 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.

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

4	BANK BALANCES	Note	2022 ----- (Rupees in '000)	2021 -----
	Balances with banks in:			
	Savings accounts	4.1	1,934,143	2,287,003
	Current accounts	4.2	20,293	30,063
			<u>1,954,436</u>	<u>2,317,066</u>

4.1 These include balances of Rs 0.831 million (2021: Rs 0.396 million) and Rs 339.820 million (2021: Rs 8.522 million) maintained with National Bank of Pakistan and BankIslami Pakistan Limited (related parties) that carry profit at the rates of 12.25% (2021: 4.5%) and 15.25% (2021: 6.8%) per annum respectively. Other savings accounts of the Fund carry profit at the rates ranging from 6.5% to 16% per annum (2021: 6.5% to 7.4% per annum).

4.2 This includes a balance of Nil (2021: Rs 3.345 million) maintained with National Bank of Pakistan (related party).

4.3	Cash and cash equivalents:	Note	2022 ----- (Rupees in '000)	2021 -----
	Bank balances	4	1,954,436	2,317,066
	Term deposit receipts		-	1,310,000
			<u>1,954,436</u>	<u>3,627,066</u>

5 INVESTMENTS

Financial assets 'at fair value through profit or loss'

Government securities	5.1	322,028	897,363
Islamic commercial papers	5.2	49,816	630,969
Term deposit receipts	5.3	-	1,310,000
Corporate sukuk certificates	5.4	526,925	-
Bai muajjal receivable	5.5	-	-
		<u>898,769</u>	<u>2,838,332</u>

5.1 Government securities

Name of security	Profit payments / principal redemptions	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Sold during the year	As at June 30, 2022	Market value as at June 30, 2022 (Rupees in '000)	Market value as a percentage of	
				----- Number of certificates -----					total investments	net assets of the Fund
GoP Ijarah sukuk XX (Face value of Rs. 100,000 per certificate)	Semi-annually	April 30, 2025	Weighted average 6 months T-Bills	50,000	90,000	120,000	20,000	96,960	10.79%	3.47%
GoP Ijarah sukuk XXI (Face value of Rs. 100,000 per certificate)	Semi-annually	May 29, 2025	Weighted average 6 months T-Bills	75,000	150,000	180,000	45,000	225,068	25.04%	8.06%
Market value as at June 30, 2022								322,028	35.83%	11.53%
Carrying value as at June 30, 2022								321,528		
Market value as at June 30, 2021								897,363		
Carrying value as at June 30, 2021								895,113		

5.2 Islamic commercial papers

Name of investee company	Face value				Market value as at June 30, 2022	Market value as a percentage of	
	As at July 1, 2021	Purchased during the year	Sold / matured during the year	As at June 30, 2022		total investments	net assets of the Fund
----- (Rupees in '000) -----						----- % -----	

POWER GENERATION & DISTRIBUTION

K-Electric Limited ICP 15 (AA, PACRA)	372,000	-	372,000	-	-	-	-
K-Electric Limited ICP 16 (AA, PACRA)	80,000	-	80,000	-	-	-	-
K-Electric Limited ICP 18 (A-1+, VIS)	190,000	-	190,000	-	-	-	-
K-Electric Limited ICP 22 (AA, PACRA)	-	100,000	100,000	-	-	-	-
K-Electric Limited ICP 23 (A-1+, VIS)	-	100,000	100,000	-	-	-	-
Lucky Electric Power Company Limited ICP 1 (AA-, PACRA)	-	200,000	200,000	-	-	-	-
Lucky Electric Power Company Limited ICP 2 (AA-, PACRA)	-	50,000	-	50,000	49,816	5.54%	1.78%
Market value as at June 30, 2022					49,816	5.54%	1.78%
Carrying value as at June 30, 2022					49,816		
Market value as at June 30, 2021					630,969		
Carrying value as at June 30, 2021					630,969		

5.2.1 These carry profit rates ranging from 8.6% to 12.97% (2021: 8.1% to 8.48%) per annum and are due to mature latest by July 12, 2022.

5.3 Term deposit receipts

Name of investee company	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Matured during the year	As at June 30, 2022	Market value as at June 30, 2022	Market value as a percentage of	
								total investments	net assets of the Fund
							(Rupees in '000)		%
COMMERCIAL BANKS									
United Bank Limited - Islamic Banking	July 30, 2021	6.90%	660,000	-	660,000	-	-	-	-
BankIslami Pakistan Limited - a related party	August 2, 2021	7.30%	650,000	-	650,000	-	-	-	-
BankIslami Pakistan Limited - a related party	August 31, 2021	7.00%	-	600,000	600,000	-	-	-	-
BankIslami Pakistan Limited - a related party	September 27, 2021	7.00%	-	590,000	590,000	-	-	-	-
BankIslami Pakistan Limited - a related party	October 27, 2021	7.45%	-	580,000	580,000	-	-	-	-
BankIslami Pakistan Limited - a related party	November 30, 2021	7.80%	-	583,552	583,552	-	-	-	-
Market value as at June 30, 2022							-	-	-
Carrying value as at June 30, 2022							-	-	-
Market value as at June 30, 2021							1,310,000	-	-
Carrying value as at June 30, 2021							1,310,000	-	-

5.4 Corporate sukuk certificates

Name of security	Rating	Profit payments / principal redemptions	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Matured / disposed off during the year	As at June 30, 2022	Market value as at June 30, 2022	Market value as a percentage of	
										total investments	net assets of the Fund
								(Rupees in '000)	%		
POWER GENERATION AND DISTRIBUTION											
K-Electric Limited - short-term sukuk - 1 (Face value of Rs. 1,000,000 per certificate) (traded)	AA, PACRA	Semi-annually	August 4, 2022	Weighted average 6 months TFCs	-	100	-	100	100,000	11.13%	3.58%
K-Electric Limited - short-term sukuk - 2 (Face value of Rs. 1,000,000 per certificate) (non-traded)	AA, PACRA	Semi-annually	August 15, 2022	Weighted average 6 months TFCs	-	75	-	75	75,000	8.34%	2.69%
K-Electric Limited - short-term sukuk - 6 (Face value of Rs. 1,000,000 per certificate) (non-traded)	AA, PACRA	Semi-annually	October 27, 2022	Weighted average 6 months TFCs	-	75	-	75	75,000	8.34%	2.69%
Pakistan Energy Sukuk-II (Face value of Rs. 5,000 per certificate)	Unrated	Semi-annually / At maturity	May 20, 2030	6 months KIBOR minus base rate of 0.10%	55,000	-	-	55,000	276,925	30.81%	9.91%
Market value as at June 30, 2022									526,925	58.63%	18.86%
Carrying value as at June 30, 2022									527,200	-	-
Market value as at June 30, 2021									-	-	-
Carrying value as at June 30, 2021									-	-	-

5.5 Bai muajjal receivable

Name of investee company	Rating	As at July 1, 2021	Purchased during the year	Matured during the year	As at June 30, 2022	Market value as at June 30, 2022	Market value as a percentage of	
							total investments	net assets of the Fund
------(Rupees in '000)-----							----- (%) -----	
DEVELOPMENT FINANCE INSTITUTION								
Pak Kuwait Investment Company (Private) Limited	AAA, PACRA	-	98,580	98,580	-	-	-	-
Market value as at June 30, 2022						-	-	-
Carrying value as at June 30, 2022						-	-	-
Market value as at June 30, 2021						-	-	-
Carrying value as at June 30, 2021						-	-	-

5.6 Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net

Note	2022	2021
	------(Rupees in '000)-----	
Market value of investments	898,769	2,838,332
Less: carrying value of investments	(898,544)	(2,836,082)
	<u>225</u>	<u>2,250</u>

6 PROFIT RECEIVABLE

Profit receivable on:

- bank balances	20,164	16,848
- term deposit receipts	-	255
- government securities	20,051	7,530
	<u>40,215</u>	<u>24,633</u>

6.1 Profit receivable on bank balances include Rs 0.014 million (2021: Nil) and Rs 0.354 million (2021: Rs 0.569 million) due from National Bank of Pakistan and BankIslami Pakistan Limited (related parties) respectively.

7 DEPOSITS AND PREPAYMENTS

Note	2022	2021
	----- (Rupees in '000) -----	
Security deposit with Central Depository Company of Pakistan Limited*	200	200
Prepaid annual rating fee	287	261
	<u>487</u>	<u>461</u>

*related party balance

8 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY

Remuneration of the Management Company	8.1	1,778	1,776
Sindh sales tax on remuneration of the Management Company	8.2	232	231
Federal excise duty on remuneration of the Management Company	8.3	10,657	10,657
Federal excise duty on sales load	8.3	334	334
Sales and transfer load payable		235	621
Sindh sales tax on sales load payable		31	81
Reimbursement of allocated expenses payable	8.4	904	1,344
Reimbursement of selling and marketing expenses payable	8.5	6,864	7,522
ADC charges payable including Sindh sales tax		100	52
		<u>21,135</u>	<u>22,618</u>

- 8.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 6% on net income, subject to floor and capping of 0.5% and 1.25% per annum of the average annual net assets.

The remuneration is payable to the Management Company in arrears.

- 8.2** During the year, an amount of Rs. 2.525 million (2021: Rs. 3.406 million) was charged on account of sales tax on management fee levied through the Sindh Sales tax on Services Act, 2011 at the rate of 13% (2021: 13%).

- 8.3** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration and sale load were already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan (SCP) which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period till June 30, 2016 amounting to Rs 10.657 million (2021: Rs 10.657 million) is being retained in these financial statements of the Fund as the matter is pending before the SHC. Had the provision for FED not been made, the net asset value per unit of the Fund as at June 30, 2022 would have been higher by Re 0.0392 (2021: Re 0.0252) per unit.

- 8.4** In accordance with Regulation 60 of the NBFC Regulations, an asset 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 the rate of 0.125% of average annual net assets.

- 8.5** In accordance with circular 11 dated July 5, 2019 issued by the SECP with respect to charging selling and marketing expenses, the Management Company based on its own discretion has charged selling and marketing expenses at the following rates:

2022				2021
Rate applicable from July 1, 2021 to August 15, 2021	Rate applicable from August 16, 2021 to November 11, 2021	Rate applicable from November 12, 2021 to March 6, 2022	Rate applicable from March 7, 2022 to June 30, 2022	Rate applicable from July 1, 2020 to June 30, 2021
0.7% of average annual net assets	0.8% of average annual net assets	0.9% of average annual net assets	0.95% of average annual net assets	0.7% of average annual net assets

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE	Note	2022 (Rupees in 000)	2021 (Rupees in 000)
	Trustee fee payable	9.1	174	265
	Sindh sales tax payable on Trustee fee	9.2	22	34
			196	299

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

9.2 During the year, an amount of Rs 0.343 million (2021: Rs 0.490 million) was charged on account of sales tax on remuneration of the Trustee levied through Sindh sales tax on Services Act, 2011 at the rate of 13% (2021: 13%).

10	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2022 (Rupees in 000)	2021 (Rupees in 000)
	Annual fee payable	10.1	703	1,005

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

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
	Auditors' remuneration payable		654	585
	Provision for Sindh Workers' Welfare Fund	11.1	-	34,128
	Bank charges payable		67	54
	Settlement charges payable		64	25
	Withholding tax payable		34,894	35,988
	Capital gain tax payable		1,995	6,638
	Legal and professional charges payable		160	80
	Shariah advisor fee payable		525	643
	Printing charges payable		52	52
			38,411	78,193

11.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the Mutual Funds Association of Pakistan (MUFAP) with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of SWWF Act as these were not industrial establishments but were pass-through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP had recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). The Funds had accordingly made provision in respect of SWWF as recommended by MUFAP.

During the year, SRB through its letter dated August 12, 2021 intimated MUFAP that the mutual funds do not qualify as financial institutions / industrial establishments and are therefore, not liable to pay SWWF contributions. This development was discussed at MUFAP level and was also taken up with the SECP and all the Asset Management Companies, in consultation with the SECP, have reversed the cumulative provision of SWWF

amounting to Rs 34.128 million 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 also gave its concurrence for prospective reversal of provision for SWWF vide its circular dated August 30, 2021. Going forward, no provision for SWWF has been recognised in the financial statements of the Fund.

12 CONTINGENCIES AND COMMITMENTS

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

13 NUMBER OF UNITS IN ISSUE

	2022	2021
	----- Number of units-----	
Total units in issue at the beginning of the year	422,452,898	504,564,248
Units issued during the year	198,142,447	529,389,039
Less: units redeemed during the year	<u>(348,524,668)</u>	<u>(611,500,389)</u>
Total units in issue at the end of the year	<u><u>272,070,677</u></u>	<u><u>422,452,898</u></u>

14 NET ASSET VALUE PER UNIT

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

	2022	2021
	----- (Rupees in '000)-----	
Annual audit fee	450	420
Half yearly review	182	170
Other certification	110	100
Other services	154	-
Out of pocket expenses	<u>82</u>	<u>42</u>
	<u><u>978</u></u>	<u><u>732</u></u>

16 TAXATION

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

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

17 EARNINGS PER UNIT

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

18 TOTAL EXPENSE RATIO

The annualised total expense ratio (TER) of the Fund as at June 30, 2022 is 1.80% (2021: 1.69%) which includes 0.10% (2021: 0.22%) representing government levies and the SECP fee. The TER excluding government levies is 1.70% (2021: 1.47%) which is within the prescribed limit for the ratio is 2.5% (2021: 2.5%) (excluding government levies) under the NBFC Regulations for a collective investment scheme categorised as Shariah compliant income scheme.

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 19.1** Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Baltoro Growth Fund being the sponsors, NAFA Pension Fund and NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 19.2** Transactions with connected persons / related parties essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments. The transactions with connected persons / related parties are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 19.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 19.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 19.5** Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 19.6** The details of transactions with related parties / connected persons during the year are as follows:

	2022	2021
	----- (Rupees in '000) -----	
NBP Fund Management Limited - the Management Company		
Remuneration of the Management Company	19,422	26,196
Sindh sales tax on remuneration of the Management Company	2,525	3,406
Reimbursement of selling and marketing expenses	30,134	35,159
Reimbursement of allocated expenses	4,395	5,829
Sales load and Sindh sales tax on sales load	2,089	4,039
ADC charges including Sindh sales tax	114	173
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of the Trustee	2,637	3,767
Sindh sales tax on remuneration of the Trustee	343	490
Settlement charges	30	115
Employees of the Management Company		
Units issued / transferred in: 1,780,472 units (2021: 5,956,887 units)	18,972	62,063
Units redeemed / transferred out: 2,587,446 units (2021: 5,476,838 units)	27,492	57,572
Dividend re-invest: 22,789 units (2021: 23,084 units)	234	236
National Fullerton Asset Management Employee Provident Fund - Provident Fund of the Management Company		
Units redeemed / transferred out: Nil (2021: 436,294 units)	-	4,530
Portfolio managed by the Management Company		
Units issued / transferred in: Nil (2021: 2,390,855 units)	-	24,584
Units redeemed / transferred out: Nil (2021: 10,774,681 units)	-	112,567
Dividend re-invest: 21 units (2021: Nil)	-*	-
Sale of sukuk certificates - K-Electric Limited	-	33,620

	2022	2021
	----- (Rupees in '000) -----	
Mr. Khalid Mehmood - Chief Financial Officer		
Units issued / transferred in: Nil (2021: 59 units)	-	1
Dividend re-invest: 4 units (2021: 1 unit)	_*	_*
National Bank of Pakistan - parent company		
Profit on bank balances	15	-
BankIslami Pakistan Limited - common directorship		
Profit on bank balances	5,633	27,685
Profit on term deposit receipts	18,344	37,757
Placement in term deposit receipts	2,353,552	6,779,000
Term deposit receipts matured	2,353,552	6,129,000
Purchase of sukuk certificates - GoP Ijarah sukuks	-	471,563
Sale of sukuk certificates - GoP Ijarah sukuks	148,076	954,974
The Hub Power Company Limited**		
Sukuk certificates purchased	-	761,838
NBP Islamic Income Fund		
Sale of sukuk certificates	-	104,597
NBP Islamic Sarmaya Izafa Fund		
Sale of sukuk certificates - GoP Ijarah sukuks	-	297,813
Purchase of sukuk certificates - GoP Ijarah sukuks	-	100,744
NBP Islamic Mahana Amdani Fund		
Sale of sukuk certificates	-	1,125,418
Sale of Islamic commercial papers	-	204,407
Pakistan Stock Exchange Limited**		
Listing fee paid	-	25
National Clearing Company of Pakistan Limited - common directorship		
Settlement charges	318	285
* Nil value due to rounding off difference.		
** Current year figure has not been shown as the company ceased to be a related party / connected person as at June 30, 2022.		
19.7 Amounts outstanding as at year end are as follows :		
	2022	2021
	----- (Rupees in '000) -----	
NBP Fund Management Limited - the Management Company		
Remuneration of the Management Company payable	1,778	1,776
Sindh sales tax on remuneration of the Management Company	232	231
Federal excise duty on remuneration of the Management Company	10,657	10,657
Federal excise duty on sales load	334	334
Sales and transfer load payable	235	621
Sindh sales tax on sales load payable	31	81
Reimbursement of allocated expenses payable	904	1,344
Reimbursement of selling and marketing expenses payable	6,864	7,522
ADC charges payable including Sindh sales tax	100	52

	2022	2021
	----- (Rupees in '000) -----	
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of the Trustee payable	174	265
Sindh sales tax on remuneration of the Trustee	22	34
CDS charges payable	39	15
Security deposit	200	200
National Bank of Pakistan - parent company		
Bank balances	831	3,741
Profit accrued on bank balances	14	-
BankIslami Pakistan Limited - common directorship		
Bank balances	339,820	8,522
Term deposit placements	-	650,000
Profit accrued on bank balances	354	569
Profit accrued on term deposit placements	-	130
Employees of the Management Company		
Investment held in the Fund: 484,786 units (2021: 1,335,132 units)	4,977	13,675
Portfolio managed by the Management Company		
Units held: 277 units (2021: 190 units)	3	2
National Clearing Company of Pakistan Limited - common directorship		
Settlement charges payable	25	10
Mr. Khalid Mehmood - Chief Financial Officer		
Units held: 64 units (2021: 60 units)	1	1

20 FINANCIAL INSTRUMENTS BY CATEGORY

	----- 2022 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Financial assets			
Bank balances	1,954,436	-	1,954,436
Investments	-	898,769	898,769
Profit receivable	40,215	-	40,215
Receivable against issuance of units	481	-	481
Deposits	200	-	200
	<u>1,995,332</u>	<u>898,769</u>	<u>2,894,101</u>
Financial Liabilities			
Payable to NBP Fund Management Limited - the Management Company	21,135	-	21,135
Payable to Central Depository Company of Pakistan Limited - the Trustee	196	-	196
Payable against redemption of units	40,689	-	40,689
Accrued expenses and other liabilities	1,522	-	1,522
	<u>63,542</u>	<u>-</u>	<u>63,542</u>

	2021		
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial assets			
Bank balances	2,317,066	-	2,317,066
Investments	-	2,838,332	2,838,332
Profit receivable	24,633	-	24,633
Receivable against issuance of units	3,228	-	3,228
Deposits	200	-	200
	<u>2,345,127</u>	<u>2,838,332</u>	<u>5,183,459</u>
Financial Liabilities			
Payable to NBP Fund Management Limited - the Management Company	22,618	-	22,618
Payable to Central Depository Company of Pakistan Limited - the Trustee	299	-	299
Payable against redemption of units	129,126	-	129,126
Payable against purchase of investments	625,481	-	625,481
Accrued expenses and other liabilities	1,439	-	1,439
	<u>778,963</u>	<u>-</u>	<u>778,963</u>

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

21.1 Market risk

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

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

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

(i) Yield / profit rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds bank balances, term deposit receipts and government securities which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs 27.83 million (2021: Rs 44.94 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2022, the Fund holds Islamic commercial papers which expose the Fund to fair value profit rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs 0.50 million (2021: Rs 6.31 million).

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

----- 2022 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

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

Financial assets

Bank balances	6.50% - 16.00%	1,934,143	-	-	20,293	1,954,436
Investments	11.61% - 15.00%	224,816	75,000	598,953	-	898,769
Profit receivable		-	-	-	40,215	40,215
Receivable against issuance of units		-	-	-	481	481
Deposits		-	-	-	200	200
		2,158,959	75,000	598,953	61,189	2,894,101

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	21,135	21,135
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	196	196
Payable against purchase of investments		-	-	-	40,689	40,689
Accrued expenses and other liabilities		-	-	-	1,522	1,522
		-	-	-	63,542	63,542

On-balance sheet gap

2,158,959	75,000	598,953	(2,353)	2,830,559
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Total profit rate sensitivity gap

2,158,959	75,000	598,953
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Cumulative profit rate sensitivity gap

2,158,959	2,233,959	2,832,912
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2021					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

Financial assets

Bank balances	4.50% - 7.40%	2,287,003	-	-	30,063	2,317,066
Investments	5.95% - 8.48%	1,310,000	630,969	897,363	-	2,838,332
Profit receivable		-	-	-	24,633	24,633
Receivable against issuance of units		-	-	-	3,228	3,228
Deposits		-	-	-	200	200
		3,597,003	630,969	897,363	58,124	5,183,459

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company		-	-	-	22,618	22,618
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	299	299
Payable against purchase of investments		-	-	-	129,126	129,126
Payable against redemption of units		-	-	-	625,481	625,481
Accrued expenses and other liabilities		-	-	-	1,439	1,439
		-	-	-	778,963	778,963

On-balance sheet gap

3,597,003	630,969	897,363	(720,839)	4,404,496
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Total profit rate sensitivity gap

3,597,003	630,969	897,363
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Cumulative profit rate sensitivity gap

3,597,003	4,227,972	5,125,335
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(ii) Currency risk

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

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market respectively.

21.2 Liquidity risk

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

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of

its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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

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

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

(Rupees in '000)

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

21,135	-	-	-	-	-	21,135
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Payable to Central Depository Company of Pakistan Limited - the Trustee

196	-	-	-	-	-	196
-----	---	---	---	---	---	-----

Payable against redemption of units

40,689	-	-	-	-	-	40,689
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Accrued expenses and other liabilities

868	654	-	-	-	-	1,522
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62,888	654	-	-	-	-	63,542
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----- 2021 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

(Rupees in '000)

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company

22,618	-	-	-	-	-	22,618
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Payable to Central Depository Company of Pakistan Limited - the Trustee

299	-	-	-	-	-	299
-----	---	---	---	---	---	-----

Payable against purchase of investments

625,481	-	-	-	-	-	625,481
---------	---	---	---	---	---	---------

Payable against redemption of units

129,126	-	-	-	-	-	129,126
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Accrued expenses and other liabilities

854	585	-	-	-	-	1,439
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778,378	585	-	-	-	-	778,963
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21.3 Credit risk

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

	2022		2021	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- (Rupees in '000) -----				
Bank balances	1,954,436	1,954,436	2,317,066	2,317,066
Investments	898,769	576,741	2,838,332	1,940,969
Profit receivable	40,215	20,164	24,633	17,103
Receivable against issuance of units	481	481	3,228	3,228
Deposits	200	200	200	200
	<u>2,894,101</u>	<u>2,552,022</u>	<u>5,183,459</u>	<u>4,278,566</u>

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

21.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks, profit accrued thereon, and investments. The credit rating profile of bank balances and investments are as follows:

	% of financial assets exposed to credit risk	
	2022	2021
Bank balances and accrued profit		
AAA	25.86%	0.71%
AA+	0.01%	48.06%
AA	27.64%	0.01%
AA-	8.32%	0.22%
A+	15.54%	0.21%
A	-	5.20%
A-	0.01%	-
Unrated	0.00%*	0.14%
Islamic commercial papers		
AA	-	10.41%
AA-	1.95%	-
A-1+	-	4.33%
Term deposit receipts		
AAA	-	15.43%
A+	-	15.20%
Corporate sukuk certificates		
AA	20.65%	-
	<u>99.97%</u>	<u>99.92%</u>

*Nil value due to rounding off difference.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing at the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

As at June 30, 2022 and June 30, 2021, the Fund held the following financial instruments measured at fair value:

----- 2022 -----				
Level 1	Level 2	Level 3	Total	
----- Rupees in 000-----				
At fair value through profit or loss				
Government securities	-	322,028	-	322,028
Islamic commercial papers*	-	49,816	-	49,816
Corporate sukuk certificates*	-	526,925	-	526,925
	-	898,769	-	898,769

----- 2021 -----				
Level 1	Level 2	Level 3	Total	
----- Rupees in 000-----				
At fair value through profit or loss				
Government securities	-	897,363	-	897,363
Islamic commercial papers*	-	630,969	-	630,969
Term deposit receipts**	-	1,310,000	-	1,310,000
	-	2,838,332	-	2,838,332

* The valuation of Islamic commercial papers and corporate sukuk certificates has been done based on amortisation to their fair values as per the guidelines given in Circular 33 of 2012 by the SECP as the residual maturities of these investments are less than six months and are placed with counterparties which have high credit rating.

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

23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

24 UNIT HOLDING PATTERN OF THE FUND

Category	2022			2021		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	6,268	2,083,967	74.61%	6,355	2,790,881	64.50%
Insurance companies	2	22	0.00%	2	21	0.00%
Retirement funds	22	144,480	5.17%	26	243,357	5.62%
Public limited companies	1	-	0.00%	2	60	0.00%
Others	38	564,785	20.22%	44	1,292,679	29.87%
	6,331	2,793,254	100%	6,429	4,326,998	100%

25 LIST OF TOP 10 BROKERS BY PERCENTAGE OF COMMISSION PAID

2022		2021	
Name of broker	% of commission paid	Name of broker	% of commission paid
JS Global Capital Limited	95.20%	Paramount Capital (Pvt) Ltd	58.50%
Invest One Markets Limited	4.80%	Invest One Markets Limited	40.71%
		Bright Capital (Private) Limited	0.78%

25.1 The Fund has traded with only the above mentioned two brokers / dealers during the year ended June 30, 2022 (2021: three brokers / dealers).

26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

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

- NBP Income Opportunity Fund
- NBP Savings Fund
- NBP Mahana Amdani Fund
- NBP Financial Sector Income Fund
- NBP Government Securities Liquid Fund
- NBP Government Securities Savings Fund
- NBP Islamic 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

27 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 81st, 82nd, 83rd, 84th, and 85th Board Meetings were held on July 7, 2021, September 16, 2021, October 29, 2021, February 23, 2022 and April 27, 2022, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of directors	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	5	5	-	-
Tauqeer Mazhar [note 27.1]	4	4	-	-
Mehnaz Salar	5	5	-	-
Ali Saigol	5	5	-	-
Khalid Mansoor	5	4	1	82nd Meeting
Imran Zaffar	5	4	1	85th Meeting
Saad Amanullah Khan	5	5	-	-
Humayun Bashir	5	5	-	-
Amjad Waheed	5	5	-	-

27.1 Mr. Tauqeer Mazhar was appointed as director on the Board with effect from August 4, 2021.

27.2 Mr. Syed Hasan Irtiza Kazmi resigned as director on June 25, 2021.

28 GENERAL

28.1 Figures in these financial statements have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

28.2 Corresponding figures

Comparative figures have been re-arranged and re-classified in these financial statements, wherever necessary, for the purpose of better presentation and disclosure. There have been no significant reclassifications in these financial statements.

29 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')	2,793,254	4,326,998	5,162,672	6,569,051	4,017,201	2,127,149
Net Income (Rs. '000')	287,248	301,598	632,992	489,101	169,695	60,421
Net Asset Value per units (Rs.)	10.2667	10.2426	10.2319	10.2049	10.7219	10.1882
Offer price per unit	10.3827	10.3583	10.2897	10.2625	10.7825	10.2458
Redemption price per unit	10.2667	10.2426	10.2319	10.2049	10.7219	10.1882
Ex - Highest offer price per unit (Rs.)	10.3827	10.3583	10.2897	10.2625	10.7825	10.2458
Ex - Lowest offer price per unit (Rs.)	9.5565	9.7024	9.2222	9.4344	10.2471	9.6871
Ex - Highest redemption price per unit (Rs.)	10.2667	10.2426	10.2319	10.2049	10.7219	10.1882
Ex - Lowest redemption price per unit (Rs.)	9.4497	9.6479	9.2222	9.3783	10.1895	9.6249
Fiscal Year Opening Ex Nav	9.4482	9.6460	10.2049	9.3736	10.1882	9.6235
Total return of the fund	8.66%	6.19%	10.95%	8.87%	5.20%	5.87%
Capital growth	0.26%	0.11%	0.26%	0.17%	0.00%	-0.13%
Income distribution as a % of ex nav	8.41%	6.07%	10.69%	8.694%	5.24%	5.99%
Income distribution as a % of par value	8.61%	6.22%	10.91%	8.858%	5.33%	5.77%
Distribution						
Interim distribution per unit	0.8612	0.6215	1.0909	0.8858		0.5768
Final distribution per unit					0.5334	-
Distribution dates						
Interim	24-Jun-22	23-Jun-21	26-Jun-2020	26-Jun-2019		21-Jun-2017
Final					04-Jul-2018	
Average annual return (launch date 21-08-2010)						
(Since inception to June 30, 2022)	7.99%					
(Since inception to June 30, 2021)		7.93%				
(Since inception to June 30, 2020)			8.11%			
(Since inception to June 30, 2019)				7.79%		
(Since inception to June 30, 2018)					7.66%	
(Since inception to June 30, 2017)						8.01%
(Since inception to June 30, 2016)						
(Since inception to June 30, 2015)						
(Since inception to June 30, 2014)						
(Since inception to June 30, 2013)						
(Since inception to June 30, 2012)						
(Since inception to June 30, 2011)						
Portfolio Composition (Please see Fund Manager Report)						
Weighted average portfolio duration	37 Days	50 Days	67 Days	14 Days	4 Days	8 Days

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

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