



NBP Fund Management Limited



**NBP
FINANCIAL SECTOR
INCOME FUND**

**ANNUAL REPORT
2022**

AM1
Rated by PACRA

MISSION STATEMENT

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

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NBP FINANCIAL SECTOR INCOME FUND



FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

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

NBP FINANCIAL SECTOR INCOME FUND



Samba Bank Limited
Zarai Taraqiati Bank Limited
MCB Islamic Bank Limited
Faysal Bank Limited
The Bank of Punjab
Albaraka Bank of Pakistan
Bank Islami Pakistan Limited
U Microfinance Bank Limited
Telenor Microfinance Bank Limited
Khushali Microfinance Bank Limited
HBL Microfinance Bank Limited
Mobilink Micro Finance Bank Limited
Dubai Islamic Bank Pakistan Limited

Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



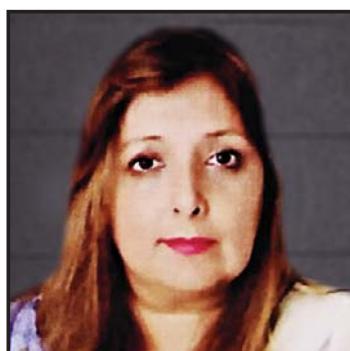
Mr. Tauqeer Mazhar
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Ms. Mehnaz Salar
Director



Mr. Imran Zaffar
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Asim Wahab Khan, CFA
Chief Investment Officer



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation &
Strategy Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Khalid 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 11th Annual Report of **NBP Financial Sector Income Fund** (NFSIF) for the year ended June 30, 2022.

Fund's Performance

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

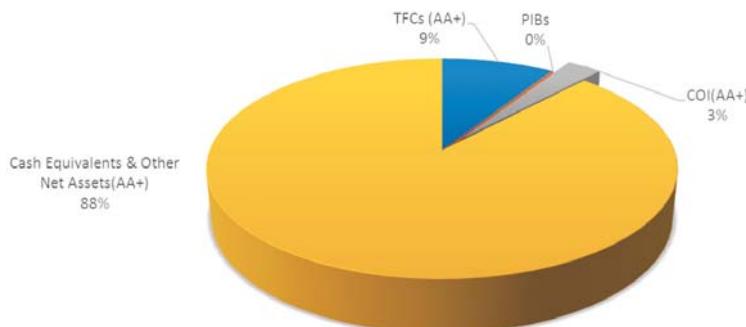
SBP held twenty-six (26) T-Bill auctions, realizing a total of Rs. 17.1 trillion. The sovereign yields also witnessed high movements resulting in sharp rise in secondary market yields, which maintained their high delta from the Policy Rate. The yields on T-Bills for 3-month, 6-month and 12-month tenures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

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

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

The size of NBP Financial Sector Income Fund decreased by 4% from Rs. 40,638 million to Rs. 39,200 million. However, during the period, the unit price of the Fund has increased from Rs. 9.5310 (Ex-Div) on June 30, 2021 to Rs. 10.5510 on June 30, 2022 thus posting a return of 10.7% as compared to its Benchmark return of 10.8% for the same period. The return of the Fund is net of management fee and all other expenses.

The Fund has earned a total income of Rs. 4,681.48 million during the year. After deducting total expenses of Rs. 349.14 million, the net income is Rs. 4,332.33 million. The asset allocation of NBP Financial Sector Income Fund as on June 30, 2022 is as follows:



Income Distribution:

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

Taxation

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

Sindh Workers' Welfare Fund (SWWF)

On August 13, 2021, provisioning against Sindh Workers' Welfare Fund by NBP FINANCIAL SECTOR INCOME FUND amounting to Rs. 82.31 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP FINANCIAL SECTOR INCOME FUND by 0.18% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

Auditors

The present auditors, Messrs Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2023.

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

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

NBP FINANCIAL SECTOR INCOME FUND



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

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive Officer

Director

Date: **September 27, 2022**

Place: Karachi.

ڈائریکٹر رپورٹ

ایں بی پی فنڈ میجمنٹ لمبینڈ کے یو رو آف ڈائریکٹر NBP فناشل سیکٹر اکم فنڈ کی گیارہویں سالانہ رپورٹ برائے مختتم سال 30 جون 2022ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

ماں سال 22 کے دوران، اسٹیٹ بینک آف پاکستان (SBP) نے آٹھ (8) ماہی پیاسی اجلاس منعقد کئے اور اہم ملکی سیاسی شور اور عالمی غیر قیمتی صورتحال کی وجہ سے افراط زر کے دباو کا مقابلہ کرنے، معافی اسٹیٹ کو تیقینی بنانے اور بیرونی اور قیتوں کے استحکام کی حفاظت کے لیے، ڈسکاؤنٹ کی شرح کو 8% سے بڑھا کر 14.75% کر دیا۔ دوسرا ششماہی کے دوران، روس۔ پوکرین تازہ اسٹیٹ اور اشیاء کی بڑھتی ہوئی قیتوں کی وجہ سے عالمی اقتصادی حالات خراب ہو گئے، جس نے دنیا بھر کے تمام مرکزی بیکوں کو کئی سالوں کی بلند افراط زر اور چیلنج ڈسکاؤنٹ کا سامنا کرنے پر مجبور کر دیا۔ ملکی سطح پر، افراط زر میں بھی بڑھنے کا رچان رہا جس کی وجہ سے (a) فنڈ کی اجزاء کی قیتوں میں تیزی سے اضافہ، (ii) روپیہ پر مسلسل دباو، (iii) یوپیشی میرف میں اضافہ، اور (iv) لمبینڈ کی سہنسدی کا ختم ہوا۔ CPI کی پیاس کردہ افراط زر جون 22 میں 21.3 فیصد تک بیخنگی بوجز شہر سال کے اسی میتے کے دوران 9.7 فیصد تھی۔ اسٹیٹ بینک پاکستان کے پاس غیر ملکی زر مبادلہ کے مجموعی ذخایر بھی ایک سال قبل 17.3 ملین امریکی ڈالر کے مقابلے جون 22 کے آخر میں 9.8 ملین امریکی ڈالر تک کم ہو گئے۔ افراط زر کا نظر خراب ہو گیا اور بیرونی استحکام کے لیے خطرات بڑھ گئے ہیں، آئندہ سال کی بیانی ششماہی میں شرح مزید بڑھنے کا امکان ہے۔

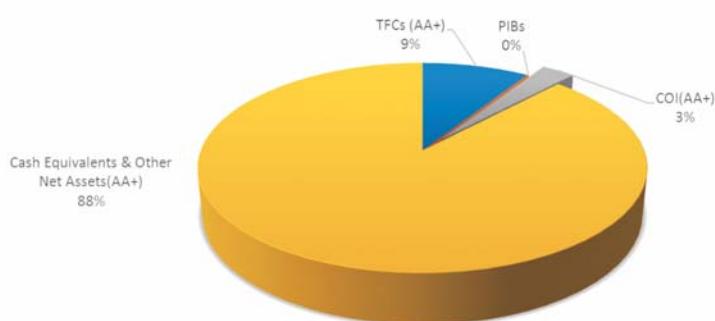
اسٹیٹ بینک پاکستان نے چھیس (26) ملین بیالیموں کا انتقا دیا، جس سے کل 17.1 ملین روپے کی وصولی ہوئی۔ حکومتی شرح منافع میں بھی حرکت دیکھی گئی جس کے نتیجے میں تابوی مارکیٹ کی شرح منافع میں تیزی سے اضافہ ہوا، جس نے پالیسی ریٹ سے اپنے اعلیٰ تغیر کو برقرار رکھا۔ 3-ماہ، 6-ماہ اور 12-ماہ کی مدت کے لئے T-Bills کی شرح منافع میں بالترتیب 770، 762 اور 749 پاؤنس کا اضافہ ہوا۔

یہ فنڈ منفرد ہے کیونکہ یہ اپنے اٹاٹوں کا کم از کم 70 مالیاتی شعبے (بینادی طور پر بیکوں) کے قرضوں کی سکیوریٹیز، آلات یا ڈپاٹس میں لگاتا ہے۔ قرض کی ضمانتوں کی کم از کم ہستی/آلہ کی درجہ بندی AA- ہے۔ یہ کریڈٹ ریک کو کم کرتا ہے اور ساتھ ہی ساتھ فنڈ کی لیکو یڈی یہ بڑھاتا ہے۔ فنڈ کی مدت ایک سال سے زیادہ نہیں ہو سکتی۔ یہ شرح سودا یا قیتوں کے خطرے کو کم کرتا ہے۔ فنڈ اپنے اٹاٹوں کا 90.25% دنوں سے بھی کم وقت میں T-Bills یا بیکوں کے ساتھ بچت کھاتوں میں لگاتا ہے، جس سے فنڈ کی لیکو یڈی یہ پروفائل میں مزید اضافہ ہوتا ہے۔

کارپوریٹ ڈیٹ سیکوریٹیز میں تجارتی سرگرمیاں ستر میں کیونکہ مجموعی تجارت 10.2 ملین روپے رہی۔ تاہم، مارکیٹ نے پاؤ اینڈ ڈسٹری یوشن اور بینکنگ کے شعبوں میں TFCs اور سکوک کا نیا اجراء دیکھا۔

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

فنڈ کو سال کے دوران 4,681.48 ملین روپے کی کل آمدنی ہوئی۔ 14.349 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد، خاص آمدنی 332.33 ملین روپے ہے۔ 30 جون 2022 کے مطابق NBP فناشل سیکٹر فنڈ کی ایسٹ ایلوکیشن حصہ ذیل ہے:



آمدی کی تقسیم

میجنت کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2022 کے اختتام کے بعد اپنگ ex-NAV 10.17% (بیادی قدر کا 10.72%) عبوری نقد منافع منقسمہ کی منتظری دی ہے۔

تکمیل

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدی میں سے سرمایہ کاری پر حاصل ہونے والے محصلوں شدہ اور غیر محصلوں شدہ کیمپل گین منہا کرنے کے بعد 90 فیصد سے زائد ہے، اس لئے فنڈ پر اکٹنگ آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت ایکس لا گنیبل ہوتا ہے۔

سندرہ درکرزو یونیورسٹی (SWWF)

13 اگست 2021 کو NBP فناش سکیفر فنڈ کی طرف سے سندرہ درکرزو یونیورسٹی فنڈ کے بعد مارسل نمبر 87772 SRB/TP/70/2013/87772 کی رو سے سندرہ درکرزو یونیورسٹی کی طرف سے موصولہ کلیر یونیورسٹی پر میوچل فنڈز ایسو ایشن آف پاکستان کو دی گئی 82.31 ملین روپے کی رقم واپس کر دی گئی۔ پروپرٹی کے باعث 13 اگست 2021 کو NBP اسلامک فناش سکیفر اکٹنگ فنڈ کے NAV میں 0.18% کا غیر معمولی اضافہ ہوا ہے۔ یا ایک ایسا موقع ہے جو کہ مستقبل میں دوبارہ آنے کا امکان نہیں ہے۔

آٹھیز

موجودہ آٹھیز، میسرزاے ایف فرگون ایڈیشن کمپنی، چارڑا کاؤنٹریز، ریائیز ہونگے میں اور اہل ہونے کی بناء پر 30 جون 2023 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

لٹڈ کپنیوں کے کوڈ آف کارپوریٹ گوفننس ریگولیشن 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- میجنت کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج کیش فلاؤر یونٹ ہولڈر فنڈز میں تبدیلی کی منصاقانہ عکاسی کرتے ہیں۔
- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- مالی گوشواروں کی تیاری میں اکاؤنٹ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تجھیسے مناسب اور معقول نظریات پہنچیں ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- ایمنٹ کنٹرول کا نظام مختصر اور موثر طریقے سے نافذ ہے اور اس کی مسلسل عمرانی کی جاتی ہے۔
- فنڈ کی رواد رہنمی کی صلاحیت کے بارے میں کوئی شکوہ و شبہات نہیں ہیں۔
- کارپوریٹ گوفننس کی اعلیٰ ترین روایات سے کوئی پہلو ہی نہیں کی گئی۔
- پرفارمنس ٹیبل / اہم مالیاتی ڈیتا اس سالانہ رپورٹ میں شامل ہیں۔
- ٹیکسوس، ڈیوٹیز، محصولات اور چارہز کی مدد میں واجب الادا سرکاری اداریگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- اس مدت کے دوران میجنت کمپنی کے بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- یونٹ ہولڈنگ کا تفصیلی پیٹریون مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- ڈائریکٹرز، ہی ای او، سی ایف او، کمپنی یکٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارنان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطک کوئی مناری اخیریست نہیں رکھتی۔ 30 جون 2022 کو بورڈ آف ڈائریکٹرز درج ذیل اركان پر مشتمل ہیں

| نام | کیگری |
|---------------------------------------|--------------------|
| جناب خالد منصور | •1 |
| جناب سعد امان اللہ خان | •2 |
| جناب ہمایوں بشیر | •3 |
| ڈاکٹر امجد وحید (چیف ایگریکوٹو آفیسر) | ایگریکوٹو ائر کیٹر |
| شیخ محمد عبدالواحد سعیدی (چیئرمین) | •1 |
| جناب تو قیر مظہر | •2 |
| محترمہ مہناز سالار | •3 |
| جناب علی سیدیکی | •4 |
| جناب عمران ظفر | •5 |

اطہار تکر

بوروڈ اس موقع سے فائدہ اٹھاتے ہوئے میجنت کپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پاپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ یکورٹیز اینڈ ایچنچ کمپنیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے خالص روایہ کا بھی اعتراف کرتا ہے۔

بوروڈ اپنے اساف اوڑی کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنے خارج تھیں، بھی ریکارڈ پر لانا چاہتا ہے۔

من جانب بوروڈ آف ائر کیٹر
NBP نیڈ میجنت لیمیٹڈ

ڈاکٹر امجد وحید

چیف ایگریکوٹو آفیسر

تاریخ: 27 ستمبر 2022ء

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

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

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

Badiuddin Akber

Chief Operating Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2022

FUND MANAGER REPORT

NBP Financial Sector Income Fund

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

Investment Objective of the Fund

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

Benchmark

6-Month KIBOR.

Fund Performance Review

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

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

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

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

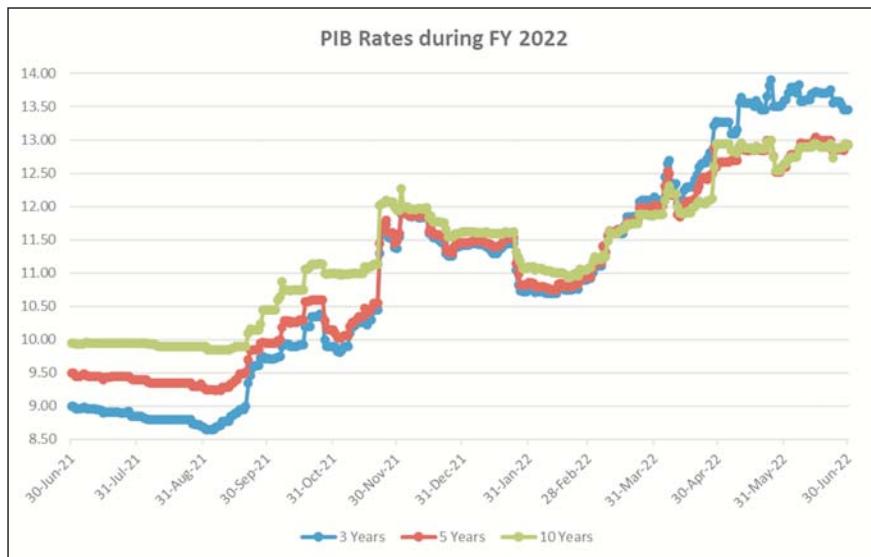
SBP held twenty-six (26) T-Bill auctions, realizing a total of Rs. 17.1 trillion. The sovereign yields also witnessed high movements resulting in sharp rise in secondary market yields, which maintained their high delta from the Policy Rate. The yields on T-Bills for 3-month, 6-month and 12-month tenures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

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

NBP FINANCIAL SECTOR INCOME FUND



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



Distribution for the Financial Year 2022

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

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

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

NBP FINANCIAL SECTOR INCOME FUND



During the period under question:

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

Sindh Workers' Welfare Fund (SWWF)

On August 13, 2021, provisioning against Sindh Workers' Welfare Fund by NBP FINANCIAL SECTOR INCOME FUND amounting to Rs. 82.31 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an unusual increase in NAV of the NBP FINANCIAL SECTOR INCOME FUND by 0.18% on August 13, 2021. This is one-off event and is not likely to be repeated in the future.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the unit holders of NBP Financial Sector Income Fund

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year.

This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following is the key audit matter:

| S. No. | Key Audit Matter | How the matter was addressed in our audit |
|--------|--|---|
| 1 | <p>Valuation and existence of investment</p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in Equity Securities, Government Securities (treasury bills and Pakistan investment bonds), term finance certificates, letter of placement, term deposits receipt, certificate of investment and commercial paper which are the main driver of the Fund's performance.</p> <p>Considering the above factors, the valuation and existence are significant areas during our audit due to which we have considered this as a key audit matter.</p> | <ul style="list-style-type: none"> Obtained an understanding of relevant controls placed by the Management Company applicable to the balance; Independently verified existence of investments from Central Depository Company (CDC) account Statement, Investment Portfolio Services (IPS), bank confirmations and other relevant documents; Performed test of details on sale, purchase and maturity of investments on a sample basis by inspecting deal tickets, counterparty confirmation, broker confirmation and bank statements; and Tested valuation of investments by independently tracing rate to externally quoted market prices and Pakistan revaluation rates (PKRV) |

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

Other matter

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

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

Yousuf Adil
Chartered Accountants

Place: Karachi
Date: September 28, 2022
UDIN: AR202210091j7hZxkPWQ

NBP FINANCIAL SECTOR INCOME FUND



STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2022

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

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP FINANCIAL SECTOR INCOME FUND



INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

Chief Financial Officer

Chief Executive Officer

Director

NBP FINANCIAL SECTOR INCOME FUND



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

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

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NBP FINANCIAL SECTOR INCOME FUND



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

| Notes | 2022 | | | 2021 | | |
|---|-------------------|----------------------|-------------------|-------------------|----------------------|-------------------|
| | Value | Undistributed income | Total | Value | Undistributed income | Total |
| ----- (Rupees in '000) ----- | | | | | | |
| Net assets at beginning of the year | 40,465,420 | 172,178 | 40,637,598 | 9,115,885 | 122,460 | 9,238,345 |
| Issue of 12,634,884,987 units (2021: 6,226,742,057 units) | | | | | | |
| - Capital value | 133,189,377 | - | 133,189,377 | 65,556,386 | - | 65,556,386 |
| - Element of income | 1,476,604 | - | 1,476,604 | 534,315 | - | 534,315 |
| Total proceeds on issuance of units | 134,665,981 | - | 134,665,981 | 66,090,701 | - | 66,090,701 |
| Redemption of 12,774,607,367 units (2021: 3,249,196,166 units) | | | | | | |
| - Capital value | (134,662,246) | - | (134,662,246) | (34,208,187) | - | (34,208,187) |
| - Element of loss | (228,614) | (1,614,093) | (1,842,707) | (100,694) | (267,620) | (368,314) |
| Total payments on redemption of units | (134,890,860) | (1,614,093) | (136,504,953) | (34,308,881) | (267,620) | (34,576,501) |
| Interim Distribution for the year ended 30 June 2022: Re. 0.1369 (Date of distribution: 26 August 2021) | 15.2 | | | | | |
| - Capital value | - | (340,929) | (340,929) | - | (262,124) | (262,124) |
| - Refund of capital | (217,063) | - | (217,063) | (89,848) | - | (89,848) |
| Total distribution | (217,063) | (340,929) | (557,992) | (89,848) | (262,124) | (351,972) |
| Interim Distribution for the year ended 30 June 2022: Re. 0.1358 (Date of distribution: 26 October 2021) | 15.2 | | | | | |
| - Capital value | - | (362,414) | (362,414) | - | (329,180) | (329,180) |
| - Refund of capital | (183,066) | - | (183,066) | (92,581) | - | (92,581) |
| Total distribution | (183,066) | (362,414) | (545,480) | (92,581) | (329,180) | (421,761) |
| Interim Distribution for the year ended 30 June 2022: Re. 0.1633 (Date of distribution: 28 December 2021) | 15.2 | | | | | |
| - Capital value | - | (443,922) | (443,922) | - | (535,075) | (535,075) |
| - Refund of capital | (159,672) | - | (159,672) | (199,224) | - | (199,224) |
| Total distribution | (159,672) | (443,922) | (603,594) | (199,224) | (535,075) | (734,299) |
| Interim Distribution for the year ended 30 June 2022: Re. 0.1743 (Date of distribution: 24 February 2022) | 15.2 | | | | | |
| - Capital value | - | (422,175) | (422,175) | - | (620,040) | (620,040) |
| - Refund of capital | (215,375) | - | (215,375) | (50,632) | - | (50,632) |
| Total distribution | (215,375) | (422,175) | (637,550) | (50,632) | (620,040) | (670,672) |
| Interim Distribution for the year ended 30 June 2022: Re. 0.2043 (Date of distribution: 27 April 2022) | 15.2 | | | | | |
| - Capital value | - | (484,307) | (484,307) | - | - | - |
| - Refund of capital | (247,170) | - | (247,170) | - | - | - |
| Total distribution | (247,170) | (484,307) | (731,477) | - | - | - |
| Interim Distribution for the year ended 30 June 2022: Re. 0.2570 (Date of distribution: 29 June 2022) | 15.2 | | | | | |
| - Capital value | - | (631,246) | (631,246) | - | - | - |
| - Refund of capital | (223,516) | - | (223,516) | - | - | - |
| Total distribution | (223,516) | (631,246) | (854,762) | - | - | - |
| Total comprehensive income for the year | | | 4,332,335 | 4,332,335 | | 2,063,757 |
| Net assets at end of the year | 38,994,679 | 205,427 | 39,200,106 | 40,465,420 | 172,178 | 40,637,598 |
| Undistributed income brought forward | | | | | | |
| - Realised | | 133,362 | | | 123,006 | |
| - Unrealised | | 38,816 | | | (546) | |
| Accounting income available for distribution: | | 172,178 | | | 122,460 | |
| - Relating to capital gains | | 22,749 | | | 26,750 | |
| - Excluding capital gains | | 2,695,493 | | | 1,769,387 | |
| - Cash distribution | | 2,718,242 | | | 1,796,137 | |
| Undistributed income carried forward | | (2,684,993) | | | (1,746,419) | |
| Undistributed income carried forward | | 205,427 | | | 172,178 | |
| - Realised | | 164,228 | | | 133,362 | |
| - Unrealised | | 41,199 | | | 38,816 | |
| | | 205,427 | | | 172,178 | |
| | | | | | | |
| | | | | (Rupees) | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 10.5414 | | | 10.5282 |
| Net assets value per unit at end of the year | | | 10.5510 | | | 10.5414 |

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

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

Chief Financial Officer

Chief Executive Officer

Director

NBP FINANCIAL SECTOR INCOME FUND



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2022

| | Note | 2022 | 2021 |
|--|------|------------------------------|--------------------|
| | | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year | | 4,332,335 | 2,063,757 |
| Adjustments: | | | |
| Net unrealised appreciation on re-measurement of investments at 'fair value through profit or loss' | | (41,199) | (38,816) |
| (Reversal) / Provision for Sindh Workers' Welfare Fund | | (74,725) | 42,118 |
| | | 4,216,411 | 2,067,059 |
| Increase / (decrease) in assets | | | |
| Investments | | 6,211,341 | (7,727,277) |
| Profit receivables | | 31,390 | (201,065) |
| Receivable against Margin Trading System | | 107,127 | (107,127) |
| Advance, deposit and prepayment | | (2,798) | (3,229) |
| | | 6,347,060 | (8,038,698) |
| Decrease / (increase) in liabilities | | | |
| Payable to NBP Fund Management Limited - Management Company | | 15,678 | 12,978 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | (145) | 2,251 |
| Payable to Securities and Exchange Commission of Pakistan | | 2,906 | 4,020 |
| Payable against purchase of investment | | - | (833,945) |
| Accrued expenses and other liabilities | | 57,803 | (10,058) |
| | | 76,242 | (824,754) |
| Net cash generated from / (used in) operating activities | | 10,639,713 | (6,796,393) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Amounts received against issuance of units | | 132,844,232 | 65,682,448 |
| Payment against redemption of units | | (136,510,365) | (34,694,756) |
| Distribution paid | | (2,684,993) | (1,746,419) |
| Net cash (used in) / generated from financing activities | | (6,351,126) | 29,241,273 |
| Net increase in cash and cash equivalents | | 4,288,587 | 22,444,880 |
| Cash and cash equivalents at beginning of the year | | 29,289,389 | 6,844,509 |
| Cash and cash equivalents at end of the year | 5 | 33,577,976 | 29,289,389 |

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

1 **LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** NBP Financial Sector Income Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 11, 2011 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Funds Association of Pakistan (MUFAP).
- 1.3** The Fund is an open-ended mutual fund classified as an "income scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The core objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector term finance certificates (TFCs) / sukuks, bank deposits and short-term money market instruments.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has maintained an asset manager rating of 'AM1' (2021: AM1) to the Management Company and stability rating of 'A+(f)' (2021: A+(f)) to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.7** The Fund also provides accidental death (free), life insurance / life takaful and health coverage to unitholders of the Fund as stated in the Offering Document.

The cost of premium is borne by the investor (where applicable). Such premium cost is deducted from the unit holder's investment on a monthly basis in case of life insurance and annual basis in case of health insurance and deposited with the Insurance Company / Takaful Operator by the Management Company as per the terms and conditions of the Insurance / Takaful coverage defined in the Insurance / Takaful policy document signed between the Insurance Company / Takaful Operator and Management Company.

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

2 **BASIS OF PREPARATION**

2.1 **Statement of compliance**

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

- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations) and requirements of the Trust Deed.

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

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

2.2 Accounting convention

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

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

Effective from accounting period beginning on or after:

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

January 01, 2021

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

April 01, 2021

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

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

Effective from accounting periods beginning on or after:

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

January 01, 2022

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

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

January 01, 2022

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current

January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies

January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

January 01, 2023

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

January 01, 2023

Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred indefinitely

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

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

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

4

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

4.1 Financial instruments

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

4.1.1 Recognition and initial measurement

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

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

4.1.2 Classification - Financial assets

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

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

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

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

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

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

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

Business model assessment

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

The information considered includes:

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

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

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

The Fund has determined that it has two business models.

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

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

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

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

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

Reclassifications

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

4.1.3 Subsequent measurement - Financial assets

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

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

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

b) Government securities

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

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

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

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

4.1.5 Fair value measurement

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

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

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

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

4.1.6 Amortised cost measurement

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

4.1.7 Impairment of financial assets

The Fund at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount.

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

4.1.8 Derecognition

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

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

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

4.1.9 Offsetting of financial assets and liabilities

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

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

4.1.10 Derivatives

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

4.1.11 Cash and cash equivalents

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

4.1.12 Spread transactions (ready-future transactions)

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

4.1.13 Receivable against Margin Trading System (MTS)

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

4.2 Provisions

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

4.3 Taxation

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

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

4.4 Issue and redemption of units

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

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

4.5 Element of income

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

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

NBP FINANCIAL SECTOR INCOME FUND



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

4.6 Net assets value per unit

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

4.7 Earnings per unit

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

4.8 Income recognition

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

4.9 Distribution

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

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

| 5 | BANK BALANCES | Note | 2022 | 2021 |
|---|---------------------|------|------------------------------|-------------------|
| | | | ----- (Rupees in '000) ----- | ----- |
| | In current accounts | | 325 | 7,663 |
| | In savings accounts | 5.1 | 33,577,651 | 29,281,726 |
| | | | 33,577,976 | 29,289,389 |

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

NBP FINANCIAL SECTOR INCOME FUND



6 INVESTMENTS

| Note | 2022 | 2021 |
|------|------------------------------|------|
| | ----- (Rupees in '000) ----- | |

Investments by category

Financial assets 'at fair value through profit or loss'

| | | | |
|--|-----|------------------|--------------|
| Term finance certificates (TFCs) and sukuks - listed | 6.1 | 1,682,869 | 1,864,533 |
| Term finance certificates (TFCs) and sukuks - unlisted | 6.2 | 2,082,115 | 2,073,174 |
| Market Treasury Bills | 6.3 | - | 238,739 |
| Pakistan Investment Bonds | 6.4 | 33,963 | - |
| Letter of placement | 6.5 | - | - |
| Equity securities - listed (Spread transactions) | 6.6 | - | 1,973,718 |
| | | 3,798,947 | 6,150,164 |
| At amortised cost | | | |
| Term deposit receipt | 6.7 | - | 2,000,000 |
| Certificate of investments | 6.8 | - | 3,000,000 |
| Commercial Paper | 6.9 | 1,181,075 | - |
| | | 1,181,075 | 5,000,000 |
| | | 4,980,022 | 11,150,164 |
| | | ===== | ===== |

6.1 Term finance certificates (TFCs) and sukuks - listed

| Name of the investee company | As at 1 July 2021 | Purchases during the year | Sales / matured during the year | As at 30 June 2022 | Market value/ carrying value as at 30 June 2022 | Market value/ carrying value as a percentage of net assets | Market value/ carrying value as a percentage of total investments |
|---|--------------------------|---------------------------------|--|-----------------------|--|---|--|
| Note | (Number of certificates) | | | | (Rupees in '000) | (%) | |
| JS Bank Limited - TFC | 1,150 | - | - | 1,150 | 115,367 | 0.29 | 2.32 |
| Hub Power Company Limited - Sukuk | 6.1.1 | 2,416 | - | 2,416 | 247,473 | 0.63 | 4.97 |
| K-Electric - Sukuk | 132,576 | - | - | 132,576 | 676,933 | 1.73 | 13.59 |
| Hub Power Company Limited - Sukuk | 8,150 | - | - | 8,150 | 643,096 | 1.64 | 12.91 |
| | 144,292 | - | - | 144,292 | 1,682,869 | 4.29 | 33.79 |
| Carrying value before fair value adjustments as at 30 June 2022 | | | | | 1,660,738 | | |

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

6.2 Term finance certificates (TFCs) and sukuks - unlisted

| Name of the investee company | As at 1 July 2021 | Purchases during the year | Sales / matured during the year | As at 30 June 2022 | Market value/ carrying value as at 30 June 2022 | Market value/ carrying value as a percentage of net assets | Market value/ carrying value as a percentage of total investments |
|---|--------------------------|---------------------------------|--|-----------------------|--|---|--|
| Note | (Number of certificates) | | | | (Rupees in '000) | (%) | |
| JS Bank Limited | 23,400 | - | 23,400 | - | - | - | - |
| Jahangir Siddiqui and Company Limited | 28,000 | - | - | 28,000 | 50,529 | 0.13 | 1.01 |
| Jahangir Siddiqui and Company Limited | 32,800 | - | - | 32,800 | 84,720 | 0.22 | 1.70 |
| Askari Commercial Bank Limited | 333 | - | 50 | 283 | 287,245 | 0.73 | 5.77 |
| Bank of Punjab | 6.2.1 | 500 | - | 500 | 50,021 | 0.13 | 1.00 |
| Hub Power Holding Limited - Sukuk | 6,000 | - | - | 6,000 | 582,166 | 1.49 | 11.69 |
| Meezan Sukuk | - | 172 | - | 172 | 178,020 | 0.45 | 3.57 |
| Samba Bank Limited | 8,464 | - | - | 8,464 | 849,414 | 2.17 | 17.06 |
| | 99,497 | 172 | 23,450 | 76,219 | 2,082,115 | 5 | 42 |
| Carrying value before fair value adjustments as at 30 June 2022 | | | | | 2,064,813 | | |

Carrying value before fair value adjustments as at 30 June 2022

NBP FINANCIAL SECTOR INCOME FUND



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

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

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

6.3 Market Treasury Bills

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

Carrying value before fair value adjustments as at 30 June 2022

NBP FINANCIAL SECTOR INCOME FUND



6.4 Pakistan Investment Bonds

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

Carrying value before fair value adjustments as at 30 June 2022. **34,047**

6.5 Letter of Placement

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

NBP FINANCIAL SECTOR INCOME FUND



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

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

Carrying value before fair value adjustments as at 30 June 2022

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

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

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

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

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

NBP FINANCIAL SECTOR INCOME FUND



| | As at 1 July 2021 | Purchased during the year | Settled during the year | As at 30 June 2022 | Market value as at 30 June 2022 | Market value as a percentage of net assets | Market value as a percentage of total investments |
|--|----------------------|---------------------------------|-------------------------------|-----------------------|---------------------------------------|--|--|
| | Number of shares | | | (Rupees in '000) | | % | |

Textile Composite

| | | | | | | | |
|------------------------|-----------|-----------|-----------|---|---|---|---|
| Nishat Chunian Limited | 1,165,000 | 1,737,000 | 2,902,000 | - | - | - | - |
| Nishat Mills Limited | 411,000 | 665,000 | 1,076,000 | - | - | - | - |

Transport

| | | | | | | | |
|--|-----------|-----------|-----------|---|---|---|---|
| Pakistan International Bulk Terminal Limited | 5,091,500 | 4,179,500 | 9,271,000 | - | - | - | - |
|--|-----------|-----------|-----------|---|---|---|---|

Market value as at 30 June 2022

Net impact of mark to market on future contracts

Total Market Value of Investment in Spread Transactions as at 30 June 2022

Carrying value as at 30 June 2022

6.7 Term deposit receipts - at amortised cost

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

6.8 Certificate of investments - at amortised cost

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

6.9 Commercial Paper

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

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

7 RECEIVABLE AGAINST MARGIN TRADING SYSTEM

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

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

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

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

NBP FINANCIAL SECTOR INCOME FUND



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

- 10.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged remuneration at an effective rate of 0.34% of the average annual net assets of the Fund during the year.
- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2021: 13%) was charged on management remuneration and sales load.
- 10.3** In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion has charged selling and marketing expenses at an effective rate of 0.19% of the average annual net assets of the Fund during the year:
- 10.4** "In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

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

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

- 11.1** Effective from 1 July 2019 the Trustee has charged remuneration at the rate of 0.075% per annum of net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.
- 11.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2021: 13%) was charged on trustee remuneration.
- 12** **PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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

NBP FINANCIAL SECTOR INCOME FUND



PAYABLE AGAINST REDEMPTION / CONVERSION OF UNITS

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

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

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

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

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

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

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

14 CONTINGENCY AND COMMITMENT

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

NBP FINANCIAL SECTOR INCOME FUND



| | Note | 2022 ----- (Rupees in '000) | 2021 |
|--|---|-----------------------------------|---|
| 15 NUMBER OF UNITS IN ISSUE | | | |
| Total units in issue at beginning of the year | | 3,855,034,331 | 877,488,440 |
| Add: units issued against | | | |
| - Sale | | 12,516,697,460 | 6,185,725,515 |
| - Refund of capital at zero value | | 118,187,527 | 41,016,542 |
| | | 12,634,884,987 | 6,226,742,057 |
| Less: Units redeemed | | (12,774,607,367) | (3,249,196,166) |
| Total units in issue at end of the year | | 3,715,311,951 | 3,855,034,331 |
| 16 AUDITORS' REMUNERATION | | | |
| Annual audit fee | | 464 | 425 |
| Half yearly review | | 175 | 175 |
| Other certifications | | 200 | 200 |
| Out of pocket expenses and others including government levy | | 154 | 154 |
| | | 993 | 954 |
| 17 TAXATION | | | |
| 17.1 | The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.3 and 16.2), no provision for taxation has been made in these financial statements. | | |
| 18 TOTAL EXPENSE RATIO | | | |
| Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 0.81% per annum (2021: 1.27% per annum). Total expense ratio (excluding government levies) is 0.74% per annum (2021: 1.02% per annum). | | | |
| 19 FINANCIAL INSTRUMENTS BY CATEGORY | | 30 June 2022 | |
| | | Amortised Cost | At Fair value through profit or loss |
| | | | ----- (Rupees in '000) |
| Assets | | | |
| Bank balances | | 33,577,976 | - |
| Investments | | 1,181,075 | 3,798,947 |
| Profit receivable | | 270,970 | - |
| Receivables from funds under management by Management Company against conversion of units | | 643,253 | - |
| Security deposit | | 100 | - |
| | | 35,673,374 | 3,798,947 |
| | | | 39,472,321 |

NBP FINANCIAL SECTOR INCOME FUND



Liabilities

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

Assets

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

Liabilities

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

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

- 20.1 Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding ten percent or more units of the Fund.
- 20.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 20.3 Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 20.4 The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:

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

NBP FINANCIAL SECTOR INCOME FUND



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

NBP FINANCIAL SECTOR INCOME FUND



2022 2021
----- (Rupees in '000) -----

Portfolios managed by NBP Funds

| | | |
|---|-----------|-----------|
| Dividend re-invested: 5,680,032 units (2021: 2,082,448) | 59,896 | 21,930 |
| Units issued: 310,429,751 units (2021: 202,093,673) | 3,275,819 | 2,131,311 |
| Units redeemed: 304,435,541 units (2021: 128,216,051) | 3,256,269 | 1,373,899 |
| Sale of T-Bill | 318,595 | - |

Persons holding directly or indirectly 10% or more of the units in issue / net assets of the Fund

Ibrahim Holdings Private Limited

| | | |
|---|-----------|-----------|
| Dividend re-invested: 75,621,448 units (2021: 25,595,887 units) | 797,411 | 269,525 |
| Units issued: 455,505,515 units (2021: 843,545,840 units) | 4,801,460 | 8,880,992 |
| Units redeemed: 414,180,000 units | 4,410,500 | - |

20.6 Amounts outstanding at year end

NBP Fund Management Limited - Management Company

| | | |
|---|--------|--------|
| Management remuneration payable | 6,630 | 18,018 |
| Sindh Sales Tax payable | 862 | 2,342 |
| Sales load and transfer load payable | 7,636 | 4,682 |
| Sindh Sales Tax on sales and transfer load | 993 | 609 |
| Reimbursement of selling and marketing expenses | 36,973 | 10,450 |
| Reimbursement of allocation of expenses related to registrar services, accounting, operation and valuation services | 11,242 | 13,062 |
| ADC charges including SST | 692 | 187 |
| Other payable | 169 | 169 |

Central Depository Company of Pakistan Limited - Trustee

| | | |
|---|-------|-------|
| Trustee remuneration | 2,481 | 2,610 |
| Sindh Sales Tax on Trustee remuneration | 323 | 339 |
| Security deposit | 100 | 100 |

National Bank of Pakistan - Parent of the Management Company

| | | |
|-----------------------------------|---------|-------|
| Balance in current account | 325 | 325 |
| Balance in savings account | 106,171 | 2,059 |
| Profit receivable on bank deposit | 439 | 9 |

Portfolios managed by NBP Funds

| | | |
|--|---------|---------|
| 83,693,548 units held (2021: 76,925,696 units) | 883,049 | 810,905 |
|--|---------|---------|

Fauji Fertilizer Company Limited (Common Directorship)*

| | | |
|---|-----------|-----------|
| Units held: 479,314,090 (2021: 755,615,367 units) | 5,057,243 | 7,965,244 |
|---|-----------|-----------|

Hub Power Holding Limited (Common Directorship)*

| | | |
|----------------------------|---|-----|
| Interest Income receivable | - | 222 |
|----------------------------|---|-----|

Hub Power Company Limited - Sukuk (Common Directorship)*

| | | |
|----------------------------|---|--------|
| Interest Income receivable | - | 15,333 |
|----------------------------|---|--------|

Khushhali Microfinance Bank Limited (Common Directorship)

| | | |
|----------------------------|------------|-----------|
| Bank Balance | 34,022,719 | 1,076,055 |
| Interest income receivable | 44,436 | 6,748 |

NBP FINANCIAL SECTOR INCOME FUND



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

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

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

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

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

NBP FINANCIAL SECTOR INCOME FUND



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

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

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

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

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

23 PATTERN OF UNIT HOLDING

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

As at 30 June 2021

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

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

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

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

25 FINANCIAL RISK MANAGEMENT

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

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

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

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

25.1 Market risk

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

Management of market risk

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

25.1.1 Currency risk

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

25.1.2 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

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

(b) Sensitivity analysis for fixed rate instruments

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

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

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

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

NBP FINANCIAL SECTOR INCOME FUND



| | | 30 June 2021 | | | | |
|--|-------------------------------------|----------------------------------|--|--------------------|-------------------------------------|------------|
| | Effective yield / interest rate (%) | Exposed to yield / interest risk | | | Not exposed to Yield/ Interest risk | Total |
| | | Upto three months | More than three months and upto one year | More than one year | (Rupees in '000) | |
| On-balance sheet financial instruments | | | | | | |
| Financial Assets | | | | | | |
| Bank balances | 6.5% - 15.5% | 6,837,811 | - | - | 6,698 | 6,844,509 |
| Investments | 8.62% - 15.81% | 834,084 | - | 2,549,987 | - | 3,384,071 |
| Profit receivable | - | - | - | - | 101,295 | 101,295 |
| Receivables from fund under management by Management Company against conversion of units | - | - | - | - | 91,398 | 91,398 |
| Deposit | - | - | - | - | 100 | 100 |
| | | 7,671,895 | - | 2,549,987 | 199,491 | 10,421,373 |
| Financial liabilities | | | | | | |
| Payable to NBP Fund Management Limited - Management Company | - | - | - | - | 36,541 | 36,541 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | - | - | 698 | 698 |
| Payable against redemption / conversion of units | - | - | - | - | 147,006 | 147,006 |
| Payable against purchase of investment | - | - | - | - | 833,945 | 833,945 |
| Net Assets attributable to unit holder | 40,637,598 | - | - | - | - | 40,637,598 |
| Accrued expenses and other liabilities | - | - | - | - | 1,941 | 1,941 |
| | 40,637,598 | - | - | - | 1,020,131 | 41,657,729 |
| On-balance sheet gap | (32,965,703) | - | 2,549,987 | (820,640) | (31,236,356) | |
| Off-balance sheet financial instruments | - | - | - | - | - | - |
| Off-balance sheet gap | - | - | - | - | - | - |
| Total interest rate sensitivity gap | (32,965,703) | - | 2,549,987 | (820,640) | (31,236,356) | |
| Cumulative interest rate sensitivity gap | (32,965,703) | (32,965,703) | (30,415,716) | | | |

25.1.3 Price risk

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

25.2 Credit risk

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

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

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

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

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

25.3 Liquidity risk

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

Management of liquidity risk

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

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

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

Maturity analysis for financial liabilities

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

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

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

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

For valuation techniques for specific instruments, refer note 4.1.3.

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

NBP FINANCIAL SECTOR INCOME FUND



June 30, 2022

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

Financial assets not measured at fair value 26.1

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

Financial liabilities not measured at fair value 26.1

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

NBP FINANCIAL SECTOR INCOME FUND



June 30, 2021

| | Carrying value | | | | | Fair value | | |
|--|---|----------------------|--------------------------------|-------|---------|------------|---------|-------|
| | Fair value through profit or loss | At amortized cost | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | | | | | |

Financial assets measured at fair value

| | | | | | | | | |
|--|-----------|---|---|-----------|-----------|-----------|---|-----------|
| Investment in term finance certificates - listed | 1,864,533 | - | - | 1,864,533 | - | 1,864,533 | - | 1,864,533 |
| Investment in term finance certificates - unlisted | 2,073,174 | - | - | 2,073,174 | - | 2,073,174 | - | 2,073,174 |
| Treasury Bills | 238,739 | - | - | 238,739 | - | 238,739 | - | 238,739 |
| Equity Securities - listed (Spread transactions) | 1,973,718 | | | 1,973,718 | 1,973,718 | - | - | 1,973,718 |
| | 6,150,164 | - | - | 6,150,164 | 1,973,718 | 4,176,446 | - | 6,150,164 |

Financial assets not measured at fair value 26.1

| | | | |
|--|---|------------|------------|
| Term trade receipt | - | 2,000,000 | 2,000,000 |
| Certificate of investments | - | 3,000,000 | 3,000,000 |
| Bank balances | - | 29,289,389 | 29,289,389 |
| Receivable against Margin Trading System | - | 107,127 | 107,127 |
| Profit receivables | | 302,360 | 302,360 |
| Receivables from fund under management by Management Company against conversion of units | - | 67,366 | 67,366 |
| Deposit | - | 100 | 100 |
| | - | 34,766,342 | 34,766,342 |

Financial liabilities not measured at fair value 26.1

| | | | | |
|---|---|---|------------|------------|
| Payable to NBP Fund Management Limited - Management Company | - | - | 49,519 | 49,519 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | 2,949 | 2,949 |
| Payable against redemption / conversion of units | - | - | 28,751 | 28,751 |
| Net assets attributable to unit holders | - | - | 40,637,598 | 40,637,598 |
| Accrued expenses and other liabilities | - | - | 8,782 | 8,782 |
| | - | - | 90,001 | 40,727,599 |

- 26.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.
- 26.2** Financial instruments not measured at FVTPL include Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

28 DATE OF AUTHORISATION FOR ISSUE

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

PERFORMANCE TABLE

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

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

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