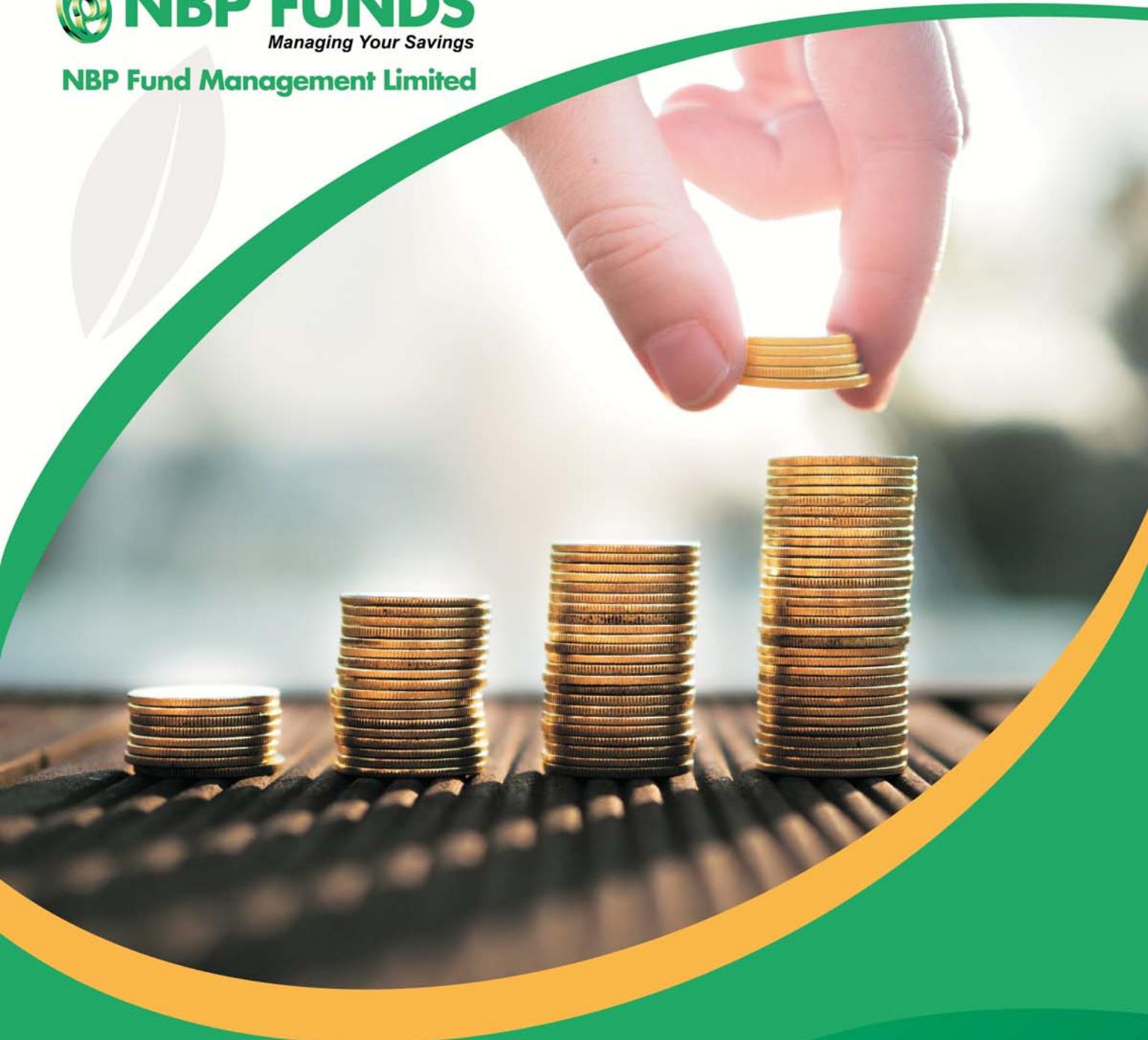




NBP Fund Management Limited



**NBP
GOVERNMENT SECURITIES
LIQUID FUND**

**ANNUAL REPORT
2022**

MISSION STATEMENT

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

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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

| | |
|---------------------------------|-------------------------------------|
| MCB Bank Limited | Allied Bank Limited |
| JS Bank Limited | National Bank of Pakistan |
| Meezan Bank Limited | Samba Bank Limited |
| Habib Bank Limited | Zarai Taraqiati Bank Limited |
| United Bank Limited | Bank Islami Pakistan Limited |
| Bank Alfalah Limited | Faysal Bank Limited |
| Bank Al Habib Limited | Soneri Bank Limited |
| Askari Bank Limited | Dubai Islamic Bank Pakistan Limited |
| Habib Metropolitan Bank Limited | |

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



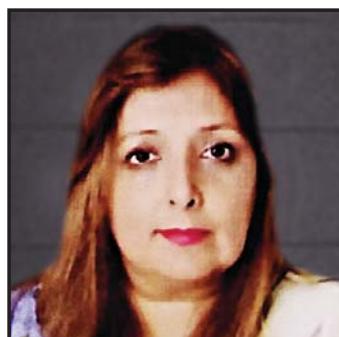
Mr. Tauqeer Mazhar
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Ms. Mehnaz Salar
Director



Mr. Imran Zaffar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Asim Wahab Khan, CFA
Chief Investment Officer



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation &
Strategy Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Khalid 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 Fourteenth Annual Report of **NBP Government Securities Liquid Fund (NGSLF)** for the year ended June 30, 2022.

Fund's Performance

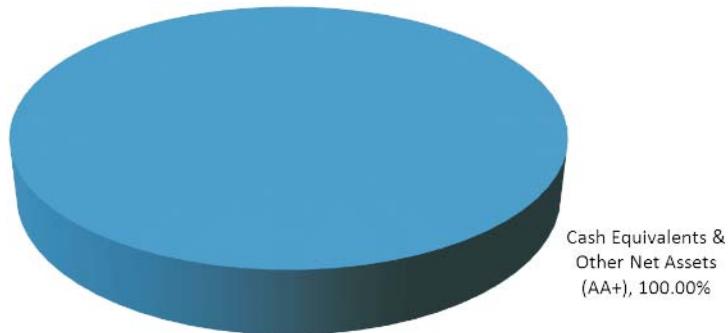
During FY22, State Bank of Pakistan (SBP) held eight (8) Monetary Policy meetings and increased the discount rate from 8% to 14.75% - to counter inflationary pressures, ensure economic sustainability and safeguard external & price stability; owing to significant domestic political noise and global uncertainty.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

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

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects exceptionally strong credit and liquidity profile of the Fund. T-Bills are the major asset class of the Fund. Exposure of the Fund to credit, liquidity and interest rate risks are exceptionally low due a minimum 70% investment in Government securities (T-Bill) with a maximum maturity of the overall portfolio at 90 days. The Fund is allowed to invest in AA & above rated Banks/DFIs with maximum maturity of six months.

The size of NBP Government Securities Liquid Fund has decreased from Rs. 1,439 million to Rs. 1,219 million during the period, i.e., a fall of 15%. During the said period, the unit price of the Fund has increased from Rs. 9.1721 (Ex-Div) on June 30, 2021 to Rs. 10.2274 on June 30, 2022 thus posting a return of 11.5% as compared to its Benchmark return of 9.3% 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. 129.34 million during the year. After deducting total expenses of Rs. 11.32 million, the net income is Rs. 118.02 million. The asset allocation of NGSLF as on June 30, 2022 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 10.83% of the opening ex-NAV (11.06% 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 Government Securities Liquid Fund amounting to Rs. 26.18 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 Government Securities Liquid Fund by 1.95% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

Auditors

The present auditors Messrs Yousuf Adil Chartered Accountants, has completed their five years tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the replacement would be required. The Board has approved the appointment of Messrs A. F. Ferguson & Co. Chartered Accountants, offer for appointment for the year ending June 30, 2023.

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

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

| Category | Names |
|--------------------------------|---|
| Independent Directors | <ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir |
| Executive Director | Dr. Amjad Waheed - Chief Executive Officer |
| Non-Executive Directors | <ol style="list-style-type: none"> 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.

ڈائریکٹر رپورٹ

NBP فنڈ میجمنٹ لمبینڈ کے بورڈ آف ڈائریکٹرز NBP گورنمنٹ سیکورٹیز لیکوئید فنڈ (NGSLF) کی چودھویں سالانہ رپورٹ برائے چتمہ سال 30 جون 2022 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

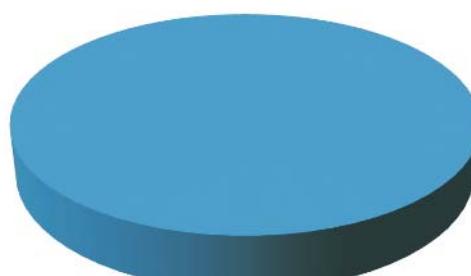
مالی سال 22 کے دوران، ایسٹیٹ بینک آف پاکستان (SBP) نے آٹھ (8) ماہی پالیسی اجلاس منعقد کئے اور اہم ملکی سیاسی شور اور عالمی غیر لینئی صورتحال کی وجہ سے افراط زر کے دباؤ کا مقابلہ کرنے، معافی ایتھکام کو تینی بانے اور بیرونی اور قیمتوں کے استحکام کی خلافت کے لیے؛ ڈسکاؤنٹ کی شرح کو 8% سے بڑھا کر 14.75% کر دیا۔ دوسرا ششماہی کے دوران، روس-یوکرین تنازعہ اور ایشیاء 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 بلداخراط زر اور بینجنج آؤٹ کا سامنا کرنے پر مجبور کر دیا۔ ملکی سطح پر، اخراط زر میں بھی بڑھنے کا رجحان رہا جس کی وجہ سے (i) غدائی اجزاء کی قیمتوں میں تیزی سے اضافہ، (ii) روپیہ پر مسلسل دباؤ، اور (iii) یونیٹی یورف میں اضافہ، اور (iv) ایڈن ہن کی سب سے ڈی کا ختم ہوتا۔ CPI کی پیمائش کردہ اخراط زر جوں 22-21.3 میں 9.7 فیصد تک پہنچ گئی جو گزر ششماہ کے اسی میتے کے دوران 9.7 فیصد تھی۔ ایسٹیٹ بینک پاکستان کے پاس غیر ملکی زر مہار کے مجموعی ذخیرہ بھی ایک سال قبل 17.3 بیلین امریکی ڈالر کے مقابلے ہوں 22 کے آخر میں 9.8 بیلین امریکی ڈالر کم ہو گئے۔ اخراط زر کا فقط نظر خراب ہو گیا اور بیرونی استحکام کے لیے نظرات بڑھ گئے ہیں، آئندہ سال کی پہلی ششماہی میں شرح مزید بڑھنے کا امکان ہے۔

ایسٹیٹ بینک پاکستان نے چھیس (26) ملیار نیلامیوں کا انعقاد کیا، جس سے کل 17.1 بیلین روپے کی صومی ہوئی۔ حکومتی شرح منافع میں بھی حرکت دیکھی گئی جس کے نتیجے میں ٹانوںی مارکیٹ کی شرح منافع میں تیزی سے اضافہ ہوا، جس نے پالیسی ریٹ سے اپنے اعلیٰ تغیر کو برقرار رکھا۔ 3-ماہ، 6-ماہ اور 12-ماہ کی مدت کے لئے T-Bills کی شرح منافع میں بالترتیب 749، 770 اور 762 پیسروں اونٹس کا اضافہ ہوا۔

PACRA کی طرف سے دی گئی سٹیبلیشیشن رینگ (f) "AAA" ہے۔ یہ رینگ فنڈ کے غیر معمولی مستحکم کریڈٹ اور لیکوئید بینک کی عکاہی کرتی ہے۔ اس فنڈ کی بڑی ایسٹیٹ کلاس ہے۔ مجموعی پورٹفولیو کی زیادہ سے زیادہ 90 دن کی میچورٹی کے ساتھ گورنمنٹ سیکیوریٹیز (T-Bills) میں کم از کم 70% سرمایہ کاری کے ساتھ فنڈ کے کریڈٹ، لیکوئید بینک اور امنترسٹریٹ کے نظرات کی زمین آنے کے امکانات نہ ہونے کے برابر ہیں۔ فنڈ کو زیادہ سے زیادہ چہ ماہی میچورٹی کے ساتھ AA یا زائد رینگ والے بینکوں/DFIs میں انویسٹ کرنے کی اجازت ہے۔

موجودہ مدت کے دوران، NBP گورنمنٹ سیکورٹیز لیکوئید فنڈ (NGSLF) کا سائز 1,439 ملین روپے سے کم ہو کر 1,219 ملین روپے ہو گیا جتنی 15% کی کمی ہوئی۔ زیرِ جائزہ مدت کے دوران، فنڈ کے یونٹ کی قیمت 30 جون 2021 کو 9.1721 روپے (Ex-Div) سے بڑھ کر 30 جون 2022 کو 10.2247 روپے ہو گئی، لہذا اسی مدت کے دوران فنڈ نے اپنے نئے مارک 9.3% کے مقابلے میں 11.5% کا منافع درج کیا۔ فنڈ کی سیکارکردگی میجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص آمدی 118.02 ملین روپے ہے۔

فنڈ نے سال کے دوران 129.34 ملین روپے کی مجموعی آمدی کیا۔ 11.32 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدی 118.02 ملین روپے ہے۔ NGSLF کی ایسٹ ایکیشن برابر 30 جون 2022 جا پڑی ہے۔



Cash Equivalents &
Other Net Assets
(AA+), 100.00%

آمدی کی تفصیل

میجمنٹ کپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2022 سال کے اختتام پر اونگ ex-NAV کا 10.38% (بینادی قیمت کا 11.06%) عبوری نقد منافع منقسمہ کی منتظری دی ہے۔

میکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدی میں سے سرمایہ کاری پر حاصل ہونے والے مصروف شدہ اور غیر مصروف شدہ کمپل گین متها کرنے کے بعد 90 فیصد سے زائد ہے، اس لئے فنڈ پاکمیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت لگیں لائونیں ہوتا ہے۔

(SWWF) سندھ ورکر زد یونیورسٹی فنڈ

مورخ 12 اگست 2021 کو سندھ روپویوڈ کی جانب سے ایک وضاحتی مارسل نمبر 8772/70/2013 SRB/TP میوجل فنڈز الیوی ایشن آف پاکستان کو بھجا گیا جسکی رو سے NBP گورنمنٹ سیکورٹیز یونیورسٹی فنڈ میں روپاکارڈی گئی 18.18 ملین روپے ورکر زد یونیورسٹی فنڈ کی پروویٹنگ کو 13 اگست 2021 روپویس کر دیا گیا۔ پروپریتی اس روپویس کے باعث NBP گورنمنٹ سیکورٹیز یونیورسٹی فنڈ کی NAV میں 1.95% کا غیر معمولی اضافہ ہوا۔ یہ ایسا موقع ہے جو کامستقبل میں دوبارہ ہونے کا امکان نہیں ہے۔

آڈیٹر

موجودہ آڈیٹر زمیسر زیوسف عادل چارڑا کا نئٹس، نے فنڈ کے آڈیٹر کی بیشیت سے اپنی پانچ سالہ مدت مکمل کر لی ہے۔ غیر بیننگ مالیاتی کمپنیاں اور مطلع شدہ اداروں کے خواص، 2008 کے ریگولیشن (1) کے مطابق، تبادل کی ضرورت ہو گی۔ یوپنے نے میسر زاے ایف فرگون ایڈ کمپنی، چارڑا کا نئٹس، کی تقریبی کی متطوری دے دی ہے، جو 30 جون 2023 کو ختم ہونے والے سال کے لیے تقریبی کی بیشیت ہے۔

لہڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیٹری 2017 ("CCG") کی پیروی میں ڈاٹر کیٹر رائٹنگ

1. بیشیت کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے متوجہ کیش فلاؤر یونٹ ہولڈرز فنڈز میں تیدیلی کی منصافانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کے لحاظ درست انداز میں رکھے ہوئے ہیں۔
3. مالی گوشاروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تجھیسے مناسب اور معقول نظریات پرستی ہے۔
4. ان مالیاتی گوشاروں کی تیاری میں مالیاتی روپرٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
5. امنیت کنٹرول کا نظام مسکم اور مکثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی روایں دو اس رہنے کی صلاحیت کے بارے میں کوئی شکوہ و شہادت نہیں ہیں۔
7. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تھی نہیں کی گئی۔
8. پرفارمنس ٹیبل/ اہم مالیاتی ڈیتا اس سالانہ رپورٹ میں شامل ہیں۔
9. نیکسون، ڈیویٹر، مصروفات اور چارج کی مد میں وجب الادا سرکاری اداگیاں مالیاتی گوشاروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران بیشیت کمپنی کے بورڈ آف ڈائریکٹر کے پانچ جلاس منعقد ہوئے۔ تمام ڈائریکٹر کی حاضری ان مالیاتی گوشاروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
11. یونٹ ہولڈر نگ کا تفصیلی پیئر مالیاتی گوشاروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹر، ہسی ای او، ایف ایف، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر پچوں کی طرف سے کی جانے والی فنڈ کے نئٹس کی تمام خرید و فروخت ان مالیاتی گوشاروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
13. کمپنی اپنے بورڈ آف ڈائریکٹر میں غیر جانبدار نان ایگر کیٹھڈریکٹر کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فرست شدہ کمپنی ہونے کے ناطکوئی مبارٹی اٹھیریست نہیں رکھتی۔ 30 جون 2022 کو بورڈ آف ڈائریکٹر درجہ ذیل ارکان پر مشتمل ہیں

| نام | کیگری |
|--|----------------------------|
| جناب خالد منصور جناب سعدaman اللشخان جناب ہمایوں بشیر | •1 •2 •3 |
| ڈاکٹر امجد حیدر (چیف ایگزیکیوٹیو فیسر) | ایگزیکیوٹیو ایکٹر |
| شیخ محمد عبدالواحد سلیمانی (چیری مین) جناب تو قیر مظہر محترمہ مہناز سالار جناب علی سیفی جناب عمران ظفر | •1 •2 •3 •4 •5 |

اٹھار تکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے یونیورسٹی پر اعتماد، اعتماد اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکر یاد کرتا ہے۔ یہ سیکورٹیز اینڈ ایچیمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور ہمہ ای کے لئے ان کے ملکی صورتیں کا بھی اعتراف کرتا ہے۔

بورڈ اپنے اشاف اور ٹری کی طرف سے سخت محنت لگان اور عزم کے مظاہرے پر اپنا خراج قسمیں بھی ریکارڈ پر لانا چاہتا ہے۔

من جانب بورڈ آف ڈائریکٹر
نئی میجرٹ لیڈر
NBP

ڈائریکٹر

چیف ایگزیکیوٹیو فیسر

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 Government Securities Liquid 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 Government Securities Liquid Fund

NBP Government Securities Liquid Fund (NGSLF) Fund is an Open-End Money Market Scheme.

Investment Objective of the Fund

The objective of NBP Government Securities Liquid Fund is to generate optimal return with minimum risk, to provide easy liquidity and reasonable income to its unit holders by investing primarily in short-term Government Securities.

Benchmark

70% 3-Month PKRV & 30% average 3-Month deposit rates of three AA rated banks as selected by MUFAP.

Fund Performance Review

This is the 14th Annual report since the launch of the Fund on May 15, 2009. The Fund size decreased by 15% during FY22 and stands at Rs. 1,219 million as of June 30, 2022. The Fund's return since inception is 8.9% p.a. versus the benchmark return of 8.6% p.a. The Fund's return for FY22 is 11.5% against the benchmark return of 9.3%. The return of the Fund is net of management fee and all other expenses.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. The rating reflects the exceptionally strong credit and liquidity profile of the Fund. T-Bills are the major asset class of the Fund. Exposure of the Fund to credit, liquidity, and interest rate risks are exceptionally low due to a minimum 70% investment in Government securities (T-Bill) with a maximum maturity of the overall portfolio at 90 days. The Fund is allowed to invest in AA & above rated Banks/DFIs with a maximum maturity of six months.

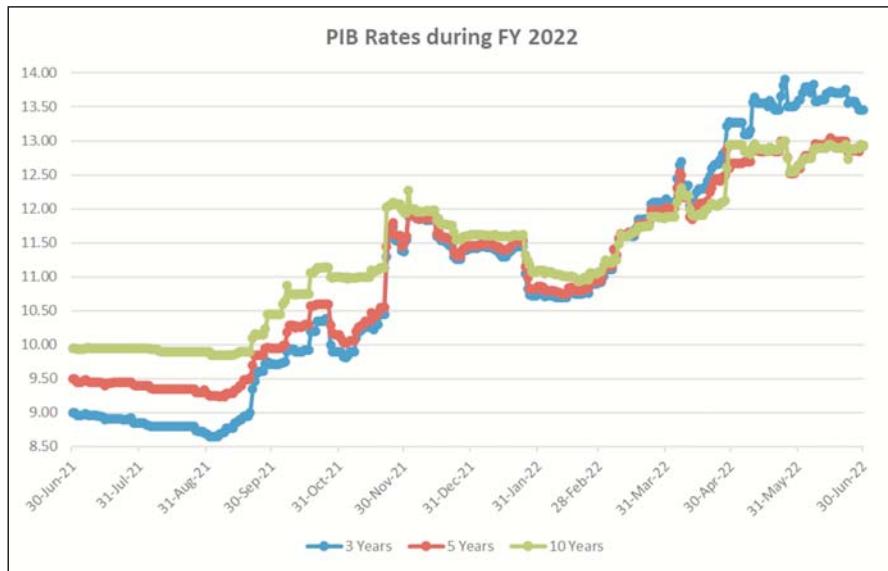
During FY22, State Bank of Pakistan (SBP) held eight (8) Monetary Policy meetings and increased the discount rate from 8% to 14.75% - to counter inflationary pressures, ensure economic sustainability and safeguard external & price stability; owing to significant domestic political noise and global uncertainty.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

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

Asset Allocation of Fund (% of NAV)

| Particulars | 30-Jun-22 | 30-Jun-21 |
|-------------------------------------|-------------|-------------|
| T-Bills | - | 99.69% |
| Cash equivalents & other net assets | 100% | 0.31% |
| Total | 100% | 100% |

T-Bills yields during the year are shown in below graph:



Distribution for the Financial Year 2022

| Interim Period | Dividend as % of Par Value (Rs.10) | Cumulative Div. Price/Unit | Ex- Div. Price |
|----------------|------------------------------------|----------------------------|----------------|
| Jul-21 | 0.489% | 10.2636 | 10.2147 |
| Aug-21 | 2.519% | 10.4666 | 10.2147 |
| Sep-21 | 0.611% | 10.2758 | 10.2147 |
| Oct-21 | 0.514% | 10.2661 | 10.2147 |
| Nov-21 | 0.541% | 10.2688 | 10.2147 |
| Dec-21 | 0.782% | 10.2929 | 10.2147 |
| Jan-22 | 0.821% | 10.2968 | 10.2147 |
| Feb-22 | 0.728% | 10.2875 | 10.2147 |
| Mar-22 | 0.886% | 10.3033 | 10.2147 |
| Apr-22 | 0.889% | 10.3036 | 10.2147 |
| May-22 | 1.014% | 10.3161 | 10.2147 |
| Jun-22 | 1.269% | 10.3416 | 10.2147 |

Unit Holding Pattern of NBP Government Securities Liquid Fund as on June 30, 2022:

| Size of Unit Holding (Units) | # of Unit Holders |
|------------------------------|-------------------|
| 0-0.99 | 275 |
| 1-1000 | 612 |
| 1001-5000 | 171 |
| 5001-10000 | 44 |
| 10001-50000 | 106 |
| 50001-100000 | 37 |
| 100001-500000 | 84 |
| 500001-1000000 | 16 |
| 1000001-5000000 | 13 |
| 5000001-10000000 | 2 |
| 10000001-100000000 | 2 |
| Total | 1,362 |

During the period under question:

There has been no other significant change in the state of affairs of the Fund. NBP Government Securities Liquid 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 Government Securities Liquid Fund amounting to Rs. 26.18 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 Government Securities Liquid Fund by 1.95% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

INDEPENDENT AUDITORS' REPORT

To the unit holders of NBP Government Securities Liquid Fund

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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. We have determined that there are no key audit matters to communicate in our report.

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

Management Company is responsible for the other information. The other information comprises the information (Directors' Report, Fund Manager Report & Trustee Report to the Unit Holders) included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

Board of Directors of the Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

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

Yousuf Adil
Chartered Accountants

Place: Karachi
Date: September 28, 2022
UDIN: AR202210091mjyNCipUE

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2022

| | Note | 2022 | 2021 |
|---|------|----------------------------|-------------|
| | | ----- Rupees in '000 ----- | |
| ASSETS | | | |
| Bank balances | 5 | 1,250,836 | 1,501,997 |
| Investments | 6 | - | 1,434,754 |
| Mark-up accrued | 7 | 3,329 | 5,345 |
| Advance and prepayment | 8 | 10,123 | 10,212 |
| Receivable against transfer of units | 9 | 6,300 | - |
| Total assets | | 1,270,588 | 2,952,308 |
| LIABILITIES | | | |
| Payable to NBP Fund Management Limited - Management Company | 10 | 1,875 | 2,929 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 11 | 53 | 83 |
| Payable to the Securities and Exchange Commission of Pakistan | 12 | 208 | 401 |
| Payable against redemption of units | | 35 | 252 |
| Payable against purchase of investment | | - | 1,434,608 |
| Accrued expenses and other liabilities | 13 | 49,195 | 74,851 |
| Total liabilities | | 51,366 | 1,513,124 |
| NET ASSETS | | | |
| UNIT HOLDERS' FUND (as per statement attached) | | 1,219,222 | 1,439,184 |
| Contingencies and commitments | 14 | 1,219,222 | 1,439,184 |
| Number of units in issue | 15 | 119,211,811 | 140,893,274 |
| ----- Rupees ----- | | | |
| Net asset value per unit | | 10.2274 | 10.2147 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2022

| | Note | 2022 | 2021 |
|--|------|----------------------------|----------------|
| | | ----- Rupees in '000 ----- | |
| INCOME | | | |
| Income from government securities | | 80,343 | 102,273 |
| Profit on bank deposits | | 23,363 | 42,923 |
| Income from money market placements | | - | 3,525 |
| Net loss on sale of investments | | (313) | (472) |
| Net unrealised gain on re-measurement of investment classified as 'financial assets at fair value through profit or loss' | 6.2 | - | 371 |
| Total income | | 103,393 | 148,620 |
| EXPENSES | | | |
| Remuneration of NBP Fund Management Limited - Management Company | 10.1 | 2,107 | 5,439 |
| Sindh Sales Tax on remuneration of the Management Company | 10.2 | 274 | 707 |
| Reimbursement of operational expenses to the Management Company | 10.4 | 1,298 | 2,330 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 11.1 | 601 | 1,304 |
| Sindh Sales Tax on remuneration of the Trustee | 11.2 | 78 | 170 |
| Reimbursement of Selling and marketing expenses | 10.3 | 5,192 | 10,030 |
| Annual fee to the Securities and Exchange Commission of Pakistan | 12 | 208 | 401 |
| Auditors' remuneration | 16 | 762 | 765 |
| Securities transaction costs | | 20 | 10 |
| Bank charges | | 30 | 98 |
| Annual listing fee | | 28 | 28 |
| Mutual fund rating fee | | 380 | 499 |
| Legal and Professional charges | | 288 | 245 |
| Printing charges | | 58 | 130 |
| Total expenses | | 11,324 | 22,156 |
| Net income from operating activities | | 92,069 | 126,464 |
| Reversal / (provision) for Sindh Workers' Welfare Fund | 13.1 | 25,955 | (2,529) |
| Net income for the year before taxation | | 118,024 | 123,935 |
| Taxation | 17 | - | - |
| Net income for the year after taxation | | 118,024 | 123,935 |
| Earnings per unit | 18 | | |
| Allocation of net income for the year | | | |
| Net income for the year after taxation | | 118,024 | 123,935 |
| Income already paid on units redeemed | | (14,310) | (4,907) |
| | | 103,714 | 119,028 |
| Accounting income available for distribution: | | | |
| Relating to capital gain | | - | - |
| Excluding capital gain | | 103,714 | 119,028 |
| | | 103,714 | 119,028 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

| | 2022 | 2021 |
|--|----------------------------|----------------|
| | ----- Rupees in '000 ----- | |
| Net income for the year after taxation | 118,024 | 123,935 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 118,024 | 123,935 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

| | 2022 | | | 2021 | | |
|---|------------------|----------------------|------------------|------------------|----------------------|------------------|
| | (Rupees in '000) | | | | | |
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| Net assets at the beginning of the year | 1,335,998 | 103,186 | 1,439,184 | 2,123,920 | 101,482 | 2,225,402 |
| Issue of 171,441,532 units (2021: 138,952,648 units) | | | | | | |
| - Capital value | 1,751,224 | - | 1,751,224 | 1,417,623 | - | 1,417,623 |
| - Element of income | 10,277 | - | 10,277 | 2,876 | - | 2,876 |
| Total proceeds on issuance of units | 1,761,501 | - | 1,761,501 | 1,420,499 | - | 1,420,499 |
| Redemption of 193,122,995 units (2021: 216,189,797 units) | | | | | | |
| - Capital value | (1,972,693) | - | (1,972,693) | (2,205,612) | - | (2,205,612) |
| - Element of loss | (5,127) | (14,310) | (19,437) | (824) | (4,907) | (5,731) |
| Total payments on redemption of units | (1,977,820) | (14,310) | (1,992,130) | (2,206,436) | (4,907) | (2,211,343) |
| Total comprehensive income for the year | - | 118,024 | 118,024 | - | 123,935 | 123,935 |
| Interim distributions made during the year (note 29) | (5,035) | (102,322) | (107,357) | (1,985) | (117,324) | (119,309) |
| Net assets at the end of the year | 1,114,644 | 104,578 | 1,219,222 | 1,335,998 | 103,186 | 1,439,184 |
| Undistributed income brought forward | | | | | | |
| - Realised | 102,815 | | | | 100,082 | |
| - Unrealised | 371 | | | | 1,400 | |
| | 103,186 | | | | 101,482 | |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gain | - | | | | - | |
| - Excluding capital gain | 103,714 | | | | 119,028 | |
| | 103,714 | | | | 119,028 | |
| Interim distributions made during the year (note 29) | (102,322) | | | | (117,324) | |
| Undistributed income carried forward | 104,578 | | | | 103,186 | |
| Undistributed income carried forward | | | | | | |
| - Realised | 104,578 | | | | 102,815 | |
| - Unrealised | - | | | | 371 | |
| | 104,578 | | | | 103,186 | |
| | - (Rupees) - | | | - (Rupees) - | | |
| Net assets value per unit at beginning of the year | | 10.2147 | | | 10.2022 | |
| Net assets value per unit at end of the year | | 10.2274 | | | 10.2147 | |

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2022

| | 2022 | 2021 |
|--|----------------------------|-------------|
| | ----- Rupees in '000 ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year before taxation | 118,024 | 123,935 |
| Adjustments | | |
| Profit on bank deposits | (23,363) | (42,923) |
| Income from money market placements | - | (3,525) |
| Net loss on sale of investments | 313 | 472 |
| Net unrealised gain on re-measurement of investment classified as 'financial assets at fair value through profit or loss' | - | (371) |
| (Reversal) / provision for Sindh Workers' Welfare Fund | <u>(25,955)</u> | 2,529 |
| | <u>69,019</u> | 80,117 |
| Decrease / (Increase) in assets | | |
| Investments - net | (167) | 1,577,787 |
| Advances and prepayments | 89 | 31 |
| | <u>(78)</u> | 1,577,818 |
| (Decrease) / increase in liabilities | | |
| Payable to the Management Company | (1,054) | (2,212) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | (30) | (47) |
| Payable to the Securities and Exchange Commission of Pakistan | (193) | (73) |
| Accrued expenses and other liabilities | 299 | (772) |
| | <u>(978)</u> | (3,104) |
| | <u>67,963</u> | 1,654,831 |
| Return of bank balances received | 25,379 | 41,763 |
| Return on money market placement | - | 3,525 |
| | <u>25,379</u> | 45,288 |
| Net cash generated from operating activities | <u>93,342</u> | 1,700,119 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received on issue of units net of capital value of distribution | 1,750,166 | 1,482,514 |
| Amount paid on redemption of units | (1,992,347) | (2,215,009) |
| Dividend paid | (102,322) | (117,324) |
| Net cash used in from financing activities | <u>(344,503)</u> | (849,819) |
| Net (decrease) / increase in cash and cash equivalents during the year | <u>(251,161)</u> | 850,300 |
| Cash and cash equivalents at beginning of the year | 1,501,997 | 651,697 |
| Cash and cash equivalents at end of the year | <u>1,250,836</u> | 1,501,997 |

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 NBP Government Securities Liquid Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 10 April 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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

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

The objective of the Fund is to generate optimal return with minimum risk, to provide easy liquidity and reasonable income to its unit holders by investing primarily in short-term government securities.

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

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

During the year ended 30 June, 2021 The Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on October 14, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017;
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulation or the directives issued by the SECP differ with the requirements of the IAS 34, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan. It requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

- a) Classification and valuation of financial assets (Note 4.2.2 and 4.2.4)
- b) Impairment of financial assets (Note 4.2.3)
- c) Provisions (Note 4.6)

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

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

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

January 01, 2021

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021

April 01, 2021

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

January 01, 2022

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

January 01, 2022

Effective from accounting period beginning on or after:

| | |
|---|-----------------------|
| Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract | January 01, 2022 |
| Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41) | January 01, 2022 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current | January 01, 2023 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies | January 01, 2023 |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates | January 01, 2023 |
| Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction. | January 01, 2023 |
| Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred indefinitely |

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Financial assets and liabilities

4.2.1 Initial recognition

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

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

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

4.2.2 Classification and measurement

4.2.2.1 Financial assets

There are three principal classification categories for financial assets:

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

Financial asset at amortised cost

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

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

Financial asset at FVTOCI

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

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

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

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

Financial asset at FVTPL

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

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

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

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

Business Model Assessment

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV).

The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

4.2.2.2 Financial liabilities

The Fund classifies its financial liabilities in the following categories:

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

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

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

The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

4.2.3 Impairment of financial assets

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

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

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

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

4.2.4 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities

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

Basis of valuation of government securities

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

4.2.5 Regular way contracts

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

4.2.6 Derecognition

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

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

4.2.7 Offsetting of financial instruments

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

4.3 Impairment of non-financial assets

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

4.3.1 Issuance and redemption of units

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

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

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.5 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.

4.6 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Mark-up / return on bank balances and term deposits, government securities, letter of placement and certificate of investments are recognised on a time apportionment basis using the effective interest method.

4.7 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the 'income statement' on an accrual basis.

4.8 Taxation

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

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.9 Distributions to the unit holders

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

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

4.10 Earnings per unit

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

| | Note | 2022 | | 2021 | |
|---|----------------------|----------------------------|------------------|------------------|--|
| | | ----- Rupees in '000 ----- | | | |
| 5 | BANK BALANCES | | | | |
| | Current accounts | 5.1 | 26 | 3,040 | |
| | Savings accounts | 5.2 | 1,250,810 | 1,498,957 | |
| | | | 1,250,836 | 1,501,997 | |

- 5.1 This includes bank balance of Rs. 0.026 million (2021: Rs. 0.026 million) maintained with National Bank of Pakistan.
- 5.2 These accounts carry rates of return ranging from 6.5% to 18.28% (2021: 4.5% to 8.1%) per annum.

| 6 | INVESTMENTS | Note | 2022 | | 2021 | | |
|---|---|------|----------------------------|---|------------------|--|--|
| | | | ----- Rupees in '000 ----- | | | | |
| At fair value through profit or loss | | | | | | | |
| | Government securities - Market Treasury Bills | 6.1 | - | - | 1,434,754 | | |

6.1 Investment in Government securities - Market Treasury bills

| Issue Date | Tenor | Face value | | | | Market value as at June 30, 2022 | Market value as a percentage of net assets | Market value as a percentage of total investments |
|-----------------|----------|---------------------|---------------------------|---------------------------------|---------------------|----------------------------------|--|---|
| | | As at July 01, 2021 | Purchases during the year | Sales / matured during the year | As at June 30, 2022 | | | |
| April 8, 2021 | 6 Months | - | 799,800 | 799,800 | - | - | - | - |
| May 6, 2021 | 6 Months | - | 460,000 | 460,000 | - | - | - | - |
| May 20, 2021 | 3 Months | - | 350,000 | 350,000 | - | - | - | - |
| June 3, 2021 | 3 Months | 1,450,000 | - | 1,450,000 | - | - | - | - |
| June 3, 2021 | 6 Months | - | 867,000 | 867,000 | - | - | - | - |
| July 2, 2021 | 3 Months | - | 945,000 | 945,000 | - | - | - | - |
| July 15, 2021 | 3 Months | - | 350,000 | 350,000 | - | - | - | - |
| July 15, 2021 | 6 Months | - | 420,000 | 420,000 | - | - | - | - |
| July 29, 2021 | 3 Months | - | 500,000 | 500,000 | - | - | - | - |
| August 12, 2021 | 3 Months | - | 457,000 | 457,000 | - | - | - | - |

| Issue Date | Tenor | Face value | | | | Market value as at June 30, 2022 | Market value as a percentage of net assets | Market value as a percentage of total investments |
|--|----------|---------------------------|---------------------------------|--|---------------------------|---|---|---|
| | | As at July 01, 2021 | Purchases during the year | Sales / matured during the year | As at June 30, 2022 | | | |
| Rupees in '000' ----- % ----- | | | | | | | | |
| August 12, 2021 | 6 Months | - | 250,000 | 250,000 | - | - | - | - |
| August 26, 2021 | 6 Months | - | 50,000 | 50,000 | - | - | - | - |
| September 23, 2021 | 3 Months | - | 820,000 | 820,000 | - | - | - | - |
| October 7, 2021 | 3 Months | - | 665,000 | 665,000 | - | - | - | - |
| October 21, 2021 | 3 Months | - | 500,000 | 500,000 | - | - | - | - |
| November 4, 2021 | 3 Months | - | 814,000 | 814,000 | - | - | - | - |
| December 2, 2021 | 3 Months | - | 545,000 | 545,000 | - | - | - | - |
| December 16, 2021 | 3 Months | - | 835,000 | 835,000 | - | - | - | - |
| December 30, 2021 | 3 Months | - | 835,000 | 835,000 | - | - | - | - |
| December 30, 2021 | 6 Months | - | 1,000,000 | 1,000,000 | - | - | - | - |
| January 27, 2022 | 3 Months | - | 1,650,000 | 1,650,000 | - | - | - | - |
| February 10, 2022 | 3 Months | - | 850,000 | 850,000 | - | - | - | - |
| February 24, 2022 | 3 Months | - | 800,000 | 800,000 | - | - | - | - |
| March 10, 2022 | 3 Months | - | 800,000 | 800,000 | - | - | - | - |
| March 24, 2022 | 3 Months | - | 798,600 | 798,600 | - | - | - | - |
| April 7, 2022 | 3 Months | - | 410,000 | 410,000 | - | - | - | - |
| April 21, 2022 | 3 Months | - | 50,000 | 50,000 | - | - | - | - |
| ----- | | | | | | | | |
| Carrying value before mark to market as at June 30, 2022 | | | | | | | | |
| ----- | | | | | | | | |

| 6.2 | Net unrealised gain on re-measurement of investment classified as 'financial assets at fair value through profit or loss' | Note | 2022 | 2021 |
|---|---|------|-------|----------------|
| | | | ----- | Rupees in '000 |
| Market value of investments | | | - | 1,434,754 |
| Less: carrying value of investments before mark to market | 6.1 | | - | (1,434,383) |
| | | | ----- | ----- |
| | | | 371 | |

| | | 2022 | 2021 |
|----------|----------------------------------|----------------------------|---------------|
| | Note | ----- Rupees in '000 ----- | |
| 7 | MARK-UP ACCRUED | | |
| | Mark-up accrued on bank balances | <u>3,329</u> | <u>5,345</u> |
| 8 | ADVANCE AND PREPAYMENT | | |
| | Advance tax | 9,978 | 9,978 |
| | Prepaid mutual fund rating fee | <u>146</u> | <u>234</u> |
| | | <u>10,123</u> | <u>10,212</u> |

9 RECEIVABLE AGAINST TRANSFER OF UNITS

This includes amounts receivable to the Fund from other collective investment schemes being managed by the Management Company of the Fund. These amounts are receivable in respect of units transferred by various unit holders based on their request for transfer of units from other collective investment schemes to the Fund. This includes an amount Rs. 6.3M receivable against transfer of Units from NBP Financial Sector Income Fund .

| | | 2022 | 2021 |
|-----------|--|----------------------------|--------------|
| | Note | ----- Rupees in '000 ----- | |
| 10 | PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY | | |
| | Remuneration of the Management Company | 10.1 | 172 |
| | Sindh Sales Tax on remuneration of the Management Company | 10.2 | 22 |
| | Reimbursement of operational expenses | 10.4 | 301 |
| | Reimbursement of selling and marketing expense | 10.3 | 1,205 |
| | Sales Load Including Sindh Sales Tax | 164 | 94 |
| | ADC charges Including Sindh Sales Tax | <u>11</u> | <u>8</u> |
| | | <u>1,875</u> | <u>2,929</u> |

- 10.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged remuneration as follows:

- 1% per annum on the daily income of the Fund subject to minimum 0.2% of average annual net assets and maximum 1% of average annual net assets.

For the purpose of above calculation, daily net income is equals to gross income minus all expenses of the Fund excluding management remuneration and related sales tax thereon. The remuneration is payable to the Management Company monthly in arrears.

- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2021: 13%) was charged on management remuneration and sales load.
- 10.3** In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion has charged selling and marketing expenses at the rate of 0.5% of average annual net assets or actual expenses whichever is lower.
- 10.4** In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS). The Management Company based on its discretion has charged accounting and operational charges at the rate of 0.125% of the average annual net assets of the Fund.

| | | 2022 | 2021 |
|--|--|----------------|-----------|
| | Note | Rupees in '000 | |
| 11 | PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | |
| Remuneration of the Trustee | 11.1 | 47 | 73 |
| Sindh Sales Tax on remuneration of the Trustee | 11.2 | 6 | 10 |
| | | 53 | 83 |

- 11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund. During the year remuneration has been charged as follows:
- 0.065% per annum of average net assets till 30 September, 2021.
 - 0.055% per annum of average net assets applicable from 1 October, 2021.
- 11.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2021: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorised as an ""money market scheme"" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan. Effective from July 1, 2019, fee has been reduced to 0.02% per annum from 0.075% per annum. The fee is paid annually in arrears.

| | | 2022 | 2021 |
|--|------|----------------|--------|
| | Note | Rupees in '000 | |
| 13 ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Provision for Sindh Workers' Welfare Fund | 13.1 | - | 25,955 |
| Federal Excise Duty on management remuneration | 13.2 | 45,779 | 45,779 |
| Auditors' remuneration | | 632 | 621 |
| Brokerage | | - | - |
| Bank charges | | 19 | 41 |
| Withholding tax | | 1,461 | 1,184 |
| Capital gain tax | | 44 | 20 |
| Legal and Professional charges | | 140 | 141 |
| Others | | 1,120 | 1,110 |
| | | 49,195 | 74,851 |

- 13.1** SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies, in consultation with SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds, for the period from May 21, 2015 to August 12, 2021, on August 13, 2021. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognised in the financial statements of the Fund.
- 13.2** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, being prudent, is carrying provision for FED aggregating to Rs. 45.779 million as at June 30, 2022. Had the provision not been made, the net asset value per unit as at June 30, 2022 would have been higher by Rs.0.3840 per unit (2021: Rs.0.3249 per unit).

14 CONTINGENCIES AND COMMITMENTS

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

| 15 | NUMBER OF UNITS IN ISSUE | 2022 | | 2021 | |
|----|---|------|---------------------------|---------------------------|-------|
| | | Note | ----- | Number of units | ----- |
| | Total units in issue at the beginning of the year | | 140,893,274 | 218,130,423 | |
| | Add: units issued during the year | | 171,441,532 | 138,952,648 | |
| | Less: units redeemed during the year | | (193,122,995) | (216,189,797) | |
| | Total units in issue at the end of the year | | <u><u>119,211,811</u></u> | <u><u>140,893,274</u></u> | |

16 AUDITORS' REMUNERATION

| | 2022 | | 2021 | |
|---|-------------------|-----|-------------------|--|
| | Rupees in '000 | | | |
| Annual audit fee | | 482 | 450 | |
| Half yearly review | | 193 | 180 | |
| Out of pocket expenses and sales tax and others | | 87 | 135 | |
| | <u><u>762</u></u> | | <u><u>765</u></u> | |

17 TAXATION

The Fund's income is exempt from Income Tax as per Clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). The Fund has distributed such accounting income for the year ended June 30, 2022 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

18 EARNINGS PER UNIT

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

19 TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the year divided by Average net assets for the year) is 1.09% (2021: 1.23%) per annum including 0.05% (2021: 0.19%) representing government levies on collective investment scheme such as sales tax, worker's welfare fund and SECP fee for the year.

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS/RELATED PARTIES

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

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

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

20.4 The details of significant transactions carried out by the Fund with connected persons and balances with them at year end are as follows:

| | 2022 | 2021 |
|---|----------------------------|--------|
| | ----- Rupees in '000 ----- | |
| 20.5 Transactions during the year | | |
| NBP Fund Management Limited - Management Company | | |
| Remuneration of the Management Company | 2,107 | 5,439 |
| Sindh Sales Tax on remuneration of the Management Company | 274 | 707 |
| Reimbursement of operational expenses to the Management Company | 1,298 | 2,330 |
| Reimbursement of Selling and marketing expenses | 5,192 | 10,030 |
| Sales load including sindh sales tax | 522 | 94 |
| ADC charges including sindh sales tax | 11 | 8 |
| National Bank of Pakistan | | |
| (Parent of the Management Company) | | |
| Market Treasury Bills purchased | 1,452,852 | - |
| Bank profit earned in savings account | 62 | 142 |

2022

2021

----- Rupees in '000 -----

Central Depository Company of Pakistan Limited (Trustee)

| | | |
|--|-----|-------|
| Remuneration of the Trustee | 601 | 1,304 |
| Sindh sales tax on remuneration of the Trustee | 78 | 170 |

Employees of the Management Company

| | | |
|---|-------|-------|
| Re-investment of dividend: 29,277 units (2021: 16,435 units) | 299 | 168 |
| Units issued / transferred in: 133,317 units (2021: 143,204 units) | 1,365 | 1,462 |
| Units redeemed / transferred out: 160,344 units (2021: 325,929 units) | 1,646 | 3,335 |

NBP Employees Pension Fund - (Provident Fund of Parent Company)

(Unit holder of 10% or more of units of the Fund)

| | | |
|---|--------|--------|
| Re-investment of dividend: 2,663,749 units issued (2021: 1,497,153 units) | 27,217 | 15,275 |
| Units Issued / Trasferred In :180,601 units (2021 : Nil) | 1,841 | - |

* Pakistan Stock Exchange (Common Directorship with the Management Company)

| | | |
|------------------|---|----|
| Listing fee paid | - | 25 |
|------------------|---|----|

Fauji Fertilizers Company Limited (Common Directorship with the Management Company)

| | | |
|--|---|---------|
| Re-investment of dividend: 39 units (2021: 15 units) | - | - |
| Units issued / transferred in: Nil (2021: 48,976,303 units) | - | 500,004 |
| Units redeemed / transferred out: Nil (2021: 48,975,914 units) | - | 501,322 |

Portfolios managed by the Management Company

| | | |
|---|---------|--------|
| Units Issued / Trasferred In : 14,839,234 Units (2021: 4,274,070 units) | 151,700 | 43,660 |
| Units redeemed/trasnferred out : Nil (2021: 4,274,070 units) | - | 43,701 |

* Fauji Akbar Portia Marine Terminals Limited

(Unit holder of 10% or more of units of the Fund)

| | | |
|--|---|--------|
| Re-investment of dividend: Nil units (2021: 1,975,586 units) | - | 20,156 |
|--|---|--------|

National Fullerton Asset Management Ltd- Emp. Provident Fund

(Provident Fund of Management Company)

| | | |
|--|---|-------|
| Units issued / transferred in: Nil units (2021: 554,926 units) | - | 5,666 |
| Units issued / transferred in: Nil units (2021: 554,926 units) | - | 5,685 |

NBP Financial Sector Income Fund- (Entity Managed by Management Company)

| | | |
|---------------------------------|---|--------|
| Market Treasury Bills purchased | - | 24,966 |
|---------------------------------|---|--------|

2022

2021

----- Rupees in '000 -----

20.6 Amounts outstanding as at year end are as follows:

NBP Fund Management Limited - Management Company

| | | |
|---|-------|-------|
| Remuneration of the Management Company | 172 | 226 |
| Sindh Sales Tax on remuneration of the Management Company | 22 | 29 |
| Reimbursement of operational expenses | 301 | 514 |
| Reimbursement of selling and marketing expense | 1,205 | 2,058 |
| Sales load including Sindh Sales Tax | 164 | 94 |
| ADC Payable | 11 | 8 |

Central Depository Company of Pakistan Limited (Trustee)

| | | |
|--|----|----|
| Remuneration of the Trustee | 47 | 73 |
| Sindh Sales Tax on remuneration of the Trustee | 6 | 10 |

National Bank of Pakistan (Parent of the Management Company)

| | | |
|------------------------|-----|-----|
| Bank balance | 919 | 869 |
| Bank profit receivable | 41 | 45 |

Employees of the Management Company

| | | |
|---|-------|-------|
| Investment held in the Fund: 341,635 units (2021:339,391 units) | 3,494 | 3,467 |
|---|-------|-------|

NBP Employees Pension Fund - (Subsidiary of Parent Company)

(Unit holder of 10% or more of units of the Fund)

| | | |
|--|---------|---------|
| Investment held in the Fund: 28,173,009 units (2021: 25,328,660 units) | 288,137 | 258,725 |
|--|---------|---------|

*** Fauji Akbar Portia Marine Terminals Limited**

(Unit holder of 10% or more of units of the Fund)

| | | |
|--|---|---------|
| Investment held in the funds: Nil units (2021: 39,127,774 units) | - | 399,678 |
|--|---|---------|

Portfolios managed by the Management Company

| | | |
|---|---------|---|
| Investment held in the Fund: 14,839,234 units (2021: Nil) | 151,767 | - |
|---|---------|---|

Fauji Fertilizer Company Limited- (Common Directorship)

| | | |
|---|---|---|
| Investment held in the funds: 444 units (2021: 405 units) | 5 | 4 |
|---|---|---|

* Current balances with these parties have not been disclosed as they did not remain connected persons and related parties as at the year end.

** Prior year balances with these parties have not been disclosed as they were not connected persons and related parties during prior year.

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S.No. | Name | Qualification | Experience in years |
|-------|---------------------|---|---------------------|
| 1 | Dr. Amjad Waheed | Doctorate in Business Administration, MBA and CFA | 34 |
| 2 | Mr. Asim Wahab Khan | CFA | 16 |
| 3 | Mr. Salman Ahmed | CFA | 17 |
| 4 | Mr. Hassan Raza | ACCA, BSC and CFA | 11 |
| 5 | Mr. Usama Bin Razi | BE and MBA | 18 |

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

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

22 TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission charged during the year ended June 30, 2022

| S.No. | Particulars | Percentage |
|-------|--|------------|
| 1 | Continental Exchange (Private) Limited | 25.52 |
| 2 | Paramount Capital (Private) Limited | 22.62 |
| 3 | BMA Capital Management Limited | 20.55 |
| 5 | Invest One Markets Limited | 15.79 |
| 6 | Bright Capital (Private) Limited | 15.52 |

List of brokers by percentage of commission charged during the year ended June 30, 2021

| S.No. | Particulars | Percentage |
|-------|--|------------|
| 1 | Paramount Capital (Private) Limited | 55.59 |
| 2 | Continental Exchange (Private) Limited | 37.36 |
| 3 | Invest One Markets Limited | 3.94 |
| 4 | Bright Capital (Private) Limited | 3.11 |

23 PATTERN OF UNIT HOLDING

| Category | As at June 30, 2022 | | |
|------------------------------------|------------------------|--|--------------------------------|
| | Number of unit holders | Net asset value of the amount invested | Percentage of total investment |
| (Rupees in '000) | | | |
| Individuals | 1,290 | 345,298 | 28.32% |
| Associated Companies and Directors | 3 | 288,137 | 23.63% |
| NBFCs | 1 | - | 0.00% |
| Retirement Funds | 21 | 346,133 | 28.39% |
| Public Limited Companies | 6 | 2,294 | 0.19% |
| Others | 41 | 237,360 | 19.47% |
| | 1,362 | 1,219,222 | 100.00% |

| Category | As at June 30, 2021 | | |
|------------------------------------|------------------------|--|--------------------------------|
| | Number of unit holders | Net asset value of the amount invested | Percentage of total investment |
| (Rupees in '000) | | | |
| Individuals | 1,323 | 363,425 | 25.25% |
| Associated Companies and Directors | 3 | 258,726 | 17.98% |
| NBFC | 1 | - | 0.00% |
| Retirement Funds | 16 | 154,782 | 10.75% |
| Public Limited Companies | 9 | 2,323 | 0.16% |
| Others | 48 | 659,928 | 45.86% |
| | 1,400 | 1,439,184 | 100.00% |

24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

- 24.1. Syed Hasan Irtiza Kazmi resigned from the Board with effect from June 25, 2021 and Mr. Tauqeer Mazhar opted as Director on the Board with effect from August 04, 2021.

25. FINANCIAL INSTRUMENTS BY CATEGORY

| | As at June 30, 2022 | | |
|---|---------------------|--------------------------------------|------------------|
| | At amortized cost | At fair value through profit or loss | Total |
| ----- Rupees in '000 ----- | | | |
| Financial assets | | | |
| Bank balances | 1,250,836 | - | 1,250,836 |
| Mark-up accrued | 3,329 | - | 3,329 |
| Receivable against transfer of units | 6,300 | - | 6,300 |
| | 1,260,465 | - | 1,260,465 |
| ----- Rupees in '000 ----- | | | |
| Financial liabilities | | | |
| Payable to the Management Company | 1,875 | - | 1,875 |
| Payable to the Trustee | 53 | - | 53 |
| Payable against redemption of units | 35 | - | 35 |
| Accrued expenses and other liabilities | 1,911 | - | 1,911 |
| Net assets attributable to redeemable units | 1,219,222 | - | 1,219,222 |
| | 1,223,096 | - | 1,223,096 |
| ----- Rupees in '000 ----- | | | |
| ----- As at June 30, 2021 | | | |
| | At amortized cost | At fair value through profit or loss | Total |
| ----- Rupees in '000 ----- | | | |
| Financial assets | | | |
| Bank balances | 1,501,997 | - | 1,501,997 |
| Investment | - | 1,434,754 | 1,434,754 |
| Mark-up accrued | 5,345 | - | 5,345 |
| | 1,507,342 | 1,434,754 | 2,942,096 |
| ----- Rupees in '000 ----- | | | |
| Financial liabilities | | | |
| Payable to the Management Company | 2,929 | - | 2,929 |
| Payable to the Trustee | 83 | - | 83 |
| Payable against redemption of units | 252 | - | 252 |
| Payable against purchase of investment | 1,434,608 | - | 1,434,608 |
| Accrued expenses and other liabilities | 1,913 | - | 1,913 |
| Net assets attributable to redeemable units | 1,439,184 | - | 1,439,184 |
| | 2,878,969 | - | 2,878,969 |

26. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

26.1. Market risk

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

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

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

26.1.1. Currency risk

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

26.1.2. Interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is mainly exposed to interest rate risk on balances held with banks in savings account.

- Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk except for balances in certain saving accounts. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund would have been higher / lower by approximately Rs. 12.51 million (June 30 2021: Rs.14.99 million)

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2022 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

- Sensitivity analysis for fixed rate instruments

Presently, the fund does not hold any fixed rate instrument that has been designated at fair value through profit and loss. Therefore, a change in interest rate as at June 30, 2022 would not have any affect on the income statement.

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

| | | As at June 30, 2022 | | | | | | | |
|---|--------------|---------------------------------------|--|--------------------|---|-------------|--|--|--|
| Yield / Interest rate | Total | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk | | | | |
| | | Upto three months | More than three months and upto one year | More than one year | | | | | |
| On-balance sheet financial instruments | | Rupees in '000 | | | | | | | |
| Financial assets | | | | | | | | | |
| Bank balances | 6.50 - 18.28 | 1,250,836 | 1,250,810 | - | - | 26 | | | |
| Investment | | - | - | - | - | - | | | |
| Mark-up accrued | | 3,329 | - | - | - | 3,329 | | | |
| Receivable against transfer of units | | 6,300 | - | - | - | 6,300 | | | |
| | | 1,260,465 | 1,250,810 | - | - | 9,655 | | | |
| Financial liabilities | | | | | | | | | |
| Payable to the Management Company | | 1,875 | - | - | - | 1,875 | | | |
| Payable to the Trustee | | 53 | - | - | - | 53 | | | |
| Payable against redemption of units | | 35 | - | - | - | 35 | | | |
| Accrued expenses and other liabilities | | 1,911 | - | - | - | 1,911 | | | |
| Net assets attributable to redeemable units | | 1,219,222 | - | - | - | 1,219,222 | | | |
| | | 1,223,096 | - | - | - | 1,223,096 | | | |
| On-balance sheet gap | | 37,369 | 1,250,810 | - | - | (1,213,441) | | | |
| Off-balance sheet financial instruments | | - | - | - | - | - | | | |
| Off-balance sheet gap | | - | - | - | - | - | | | |

| | | As at June 30, 2021 | | | | | | | |
|---|-------------|---------------------------------------|--|--------------------|---|-------------|--|--|--|
| Yield / Interest rate | Total | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk | | | | |
| | | Upto three months | More than three months and upto one year | More than one year | | | | | |
| On-balance sheet financial instruments | | Rupees in '000 | | | | | | | |
| Financial assets | | | | | | | | | |
| Bank balances | 4.50 - 8.10 | 1,501,997 | 1,498,957 | - | - | 3,040 | | | |
| Investment | 7.31 | 1,434,754 | 1,434,754 | - | - | - | | | |
| Mark-up accrued | | 5,345 | - | - | - | 5,345 | | | |
| | | 2,942,096 | 2,933,711 | - | - | 8,385 | | | |
| Financial liabilities | | | | | | | | | |
| Payable to the Management Company | | 2,929 | - | - | - | 2,929 | | | |
| Payable to the Trustee | | 83 | - | - | - | 83 | | | |
| Payable against redemption of units | | 252 | - | - | - | 252 | | | |
| Payable against purchase of units | | 1,434,608 | - | - | - | 1,434,608 | | | |
| Payable against purchase of investment | | 1,913 | - | - | - | 1,913 | | | |
| Net assets attributable to redeemable units | | 1,439,184 | - | - | - | 1439184 | | | |
| | | 2,878,969 | - | - | - | 2,878,969 | | | |
| On-balance sheet gap | | 63,127 | 2,933,711 | - | - | (2,870,584) | | | |
| Off-balance sheet financial instruments | | - | - | - | - | - | | | |
| Off-balance sheet gap | | - | - | - | - | - | | | |

26.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all instruments traded in the market. Presently, the Fund is not exposed to any price risk.

26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in government securities. The Fund is also exposed to counter party credit risks on loans and receivables, balances with banks, profit receivable, advances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the Fund's policy is to enter into financial instrument contracts following internal guidelines such as approving counterparties, approving credit, obtaining adequate collateral and transacting through approved brokers.

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

| Bank balances by rating category | June 30, 2022 | June 30, 2021 |
|----------------------------------|---------------|---------------|
| AAA | 0.58% | 96.30% |
| AA+ | 98.88% | 2.90% |
| AA | 0.24% | 0.10% |
| AA- | 0.22% | 0.10% |
| A+ | 0.08% | 0.60% |
| Suspended | 0.00% | 0.00% |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is as follows:

| | June 30, 2022 | | June 30, 2021 | |
|--------------------------------------|----------------------------|------------------|----------------------------|------------------|
| | Amount of financial assets | Maximum exposure | Amount of financial assets | Maximum exposure |
| ----- Rupees in '000 ----- | | | | |
| Bank balances | 1,250,836 | 1,250,836 | 1,501,997 | 1,501,997 |
| Investment | - | - | 1,434,754 | 1,434,754 |
| Mark-up accrued | 3,329 | 3,329 | 5,345 | 5,345 |
| Receivable against transfer of units | 6,300 | 6,300 | - | - |

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

The Fund's major asset balances (99.00%) are held with three banks. The management believes that these are credit-worthy counterparties which also include the Federal Government."

26.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages

to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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 significant redemptions during the year.

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

| | June 30, 2022 | | |
|---|------------------|-------------------|-------------------------------------|
| | Total | Upto three months | Over three months and upto one year |
| Rupees in '000 | | | |
| Financial liabilities | | | |
| Payable to the Management Company | 1,875 | 1,875 | - |
| Payable to the Trustee | 53 | 53 | - |
| Payable against redemption of units | 35 | 35 | - |
| Accrued expenses and other liabilities | 1,911 | 1,911 | - |
| Net assets attributable to redeemable units | <u>1,219,222</u> | <u>1,219,222</u> | |
| | <u>1,223,096</u> | <u>1,223,096</u> | |

| | June 30, 2021 | | |
|---|------------------|-------------------|-------------------------------------|
| | Total | Upto three months | Over three months and upto one year |
| Rupees in '000 | | | |
| Financial liabilities | | | |
| Payable to the Management Company | 2,929 | 2,929 | - |
| Payable to the Trustee | 83 | 83 | - |
| Payable against redemption of units | 252 | 252 | - |
| Payable against Purchase of investment | 1,434,608 | 1,434,608 | - |
| Payable against purchase of units | 1,913 | 1,913 | - |
| Net assets attributable to redeemable units | <u>1,439,184</u> | <u>1,439,184</u> | |
| | <u>2,878,969</u> | <u>2,878,969</u> | |

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the issuance and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of the scheme. The fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies stated in note 26, the Fund endeavors to invest the amount received on issuance of units appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by disposal of investments where necessary.

28 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

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

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements 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 (that is, as prices) or indirectly (that is, derived from prices)

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

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

| | Carrying amount | | | Fair value | | |
|---|-----------------------------------|----------------|-----------|------------|---------|-------|
| | Fair value through profit or loss | Amortized cost | Total | Level 1 | Level 2 | Total |
| ----- Rupees in '000 ----- | | | | | | |
| June 30, 2022 | | | | | | |
| Financial assets measured at fair value | | | | | | |
| Government Securities - Treasury Bills | - | - | - | - | - | - |
| Financial assets not measured at fair value | | | | | | |
| Bank balances | - | 1,250,836 | 1,250,836 | - | - | - |
| Mark-up accrued | - | 3,329 | 3,329 | - | - | - |
| Receivable against transfer of units | - | 6,300 | 6,300 | - | - | - |
| | - | 1,260,465 | 1,260,465 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | |
| Payable to NBP Fund Management Limited - Management Company | - | 1,875 | 1,875 | - | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 53 | 53 | - | - | - |
| Payable against redemption of units | - | 35 | 35 | - | - | - |
| Accrued expenses and other liabilities | - | 1,911 | 1,911 | - | - | - |
| Net assets attributable to redeemable units | - | 1,219,222 | 1,219,222 | - | - | - |
| | - | 1,223,096 | 1,223,096 | - | - | - |

| June 30, 2021 | Carrying amount | | | Fair value | | |
|---|---|-------------------|-----------|------------|-----------|-----------|
| | Fair value through profit or loss | Amortized cost | Total | Level 1 | Level 2 | Total |
| | Rupees in '000 | | | | | |
| Financial assets measured at fair value | | | | | | |
| Government Securities - Treasury Bills | 1,434,754 | - | 1,434,754 | - | 1,434,754 | 1,434,754 |
| | 1,434,754 | - | 1,434,754 | - | 1,434,754 | 1,434,754 |
| Financial assets not measured at fair value | | | | | | |
| Bank balances | - | 1,501,997 | 1,501,997 | - | - | - |
| Mark-up accrued | - | 5,345 | 5,345 | - | - | - |
| | - | 1,507,342 | 1,507,342 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | |
| Payable to NBP Fund Management Limited - Management Company | - | 2,929 | 2,929 | - | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 83 | 83 | - | - | - |
| Payable against purchase of Investments | - | 252 | 252 | - | - | - |
| Payable against redemption of units | - | 1,434,608 | 1,434,608 | - | - | - |
| Accrued expenses and other liabilities | - | 1,913 | 1,913 | - | - | - |
| Net assets attributable to redeemable units | - | 1,439,184 | 1,439,184 | - | - | - |
| | - | 2,878,969 | 2,878,969 | - | - | - |

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

29. INTERIM DISTRIBUTIONS MADE DURING THE YEAR

| ----- For the year ended June 30, 2022 ----- | | | | | |
|--|------------------|--------------------|-------------------------|----------------|---------|
| Rate per unit | Declaration date | Cash distribution | | | Total |
| | | Capital value | Undistributed income | Rupees in '000 | |
| For the month of July 2021 | Re. 0.0489 | July 28, 2021 | 22 | 6,809 | 6,831 |
| For the month of August 2021 | Re. 0.2519 | August 28, 2021 | 4 | 23,031 | 23,035 |
| For the month of September 2021 | Re. 0.0611 | September 28, 2021 | 281 | 5,569 | 5,850 |
| For the month of October 2021 | Re. 0.0514 | October 26, 2021 | 93 | 4,844 | 4,937 |
| For the month of November 2021 | Re. 0.0541 | November 26, 2021 | 53 | 4,861 | 4,914 |
| For the month of December 2021 | Re. 0.0782 | December 28, 2021 | 997 | 6,720 | 7,717 |
| For the month of January 2022 | Re. 0.0821 | January 27, 2022 | 1665 | 8,334 | 9,999 |
| For the month of February 2022 | Re. 0.0728 | February 24, 2022 | 265 | 6,143 | 6,408 |
| For the month of March 2022 | Re. 0.0886 | March 29, 2022 | 73 | 7,470 | 7,543 |
| For the month of April 2022 | Re. 0.0889 | April 27, 2022 | 216 | 7,810 | 8,026 |
| For the month of May 2022 | Re. 0.1014 | May 26, 2022 | 90 | 9,024 | 9,114 |
| For the month of June 2022 | Re. 0.1269 | June 28, 2022 | 1276 | 11,707 | 12,983 |
| | | | 5,035 | 102,322 | 107,357 |

----- For the year ended June 30, 2021 -----

| Rate per unit | Declaration date | Cash distribution | | | ----- Rupees in '000 ----- |
|---------------------------------|------------------|--------------------|----------------------|---------|----------------------------|
| | | Capital value | Undistributed income | Total | |
| For the month of July 2020 | Re. 0.0422 | July 28, 2020 | 104 | 8,903 | 9,007 |
| For the month of August 2020 | Re. 0.0478 | August 28, 2020 | 34 | 9,940 | 9,974 |
| For the month of September 2020 | Re. 0.0523 | September 28, 2020 | 45 | 10,487 | 10,532 |
| For the month of October 2020 | Re. 0.0498 | October 27, 2020 | 18 | 9,944 | 9,962 |
| For the month of November 2020 | Re. 0.0513 | November 26, 2020 | 43 | 10,219 | 10,262 |
| For the month of December 2020 | Re. 0.0481 | December 24, 2020 | 409 | 9,365 | 9,774 |
| For the month of January 2021 | Re. 0.0617 | January 27, 2021 | 470 | 11,945 | 12,415 |
| For the month of February 2021 | Re. 0.0477 | February 24, 2021 | 311 | 9,405 | 9,716 |
| For the month of March 2021 | Re. 0.0530 | March 26, 2021 | 175 | 10,515 | 10,690 |
| For the month of April 2021 | Re. 0.0598 | April 27, 2021 | 227 | 11,964 | 12,191 |
| For the month of May 2021 | Re. 0.0512 | May 26, 2021 | 68 | 6,872 | 6,940 |
| For the month of June 2021 | Re. 0.0584 | June 25, 2021 | 81 | 7,765 | 7,846 |
| | | | 1,985 | 117,324 | 119,309 |

30 GENERAL

30.1 Figures have been rounded off to nearest thousand rupee.

31 DATE OF AUTHORISATION OF 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 at the year / period ended (Rs '000) | 1,219,222 | 1,439,184 | 2,225,402 | 1,931,332 | 5,790,612 | 4,598,229 |
| Net income for the year / period ended (Rs '000) | 118,024 | 123,935 | 280,706 | 269,495 | 257,128 | 207,559 |
| Net Asset Value per unit at the year / period ended (Rs) | 10.2274 | 10.2147 | 10.2022 | 10.1861 | 10.9686 | 10.1614 |
| Offer Price per unit at year end | 10.3430 | 10.3301 | 10.2022 | 10.1861 | 10.9686 | 10.1614 |
| Redemption Price per unit at year end | 10.2274 | 10.2147 | 10.2022 | 10.1861 | 10.9686 | 10.1614 |
| Ex - Highest offer price per unit (Rs.) | 10.3430 | 10.3301 | 10.2022 | 10.1861 | 10.6986 | 10.1626 |
| Ex - Lowest offer price per unit (Rs.) | 9.2775 | 9.6007 | 9.0715 | 9.3915 | 10.1634 | 9.4401 |
| Ex - Highest redemption price per unit (Rs.) | 10.2274 | 10.2147 | 10.2022 | 10.1861 | 10.6986 | 10.1626 |
| Ex - Lowest redemption price per unit (Rs.) | 9.1739 | 9.6007 | 9.0715 | 9.3881 | 10.1634 | 9.4419 |
| Fiscal Year Opening Ex Nav | 9.1721 | 9.5991 | 9.0679 | 9.3804 | 10.1614 | 9.4401 |
| Total return of the fund | 11.51% | 6.41% | 12.47% | 8.59% | 5.29% | 7.64% |
| Capital growth | 0.68% | 0.30% | 0.79% | 0.51% | 0.01% | -0.40% |
| Income distribution as a % of ex nav | 10.83% | 6.11% | 11.69% | 8.08% | 5.28% | 8.04% |
| Income distribution as a % of par value | 11.06% | 6.23% | 11.91% | 8.21% | 5.37% | 7.59% |
| Distribution | | | | | | |
| Interim distribution per unit | 1.1063 | 0.6233 | 1.1905 | 0.8207 | - | 0.7592 |
| Final distribution per unit | - | - | - | - | 0.5367 | - |
| Distribution Dates | | | | | | |
| Interim | 28-Jul-21 | 28-Jul-20 | 30-Jul-19 | - | - | - |
| Interim | 26-Aug-21 | 28-Aug-20 | 29-Aug-19 | - | - | - |
| Interim | 28-Sep-21 | 28-Sep-20 | 28-Sep-19 | - | - | - |
| Interim | 26-Oct-21 | 27-Oct-20 | 29-Oct-19 | - | - | - |
| Interim | 26-Nov-21 | 26-Nov-20 | 28-Nov-19 | - | - | - |
| Interim | 28-Dec-21 | 24-Dec-20 | 27-Dec-19 | 21-Dec-19 | - | - |
| Interim | 27-Jan-22 | 26-Jan-21 | 28-Jan-20 | 29-Jan-19 | - | - |
| Interim | 24-Feb-22 | 24-Feb-21 | 27-Feb-20 | 27-Feb-19 | - | - |
| Interim | 29-Mar-22 | 26-Mar-21 | 27-Mar-20 | 29-Mar-19 | - | - |
| Interim | 27-Apr-22 | 27-Apr-21 | 29-Apr-20 | 26-Apr-19 | - | - |
| Interim | 26-May-22 | 26-May-21 | 29-May-20 | 30-May-19 | - | - |
| Interim | 28-Jun-22 | 25-Jun-21 | 26-Jun-20 | 24-Jun-19 | - | 21-Jun-17 |
| Final | - | - | - | - | 4-Jul-18 | - |
| Average annual return of the fund (launch date May 16, 2009) | | | | | | |
| (Since inception to June 30, 2022) | 8.90% | | | | | |
| (Since inception to June 30, 2021) | | 8.69% | | | | |
| (Since inception to June 30, 2020) | | | 8.89% | | | |
| (Since inception to June 30, 2019) | | | | 8.54% | | |
| (Since inception to June 30, 2018) | | | | | 8.54% | |
| (Since inception to June 30, 2017) | | | | | | 8.95% |
| Portfolio Composition (Please see Fund Manager Report) | | | | | | |
| Weighted average portfolio duration | 1 Day | 57 Days | 32 Days | 25 Days | 13 Days | 3 Days |

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

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