

NBP FINANCIAL SECTOR FUND

HALF YEARLY REPORT
DECEMBER 31, 2021

AM1
Rated by PACRA



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

MCB Bank Limited
JS Bank Limited
Meezan Bank Limited
Habib Bank Limited
United Bank Limited
Bank Al Habib Limited
Allied Bank Limited
Bankislami Pakistan Limited
National Bank of Pakistan



Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed financial statements of **NBP Financial Sector Fund (NFSF)** for the half year ended December 31, 2021.

Fund's Performance

After impressive return in FY21, the 1HFY22 has remained lackluster for the stock market in terms of performance. The market oscillated in a narrow range during the period, amid thin volumes, showing lack of interest on part of investors and at period close, the benchmark KSE-100 index fell by around 2,760 points, translating into a decline of 5.8% during the period under review.

June period and September period results came in during 1H, whereby companies posted massive growth in profits along with healthy payouts. However, the market performance remained subdued which can be attributed to deterioration in key economic variables. Although the economic growth picked further steam during the year, the external vulnerabilities also came to the fore as aggregate domestic demand surged and the ongoing commodity super-cycle further exacerbated the external imbalances. Despite healthy growth in remittances and goods exports, which surged by 11.3% and 29% respectively, import bill rose massively by 57% on a YoY basis, and current account deficit clocked in at USD 9.1bn. For the same reason, PKR remained under duress and depreciated by a significant 12% during the period. Both these factors caused uncertainty in terms of outlook, as investors weighed the impact on margins and corporate profitability going forward. Monthly inflation reading also kept creeping up and average inflation stood at around 9.8% for the period under review. To compress both the external imbalances and the high inflation, the central bank resorted to monetary tightening during the period as Policy Rate was raised by a cumulative 2.75% in the 1H. Inordinate delay in the resumption of the IMF program, which is on hiatus since March-21, was another reason for uneasiness in the market. Lastly, the downgrade of Pakistan from the MSCI Emerging Market to MSCI Frontier Market also took place during the period, necessitating rebalancing on part of foreign investors that resulted in sizeable foreign outflows during the period, which further dented the stock market performance.

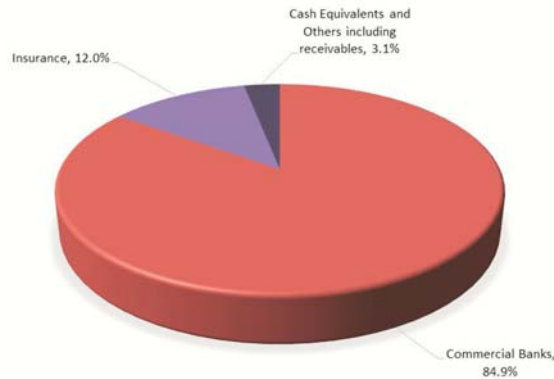
On the positive side, Roshan Digital Account (RDA) continued to grow with vigour, as cumulative flows stood at USD 3.2 billion at Dec-21 (net inflows of around USD 1.6bn in 1HFY22). The country also received around USD 2.75bn from IMF under its new Special Drawing Rights (SDR) allocation, under its historic funding of USD 650bn for the developing and developed member countries. In addition to it, the country was able to secure USD 4.2 billion support package from Saudi Arabia, which involved USD 3 billion deposit with SBP and the remaining as oil supplies on deferred payments during the year.

Looking at the sector wise performance of the market, Automobile Assemblers, Chemicals, Commercial Banks, Fertilizers, Food & Personal Care, Glass & Ceramics, Oil & Gas Exploration, Power Generation & Distribution, and Textile Composite sectors outperformed the market, while Auto Parts & Accessories, Cable & Elec. Goods, Cements, Engineering, Insurance, Oil & Gas Marketing, Paper & Board, Pharmaceuticals, Refinery, Technology & Communication, and Vanaspati sectors lagged the market. In terms of participant-wise activity, Individuals, Insurance, and Companies remained the largest buyers during the period with net inflows of USD 72 million, USD 66 million and USD 60 million, respectively. On the other hand, Foreigners were the largest sellers in the market with net outflows amounting to USD 250 million.

The size of NBP Financial Sector Fund has decreased from Rs. 445 million to Rs. 430 million during the period, i.e., a decrease of 3%. During the period, the unit price of NBP Financial Sector Fund (NFSF) has increased from Rs. 8.9014 on June 30, 2021 to Rs. 9.3824 on December 31, 2021, thus showing an increase of 5.4%. The Benchmark for the same period was decreased by 5.3%. Thus, the Fund has outperformed its Benchmark by 10.7% during the period under review. Since inception, the unit price of NBP Financial Sector Fund has decreased from Rs. 9.6486 (Ex-Div) on February 14, 2018 to Rs. 9.3824 on December 31, 2021, thus showing a decrease of 2.8%. The Benchmark for the same period was increased by 2.3%. Thus, the Fund has underperformed its Benchmark by 5.1% during the period under review. This performance is net of management fee and all other expenses. During August 2021, provisioning against Sindh Workers' Welfare Fund has been reversed. The reversal of provision has contributed towards an unusual increase in NAV of the Fund. This is one-off event and shall not be repeated in the future.

The Fund has earned a total income of Rs. 33.14 million during the period. After deducting total expenses of Rs. 10.64 million, the net income is Rs. 22.50 million. The asset allocation of the Fund as on December 31, 2021 is as follows:

The asset allocation of the Fund as on December 31, 2021 is as follows:



NFSF Performance versus Benchmark



Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **February 23, 2022**
 Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈز مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز زبردست 31 دسمبر 2021ء کو ختم ہونے والی ششماہی کے لئے NBP فنانسینشل سیکٹرز فنڈ (NFSF) کے جائزہ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

FY21 میں متاثر کن منافع کے بعد، 1HFY22 کارکردگی کے لحاظ سے اسٹاک مارکیٹ کے لئے غیر متاثر کن رہی۔ اس عرصہ کے دوران مارکیٹ میں گردش اتار چڑھاؤ رہا، معمولی حجم کے ساتھ، سرمایہ کاروں نے غیر دلچسپی کا مظاہرہ کیا اور مدت کے اختتام پر، بیچ مارک KSE-100 انڈیکس میں تقریباً 2,760 پوائنٹس کمی ہوئی، جس سے زبردست مدت کے دوران 5.8 فیصد کمی واقع ہوئی۔

جون اور ستمبر کی مدت کے نتائج پہلی ششماہی کے دوران آئے، جس کے تحت کمپنیوں نے زبردست منافع کے ساتھ اچھا عبوری منافع دیا۔ تاہم، مارکیٹ کی کارکردگی کم رہی، جس کی وجہ اہم اقتصادی متغیرات میں بگاڑ کو قرار دیا جاسکتا ہے۔ اگرچہ سال کے دوران معاشی نمو مزید تیز ہو گئی، تاہم مجموعی مقامی طلب میں اضافے اور اجناس کے جاری سپرائیکل کے باعث بیرونی عدم توازن مزید بڑھ جانے کی وجہ سے بیرونی دباؤ بھی سامنے آیا۔ ترسیلات زر اور سامان کی برآمدات میں بہتر نمونے کا وجود، جس میں بالترتیب 11.3% اور 29% کا اضافہ ہوا، درآمدی بل میں سالانہ بنیادوں پر 57% کا مجموعی اضافہ ہوا، اور کرنٹ اکاؤنٹ خسارہ 9.1 بلین امریکی ڈالر تک پہنچ گیا۔ اسی وجہ سے، پاکستانی روپیہ دباؤ میں رہا اور اس مدت کے دوران قدر میں نمایاں طور پر 12% کمی واقع ہوئی۔ یہ دونوں عوامل مجموعی نقطہ نظر کے لحاظ سے غیر مثبت صورتحال کا باعث بنے، کیونکہ سرمایہ کاروں نے مستقبل میں مارجن اور کارپوریٹ منافع پر اثر کو اہمیت دی۔ ماہانہ افراط زر کی شرح میں بھی اضافہ ہوتا رہا اور زبردست مدت میں اوسط افراط زر تقریباً 9.8 فیصد رہا۔ بیرونی عدم توازن اور بلند افراط زر دونوں کو کم کرنے کے لیے، مرکزی بینک نے اس عرصے کے دوران مالیاتی سختی کا سہارا لیا کیونکہ پہلی ششماہی میں پالیسی شرح میں مجموعی طور پر 2.75% اضافہ کیا گیا۔ آئی ایم ایف پروگرام کے دوبارہ شروع ہونے میں غیر معمولی تاخیر، جو مارچ 21 سے قحط کا شکار ہے، مارکیٹ میں بے چینی کی ایک دوسری وجہ تھی۔ آخر میں، پاکستان کی MSCI اہم بین الاقوامی مارکیٹ سے MSCI فرینٹیر مارکیٹ میں تنزیل بھی اس عرصے کے دوران ہوئی، جس سے غیر ملکی سرمایہ کاروں کی جانب سے توازن بحال کرنے کی ضرورت پڑی جس کے نتیجے میں اس عرصہ کے دوران غیر معمولی بیرونی اخراج ہوا، جس نے اسٹاک مارکیٹ کی کارکردگی کو مزید نقصان پہنچایا۔

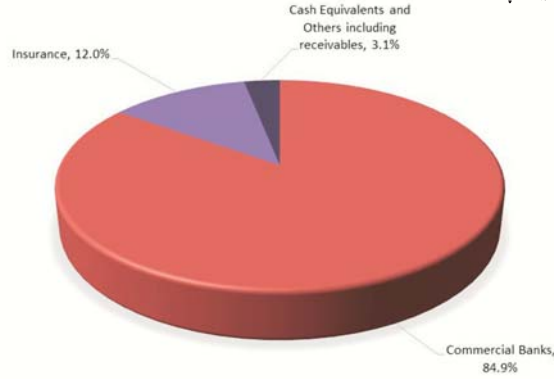
مثبت پہلو پر، روشن ڈیجیٹل اکاؤنٹ (RDA) تیزی سے بڑھتا رہا، جیسا کہ مجموعی آمد دسمبر 21 کو 3.2 بلین امریکی ڈالر (1HFY22) میں تقریباً 1.6 بلین امریکی ڈالر کی خالص آمد) رہا۔ ملک نے ترقی پذیر اور ترقی یافتہ رکن ممالک کے لیے 650 بلین امریکی ڈالر کی تاریخی فنڈنگ کے تحت اپنے نئے اسٹیشن ڈرائنگ رائٹس (SDR) کے تحت آئی ایم ایف سے تقریباً 2.75 بلین امریکی ڈالر وصول کیے۔ اس کے علاوہ، ملک سعودی عرب سے 4.2 بلین امریکی ڈالر درآمدی چیک حاصل کرنے میں کامیاب رہا، جس میں سے 3 بلین امریکی ڈالر SBP کے پاس ڈیپازٹ اور باقی سال کے دوران موخر ادا بیگیوں پر تیل کی سپلائی کے طور پر شامل تھا۔

مارکیٹ کی سیکٹرز وائز کارکردگی کے پیش نظر، آٹوموبائل اسمبلرز، کیمیکلز، کمرشل بینکس، کھادیں، خوراک اور ذاتی گھمڈاشت، گلاس اینڈ سٹریٹس، تیل و گیس ایکسپلوریشن، بجلی پیداوار، تقسیم کرنے، اور ٹیکسٹائل کمپوزٹ سیکٹرز نے مارکیٹ میں بہتر کارکردگی کا مظاہرہ کیا جبکہ آٹو پارٹس اور ایئر سیریز، کیمیکل اور الیکٹریک کا سامان، سینٹ، انجینئرنگ، انشورنس، تیل و گیس مارکیٹنگ، کاغذ اور بورڈ، دواسازی، ریفاٹریز، ٹیکنالوجی اور کمیونیکیشن، اور وینا سٹی کے شعبے مارکیٹ سے پیچھے رہ گئے۔ شراکت دار سرگرمی کے لحاظ سے، افراد، انشورنس، اور کمپنیاں زبردست مدت کے دوران بالترتیب 72 بلین امریکی ڈالر، 66 بلین امریکی ڈالر اور 60 بلین امریکی ڈالر کی خالص آمدنی کے ساتھ بڑے خریدار رہے۔ دوسری طرف، غیر ملکی 250 بلین امریکی ڈالر کے خالص اخراج کے ساتھ سب سے زیادہ فروخت کنندگان رہے۔

NBP فنانسینشل سیکٹرز فنڈ (NFSF) کا فنڈ سائز اس مدت کے دوران 445 ملین روپے سے کم ہو کر 430 ملین روپے ہو گیا، یعنی 3% کمی ہوئی۔ اس مدت کے دوران، NBP فنانسینشل سیکٹرز فنڈ (NFSF) کے پورٹ کی قیمت 30 جون 2021 کو 8.9014 روپے سے بڑھ کر 31 دسمبر 2021ء کو 9.3824 روپے ہو چکی ہے، لہذا 5.4% کا اضافہ ہوا۔ اسی مدت کے دوران بیچ مارک میں 5.3% کمی ہوئی۔ لہذا فنڈ نے زبردست مدت کے دوران اپنے بیچ مارک سے 10.7% بہتر کارکردگی دکھائی۔ اپنے قیام 14 فروری 2018 سے اب تک فنڈ کے پورٹ کی قیمت 9.6486 روپے (Ex-Div) سے کم ہو کر 31 دسمبر 2021ء کو 9.3824 روپے ہو گئی، لہذا 2.8% کمی ہوئی ہے۔ اسی مدت کے لئے بیچ مارک میں 2.3% کا اضافہ ہوا۔ لہذا، زبردست مدت کے دوران فنڈ کی کارکردگی اپنے بیچ مارک سے 15.1% بہتر رہی۔ یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ اگست 2021 کے دوران، سندھ ورکرز ویلفیئر فنڈ کی پروویڈنٹ رپورٹس کردی گئی۔ اس پروویڈنٹ کے پورسل کے باعث فنڈ کی NAV میں غیر معمولی اضافہ ہوا۔ یہ ایک ایسا موقع ہے جس کا مستقبل میں دوبارہ آنے کا امکان نہیں ہے۔

NBP فنانسینشل سیکٹرز فنڈ نے موجودہ مدت کے دوران 33.14 ملین روپے کی کل آمدنی ہوئی۔ 10.64 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 22.50 ملین روپے ہے۔

31 دسمبر 2021 کے مطابق فنڈ کی ایسٹ ایلوکیشن حسب ذیل ہے:



NFSF کی کارکردگی بمقابلہ بیچ مارک



اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 23 فروری 2022ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) 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 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 six months period ended December 31, 2021 in accordance with the provisions of the following:

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

Badiuddin Akber

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, February 25, 2022



INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNITHOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NBP Financial Sector Fund** (the Fund) as at December 31, 2021 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the half year ended December 31, 2021, together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial statements'). The Management Company (NBP Fund Management Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures included in the condensed interim income statement for the quarter ended December 31, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 28, 2022

Karachi



CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2021

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
Note	----- (Rupees in 000) -----	
ASSETS		
Bank balances	4 11,702	13,827
Investments	5 416,998	434,858
Profit receivable	100	85
Deposits and other receivables	2,962	2,948
Receivable against sale of units	2,327	-
Preliminary expenses and floatation costs	6 746	1,084
Total assets	434,835	452,802
LIABILITIES		
Payable to NBP Fund Management Limited - the Management Company	7 3,187	3,066
Payable to Central Depository Company of Pakistan Limited - the Trustee	85	85
Payable to the Securities and Exchange Commission of Pakistan	8 45	112
Payable against redemption of units	726	-
Accrued expenses and other liabilities	9 547	4,354
Total liabilities	4,590	7,617
NET ASSETS	<u>430,245</u>	<u>445,185</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	<u>430,245</u>	<u>445,185</u>
CONTINGENCIES AND COMMITMENTS	10	
	----- Number of units -----	
NUMBER OF UNITS IN ISSUE	<u>45,856,599</u>	<u>50,012,837</u>
	----- Rupees -----	
NET ASSET VALUE PER UNIT	11 <u>9.3824</u>	<u>8.9014</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021

	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	2021	2020
INCOME	(Rupees in 000)			
Profit on bank balances	358	827	235	370
Dividend income	14,681	7,588	4,443	7,588
	15,039	8,415	4,678	7,958
Gain on sale of investments - net	2,598	20,351	2,522	10,342
Unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	5.1.3 12,807	102,874	13,931	9,182
	15,405	123,225	16,453	19,524
Total income	30,444	131,640	21,131	27,482
EXPENSES				
Remuneration of NBP Fund Management Limited - the Management Company	7.1 3,381	4,884	1,693	2,363
Sindh sales tax on remuneration of the Management Company	7.2 439	635	220	307
Reimbursement of allocated expenses	7.3 435	382	225	214
Reimbursement of selling and marketing expenses	7.4 4,570	5,333	2,313	2,812
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	451	651	226	315
Sindh sales tax on remuneration of the Trustee	59	85	30	41
Annual fee to the Securities and Exchange Commission of Pakistan	8.1 45	65	22	31
Securities transaction cost	180	333	145	139
Auditors' remuneration	280	430	119	284
Amortisation of preliminary expenses and floatation costs	6.1 338	337	169	168
Annual listing fee	14	13	7	8
Printing charges	37	90	19	89
Legal and professional charges	239	83	193	63
Settlement and bank charges	173	201	72	121
Total operating expenses	10,641	13,522	5,453	6,955
Net income from operating activities	19,803	118,118	15,678	20,527
Reversal of provision / (provision against) Sindh Workers' Welfare Fund - net	9.1 2,695	(2,362)	-	(410)
Net income for the period before taxation	22,498	115,756	15,678	20,117
Taxation	12 -	-	-	-
Net income for the period after taxation	22,498	115,756	15,678	20,117
Earnings per unit	13			
Allocation of net income for the period				
Net income for the period after taxation	22,498	115,756	15,678	20,117
Income already paid on units redeemed	(2,365)	(18,070)	(1,948)	(8,558)
	20,133	97,686	13,730	11,559
Accounting income available for distribution				
- Relating to capital gains	15,405	97,686	13,730	11,559
- Excluding capital gains	4,728	-	-	-
	20,133	97,686	13,730	11,559

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021

	Half year ended December 31,		Quarter ended, December 31,	
	2021	2020	2021	2020
	----- (Rupees in 000) -----			
Net income for the period after taxation	22,498	115,756	15,678	20,117
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>22,498</u>	<u>115,756</u>	<u>15,678</u>	<u>20,117</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

	For the half year ended December 31, 2021			For the half year ended December 31, 2020		
	Capital value	Accumulated losses	Total	Capital value	Accumulated losses	Total
----- (Rupees in 000) -----						
Net assets at the beginning of the period (audited)	672,914	(227,729)	445,185	851,377	(272,980)	578,397
Issue of 12,325,362 units (2020: 13,955,529 units)						
- Capital value (at ex-net asset value per unit)	109,713	-	109,713	106,744	-	106,744
- Element of income	8,201	-	8,201	10,357	-	10,357
Total proceeds on issuance of units	117,914	-	117,914	117,101	-	117,101
Redemption of 16,481,600 units (2020: 23,348,264 units)						
- Capital value (at ex-net asset value per unit)	(146,709)	-	(146,709)	(178,589)	-	(178,589)
- Element of loss	(6,278)	(2,365)	(8,643)	(7,468)	(18,070)	(25,538)
Total payments on redemption of units	(152,987)	(2,365)	(155,352)	(186,057)	(18,070)	(204,127)
Total comprehensive income for the period	-	22,498	22,498	-	115,756	115,756
Net assets at the end of the period (un-audited)	637,841	(207,596)	430,245	782,421	(175,294)	607,127
Accumulated losses brought forward						
- Realised loss		(277,812)			(124,931)	
- Unrealised income / (loss)		50,083			(148,049)	
		(227,729)			(272,980)	
Accounting income available for distribution						
- Relating to capital gains	15,405			97,686		
- Excluding capital gains	4,728			-		
	20,133			97,686		
Accumulated losses carried forward		(207,596)			(175,294)	
Accumulated losses carried forward						
- Realised loss		(220,403)			(278,168)	
- Unrealised income		12,807			102,874	
		(207,596)			(175,294)	
			(Rupees)			(Rupees)
Net asset value per unit at the beginning of the period			8.9014			7.6489
Net asset value per unit at the end of the period			9.3824			9.1675

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

	Half year ended	
	2021	2020
Note	(Rupees in 000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	22,498	115,756
Adjustments		
Profit on bank balances	(358)	(827)
Dividend income	(14,681)	(7,588)
Unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	5.1.3 (12,807)	(102,874)
(Reversal of provision) / provision against Sindh Workers' Welfare Fund - net	9.1 (2,695)	2,362
Amortisation of preliminary expenses and floatation costs	6.1 338	337
	(7,705)	7,166
Decrease / (increase) in assets		
Investments - net	30,667	67,672
Deposits and other receivable	(14)	(13)
	30,653	67,659
Increase / (decrease) in liabilities		
Payable to NBP Fund Management Limited - the Management Company	121	(511)
Payable to Central Depository Company of Pakistan Limited - the Trustee	-	11
Payable to the Securities and Exchange Commission of Pakistan	(67)	(87)
Accrued expenses and other liabilities	(1,112)	88
	(1,058)	(499)
Dividend income received	14,681	7,588
Profit received on bank balances	343	795
Net cash generated from operating activities	36,914	82,709
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts against issuance of units	115,587	116,669
Net payments against redemption of units	(154,626)	(204,127)
Net cash used in financing activities	(39,039)	(87,458)
Net decrease in cash and cash equivalents during the period	(2,125)	(4,749)
Cash and cash equivalents at the beginning of the period	13,827	22,750
Cash and cash equivalents at the end of the period	4 11,702	18,001

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THESE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Financial Sector Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on January 10, 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 29, 2018.

During the year ended June 30, 2021 the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on October 26, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (SECP). The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended equity scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription under pre - IPO at a par value of Rs 10 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from February 7, 2018 and are transferable and redeemable by surrendering them to the Fund.

The objective of the Fund is to provide investors with long-term capital growth from an actively managed portfolio of listed equities belonging to the financial sector. The investment objectives and policies are explained in the Fund's offering document.

The Pakistan Credit Rating Agency (PACRA) has reaffirmed the asset manager rating of the Management Company of AM1 (2021: AM1) on June 23, 2021. The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.

The 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', 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 VIII A of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.



Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

2.2 The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS 34. These condensed interim financial statements do not include all the information and disclosures required in a full set of the financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2021.

2.3 In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that these condensed interim financial statements give a true and fair view of the state of the Fund's affairs as at and for the half year ended December 31, 2021.

3 SUMMARY OF SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2021.

3.2 The preparation of these condensed interim financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. In preparing these condensed interim financial statements, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those applied in the annual audited financial statements as at and for the year ended June 30, 2021. The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended June 30, 2021.

3.3 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are effective in the current period:

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

3.4 Standards, interpretations and amendments to the accounting and reporting standards as applicable in Pakistan that are not yet effective:

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2022. However, these will not have any significant effects on the Fund's operations and are, therefore, not detailed in these condensed interim financial statements.

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
	Note	----- (Rupees in 000) -----	
4 BANK BALANCES			
Savings accounts	4.1	11,702	13,636
Current accounts		-	191
		<u>11,702</u>	<u>13,827</u>

4.1 These include balances of Rs 0.632 million (June 30, 2021: Rs 7.570 million) and Rs 0.106 million (June 30, 2021: Rs 0.106 million) maintained with BankIslami Pakistan Limited and National Bank of Pakistan (related



parties) that carry profit at the rate of 10.2% per annum (June 30, 2021: 6.8% per annum) and 2% per annum (June 30, 2021: 4.5% per annum) respectively. Other savings accounts of the Fund carry profit rates ranging from 6.5% to 10.2% per annum (June 30, 2021: 4.5% to 8% per annum).

		(Un-audited)	(Audited)
		December	June 30,
		31, 2021	2021
5	INVESTMENTS	Note	(Rupees in 000)
	At fair value through profit or loss		
	Quoted equity securities	5.1	416,998 434,858

5.1 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs 10 each unless stated otherwise.

Name of the Investee Company	As at July 1, 2021	Purchased during the period	Bonus / right shares received during the period	Sold during the period	As at December 31, 2021	Market value as at December 31, 2021	Market value as a percentage of net assets of the Fund	Market value as a percentage of total market value of investments of the Fund	Holding as a percentage of paid-up capital of investee company
INSURANCE									
IGI Holdings Limited	109,900	-	-	-	109,900	16,884	3.92%	4.05%	0.08%
Adamjee Insurance Company Limited	1,117,000	-	-	246,000	871,000	34,840	8.10%	8.35%	0.25%
						51,724	12.02%	12.40%	0.33%
COMMERCIAL BANKS									
Allied Bank Limited	230,500	-	-	72,000	158,500	13,040	3.03%	3.13%	0.01%
Askari Bank Limited	605,000	-	-	143,000	462,000	10,173	2.36%	2.44%	0.04%
Bank Alfalah Limited [note 5.1.1]	1,323,350	281,000	-	153,500	1,450,850	50,199	11.67%	12.04%	0.08%
Bank Al Habib Limited	871,500	31,383	-	53,500	849,383	58,616	13.62%	14.06%	0.08%
The Bank of Punjab [note 5.1.1]	1,059,500	-	-	285,000	774,500	6,560	1.52%	1.58%	0.03%
Faysal Bank Limited [note 5.1.2]	982,875	245,500	-	20,000	1,208,375	27,793	6.46%	6.67%	0.08%
MCB Bank Limited [note 5.1.1]	139,700	-	-	57,700	82,000	12,575	2.92%	3.01%	0.01%
Meezan Bank Limited	237,305	17,500	35,595	57,800	232,600	31,194	7.25%	7.48%	0.01%
National Bank of Pakistan - a related party	-	83,000	-	-	83,000	2,865	0.67%	0.68%	0.00%*
United Bank Limited [note 5.1.1]	550,351	21,000	-	96,500	474,851	64,855	15.07%	15.55%	0.04%
Habib Metropolitan Bank Limited	379,000	30,500	-	-	409,500	17,539	4.08%	4.21%	0.04%
Habib Bank Limited [note 5.1.1]	611,181	53,500	-	65,600	599,081	69,865	16.24%	16.75%	0.04%
						365,274	84.90%	87.60%	0.46%
Total as at December 31, 2021 (un-audited)						416,998	96.92%	100.00%	0.79%
Carrying value as at December 31, 2021 (un-audited)						404,191			
Market value as at June 30, 2021 (audited)						434,858			
Carrying value as at June 30, 2021 (audited)						384,775			

* Nil value due to rounding off difference



- 5.1.1** Investments include shares with a market value of Rs 91.418 million (June 30, 2021: Rs 98.023 million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.
- 5.1.2** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance, 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including the bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the Sindh High Court, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance, 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Sindh High Court in favour of CISs.

During the year ended June 30, 2018, the Supreme Court of Pakistan (SCP) passed a judgment on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended June 30, 2019. During the year ended June 30, 2020, the CISs filed a fresh constitutional petition via CP 4653 dated July 11, 2019 in the Sindh High Court. In this regard, on July 15, 2019, the Sindh High Court issued notices to the relevant parties and ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Fund has included these shares in its portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 which required every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

The following bonus shares of the Fund have been withheld by Faysal Bank Limited at the time of declaration of bonus shares.

Name of the investee company	(Un-audited)		(Audited)	
	December 31, 2021		June 30, 2021	
	Bonus shares		Bonus shares	
	Number of shares	Market value	Number of shares	Market value
	(Rupees in 000)		(Rupees in 000)	
Faysal Bank Limited	14,494	333	14,494	246

5.1.3 Unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	Note	(Un-audited)	(Audited)
		December 31, 2021	June 30, 2021
		(Rupees in 000)	
Market value of investments	5.1	416,998	434,858
Less: carrying value of investments	5.1	(404,191)	(384,775)
		<u>12,807</u>	<u>50,083</u>



		(Un-audited) December 31, 2021	(Audited) June 30, 2021
6 PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	----- (Rupees in 000) -----	
At the beginning of the period / year		1,084	1,755
Less: amortisation during the period / year		(338)	(671)
At the end of the period / year	6.1	746	1,084

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

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
7 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY - RELATED PARTY	Note	----- (Rupees in 000) -----	
Management fee payable	7.1	561	562
Sindh sales tax payable on remuneration of the Management Company	7.2	73	73
Reimbursement of allocated expenses payable	7.3	226	167
Reimbursement of selling and marketing expenses payable	7.4	2,313	2,220
Sales load and transfer load payable		12	39
Sindh sales tax payable on sales load and transfer load		2	5
		3,187	3,066

7.1 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 the rate of 1.5% of average daily net assets during the current period (June 30, 2021: 1.5% of average daily net assets). The remuneration is payable to the Management Company in arrears.

7.2 During the period, an amount of Rs. 0.439 million (December 31, 2020: Rs. 0.635 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 @ 13% (December 31, 2020: 13%).

7.3 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 under the following rates:

Rate applicable from July 1, 2021 to July 24, 2021	Rate applicable from July 25, 2021 to December 31, 2021	Rate applicable from July 1, 2020 to October 26, 2020	Rate applicable from October 27, 2020 to December 31, 2020
0.15% of average annual net assets	0.2% of average annual net assets	0.1% of average annual net assets	0.15% of average annual net assets

7.4 In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company based on its own discretion has charged selling and marketing expenses at the following rates keeping in view the overall return and the total expense ratio limit of the Fund as defined under the NBFC Regulations, 2008.



Rate applicable from July 1, 2021 to September 19, 2021	Rate applicable from September 20, 2021 to December 31, 2021	Rate applicable from July 1, 2020 to October 26, 2020	Rate applicable from October 27, 2020 to January 25, 2021	Rate applicable from January 26, 2021 to June 30, 2021
2% per annum of average daily net assets	2.05% per annum of average daily net assets	1.5% per annum of average daily net assets	1.9% per annum of average daily net assets	2% per annum of average daily net assets

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
8 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	----- (Rupees in 000) -----	
Annual fee payable	8.1	<u>45</u>	<u>112</u>

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

		(Un-audited) December 31, 2021	(Audited) June 30, 2021
9 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	----- (Rupees in 000) -----	
Provision for Sindh Workers' Welfare Fund	9.1	-	2,695
Auditors' remuneration payable		214	458
Printing charges payable		44	53
Brokerage fee payable		68	19
Legal and professional charges payable		30	97
Withholding tax payable		11	870
Capital gain tax payable		72	43
Bank charges payable		59	67
Settlement charges payable		49	52
		<u>547</u>	<u>4,354</u>

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

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



SWWF amounting to Rs. 2.695 million recognised in these condensed interim financial statements of the Fund, for the period from January 29, 2018 to August 12, 2021, on August 13, 2021. The SECP also gave its concurrence for prospective reversal of provision for SWWF. Going forward, no provision for SWWF has been recognised in these condensed interim financial statements of the Fund.

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2021 and June 30, 2021.

11 NET ASSET VALUE PER UNIT

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

12 TAXATION

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

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

13 EARNINGS PER UNIT

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

14 TOTAL EXPENSE RATIO

The annualised total expense ratio (TER) of the Fund based on the current period is 4.48% (December 31, 2020: 4.88%) which includes 0.24% (December 31, 2020: 0.97%) representing government levy including sales tax and the SECP fee. The prescribed limit for the ratio is 4.5% (December 31, 2020: 4.5%) (excluding government levies) under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

15 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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



- 15.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 15.5 Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 15.6 Details of transactions with related parties / connected persons during the period are as follows:

	----- (Un-audited) -----	
	Half year ended	
	December 31,	
	2021	2020
	----- (Rupees in 000) -----	
NBP Fund Management Limited - the Management Company		
Remuneration of NBP Fund Management Limited - the Management Company	3,381	4,884
Sindh sales tax on remuneration of the Management Company	439	635
Sales load and transfer load	12	128
Sindh sales tax on sales load and transfer load	2	17
Reimbursement of allocated expenses	435	382
Reimbursement of selling and marketing expenses	4,570	5,333
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	451	651
Sindh sales tax on remuneration of the Trustee	59	85
Settlement charges	3	10
Employees of the Management Company		
Units issued during the period - 3,449,020 units (2020: 1,164,210 units)	33,849	10,353
Units redeemed during the period - 3,279,454 units (2020: 863,794 units)	31,879	7,723
National Bank of Pakistan - Parent of Management Company		
Shares purchased during the period - 83,000 shares (2020: Nil)	2,972	-
Shares sold during the period - Nil (2020: 283,500 shares)	-	10,154
BankIslami Pakistan Limited - common directorship		
Profit on bank balances	96	213
Portfolio managed by the Management Company		
Units issued during the period - Nil (2020: 10,830 units)	-	96
Units redeemed during the period - Nil (2020: 5,752,102 units)	-	52,548
Taurus Securities Limited - subsidiary of parent		
Brokerage expense	18	18
United Bank Limited - unit holder with more than 10% holding		
Shares purchased during the period - 21,000 shares (2020: 108,000 shares)	2,993	11,495
Shares sold during the period - 96,500 shares (2020: 132,000 shares)	12,930	14,841
Dividend income	4,260	-



----- (Un-audited) -----
Half year ended
December 31,
2021 **2020**
 ----- (Rupees in 000) -----

Pakistan Stock Exchange Limited - common directorship*

Listing fee paid	-	25
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National Clearing Company of Pakistan Limited (NCCPL) - common directorship

NCCPL charges	159	159
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* Current year figure has not been presented as the person is not classified as a related party / connected person of the Fund as at December 31, 2021.

15.7 Amounts / balances outstanding as at period / year end are as follows:

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	----- (Rupees in 000) -----	

NBP Fund Management Limited - the Management Company

Management fee payable	561	562
Sindh sales tax payable on remuneration of the Management Company	73	73
Sales load and transfer load payable	12	39
Sindh sales tax payable on sales load and transfer load	2	5
Reimbursement of selling and marketing expenses payable	2,313	2,220
Reimbursement of allocated expenses payable	226	167

Central Depository Company of Pakistan Limited - the Trustee

Trustee fee payable	75	75
Sindh sales tax payable on trustee fee	10	10
Security deposit	100	100
Settlement charges payable	20	26

Employees of the Management Company

Units held - 712,859 units (June 30, 2021: 553,277 units)	6,688	4,925
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National Bank of Pakistan Limited - Parent of Management Company

Bank balances	106	106
Shares held - 83,000 shares (June 30, 2021: Nil)	2,865	-

BankIslami Pakistan Limited - common directorship

Bank balances	631	7,570
Profit receivable	31	28

Omer Farooq Kabir Sheikh - unit holder with more than 10% holding

Units held - 5,711,105 units (June 30, 2021: 5,711,105 units)	53,584	50,837
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Portfolio managed by the Management Company

Units held - 33,193 units (June 30, 2021: 33,193 units)	311	295
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	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	----- (Rupees in 000) -----	
United Bank Limited - unit holder with more than 10% holding		
Units held - 25,842,766 units (June 30, 2021: 25,842,766 units)	242,467	230,037
Shares held - 474,851 shares (June 30, 2021: 550,351 shares)	64,855	67,835
National Clearing Company of Pakistan Limited - common directorship		
Settlement charges payable	29	26
Security deposit	2,500	2,500
15.8	Other balances due to / from related parties / connected persons are included in the respective notes to these condensed interim financial statements.	

16 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. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

16.1 Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2021 and June 30, 2021 the Fund held the following financial instruments measured at fair value.

	----- Un-audited -----			
	----- As at December 31, 2021 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in 000) -----			
At fair value through profit or loss				
Listed equity securities	416,998	-	-	416,998
	=====	=====	=====	=====
	----- Audited -----			
	----- As at June 30, 2021 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in 000) -----			
At fair value through profit or loss				
Listed equity securities	434,858	-	-	434,858
	=====	=====	=====	=====



17 GENERAL

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

18 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on February 23, 2022.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Head Office

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