



# NBP FUNDS

*Managing Your Savings*

**AM1**

Rated by PACRA

## NAFA GOVERNMENT SECURITIES LIQUID FUND

**ANNUAL  
REPORT  
2018**



## MISSION STATEMENT

To rank in the top quartile  
in performance of  
**NBP FUNDS**  
relative to the competition,  
and to consistently offer  
Superior risk-adjusted returns to investors.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## FUND'S INFORMATION

### Management Company

**NBP Fund Management Limited - Management Company**

### Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Mr. Wajahat Rasul Khan	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Humayun Bashir	Member

### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tariq Jamali	Member
Mr. Shehryar Faruque	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member

### Trustee

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

### Bankers to the Fund

Askari Bank Limited  
Bank Alfalah Limited  
National Bank of Pakistan  
Allied Bank Limited  
Faysal Bank Limited  
MCB Bank Limited  
Bank Al Habib Limited  
Habib Bank Limited  
Summit Bank Limited  
Sindh Bank Limited  
United Bank Limited  
JS Bank Limited  
Samba Bank Limited  
Zarai Taraqiati Bank Limited  
Habib Metropolitan Bank Pakistan Limited  
Soneri Bank Limited  
Meezan Bank Limited

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## **Auditors**

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

## **Legal Advisor**

M/s Jooma Law Associates  
205, E.I. Lines, Dr. Daudpota Road,  
Karachi.

## **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.nbpffunds.com](http://www.nbpffunds.com)

## **Lahore Office:**

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

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, I-9/3 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:**

NBP City Branch, Hussain-a-Gahi, Multan.  
Phone No: 061-4502204  
Fax No: 061-4502203

## Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	10
FUND MANAGER REPORT	11
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	13
STATEMENT OF ASSETS AND LIABILITIES	16
INCOME STATEMENT	17
STATEMENT OF COMPREHENSIVE INCOME	18
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	19
CASH FLOW STATEMENT	20
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	21
PERFORMANCE TABLE	46

# Board of Directors



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Mudassir Husain Khan  
Chairman



Mr. Kamal Amir Chinoy  
Director



Mr. Humayun Bashir  
Director



Mr. Tariq Jamali  
Director



Mr. Shehryar Faruque  
Director



Dr. Foo Chiah Shiung (Kelvin Foo)  
Director



Mr. Abdul Hadi Palekar  
Director



Mr. Wajahat Rasul Khan  
Director



# Senior Management



Mr. Sajjad Anwar, CFA  
Chief Investment Officer



Dr. Amjad Waheed, CFA  
Chief Executive Officer



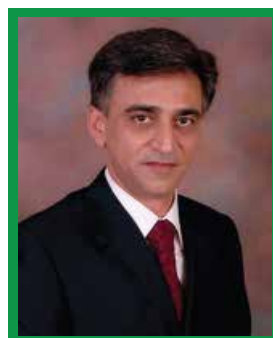
Mr. M. Murtaza Ali  
Chief Operating Officer  
& Company Secretary



Mr. Khalid Mehmood  
Chief Financial Officer



Mr. Samiuddin Ahmed  
Country Head Corporate  
Marketing



Mr. Ozair Khan  
Chief Technology Officer



Syed Rizwan Aziez  
Country Head Sales Strategy



Mr. Muhammad Ali, CFA, FRM  
Head of Fixed Income



Mr. Taha Khan Javed, CFA  
Head of Equity



Mr. Hassan Raza, CFA  
Head of Research



Syed Ali Azhar Hasani  
Head of Internal Audit



Mr. Salman Ahmed, CFA  
Head of Risk Management



Mr. Zaheer Iqbal - ACA, FPFA  
Head Of Operations



Mr. Raheel Rehman, ACA  
Head of Compliance



Mr. Shahbaz Umer  
Head of Human Resource &  
Administration

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Tenth Annual Report of **NAFA Government Securities Liquid Fund (NGSLF)** for the year ended June 30, 2018.

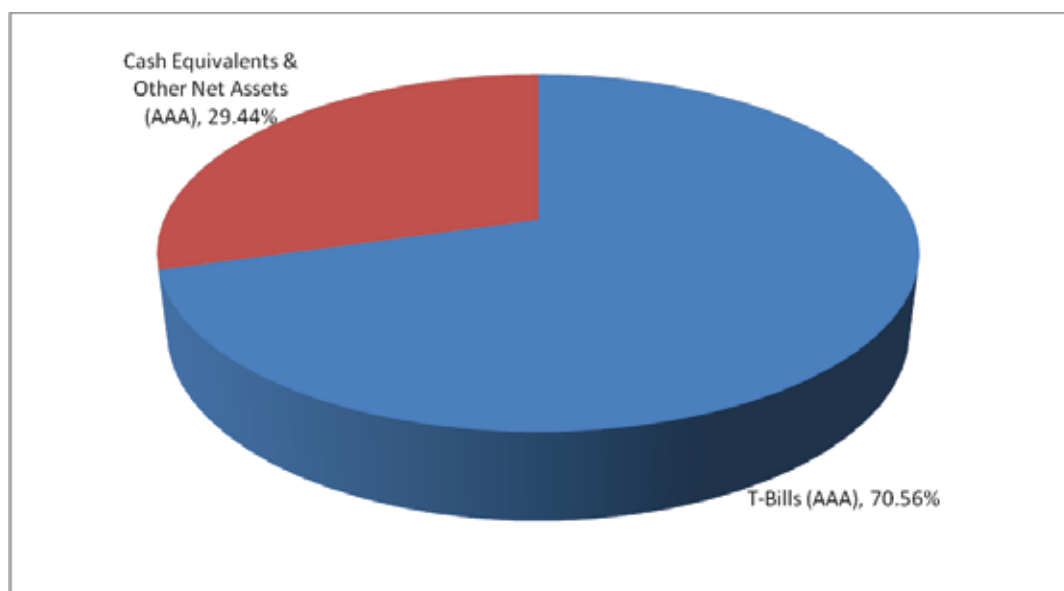
### Fund's Performance

The size of NAFA Government Securities Liquid Fund has increased from Rs. 4,598 million to Rs. 5,791 million during the period, i.e. an increase of 26%. During the said period, the unit price of the Fund has increased from Rs. 10.1614 on June 30, 2017 to Rs. 10.6986 on June 30, 2018, thus posting a return of 5.3% as compared to its Benchmark return of 5.4% for the same period. The return of the Fund is net of management fee and all other expenses.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. NGSLF is the largest Fund in Pakistan in this rating category. The rating reflects exceptionally strong credit and liquidity profile of the Fund. T-Bills are the major asset class of the Fund. Exposure of the Fund to credit, liquidity and interest rate risks are exceptionally low due a minimum 70% investment in Government securities (T-Bill) with average maturity of the overall portfolio at 45 days. The Fund is allowed to invest in AA & above rated Banks/DFIs with maximum maturity of six months.

During FY 2018, State Bank of Pakistan (SBP) held six (06) bi-monthly monetary policy reviews. During the first half, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipation of gain in exports due to improvement in domestic energy supplies and incentives given to exporting industry. However, in the latter half, the SBP increased the policy rate by 75 basis points to 6.5% in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD), preempt overheating of the economy, and rein in inflationary pressures. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills yields went up by 79 bps, 90 bps, and 116 bps, respectively.

The Fund has earned a total income of Rs. 307.14 million during the year. After deducting total expenses of Rs. 50.01 million, the net income is Rs. 257.13 million. The asset allocation of NAFA Government Securities Liquid Fund as on June 30, 2018 is as follows:





# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Income Distribution

The Management Company has approved cash dividend of 5.28% of opening ex-NAV (5.37% of the par value) subsequent to the year end.

## 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.

## Auditors

The present auditors, Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2019.

## Directors' Statement in Compliance with Code of Corporate Governance

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, as detailed in the listing regulations.
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 four meetings during the period. The attendance of all directors is disclosed in the note 21 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 20 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 17 to these financial statements.
13. The 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, 2018, the Board included:

# NAFA GOVERNMENT SECURITIES LIQUID FUND

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed – Chief Executive Officer
Non-Executive Directors	1. Mr. Mudassir Husain Khan (Chairman) 2. Mr. Tariq Jamali 3. Mr. Abdul Hadi Palekar 4. Mr. Wajahat Rasul Khan 5. Dr. FOO Chiah Shiung (Kelvin Foo)

## 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  
Date: September 05, 2018  
Place: Karachi.

Director

## ڈائریکٹرز رپورٹ

این بی پی فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA گورنمنٹ سیکیورٹیز لیکویڈ فنڈ (NGSLF) کی دسویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

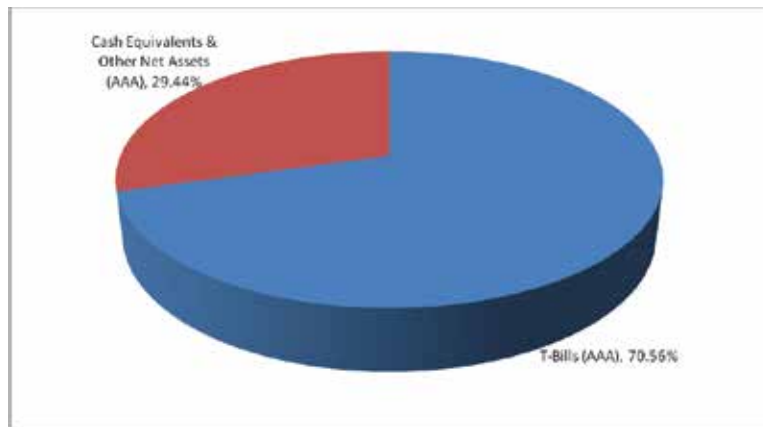
### فنڈ کی کارکردگی

NAFA گورنمنٹ سیکیورٹیز لیکویڈ فنڈ (NGSLF) کا فنڈ سائز اس مدت کے دوران 4,598 ملین روپے سے بڑھ کر 5,791 ملین روپے ہو گیا ہے، یعنی تقریباً 26% کا اضافہ۔ اس مدت کے دوران یونٹ کی قیمت 30 جون 2017 کو 10.1614 روپے سے بڑھ کر 30 جون 2018 کو 10.6986 روپے تک پہنچ چکی ہے، لہذا اسی مدت کے لیے فنڈ نے اپنے بینچ مارک منافع 5.4% کے مقابلے میں 5.3% منافع درج کرایا۔ فنڈ کا منافع منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NGSLF کو PACRA کی طرف سے دی گئی مستحکم ریٹنگ 'AAA(f)' ہے۔ NGSLF پاکستان میں اس ریٹنگ کیٹیگری میں سب سے بڑا فنڈ ہے۔ یہ ریٹنگ فنڈ کے غیر معمولی مستحکم کریڈٹ اور لیکویڈٹی پروفائل کی عکاسی کرتی ہے۔ T-بلز اس فنڈ کی بڑی ایسیٹ کلاس ہیں۔ مجموعی پورٹ فولیو کی 45 دن کی اوسط میچورٹی کے ساتھ گورنمنٹ سیکیورٹیز (T-بلز) میں کم از کم 70% سرمایہ کاری کے ساتھ فنڈ کے کریڈٹ، لیکویڈٹی اور انٹرسٹ ریٹ کے خطرات کی زد میں آنے کے امکانات نہ ہونے کے برابر ہیں۔ فنڈ کو زیادہ سے زیادہ چھ ماہ کی میچورٹی کے ساتھ AA یا زائد ریٹنگ والے بینکوں DFIs میں سرمایہ کاری کرنے کی اجازت ہے۔

مالی سال 2018 کے دوران میں اسٹیٹ بینک آف پاکستان (ایس بی پی) نے مانیٹری پالیسی کے چھ (06) مرتبہ دو ماہی جائزے لئے۔ پہلے نصف عرصہ کے دوران، ترقی کی رفتار جاری رہنے کی قوی توقع، افراط زر کی موجودگی، اور ملکی توانائی کی فراہمی میں بہتری اور برآمدات کی صنعت کو دی گئی ترغیبات کے باعث برآمدات میں فروغ کے سلسلے میں پیش رفت کے پیش نظر، ایس بی پی نے 5.75% پالیسی کی شرح کو برقرار رکھا۔ تاہم اگلے نصف عرصہ میں، بیرونی محاذ پر کرنٹ اکاؤنٹ کے خسارے (CAD) میں اضافے کے باعث بڑھتے ہوئے دباؤ، معیشت میں پہلے سے موجود افراط زر اور افراط زر پر قابو کیلئے پانے کے لئے، ایس بی پی نے پالیسی کی شرح میں 75 پیسے پوائنٹ کا اضافہ کر دیا اور پالیسی کی شرح 6.5% ہو گئی۔ پالیسی کی شرح میں اضافہ سے اچھے نتائج برآمد ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ T-Bills کے منافع بالترتیب 79 bps، 90 bps اور 116 bps سے بڑھ گئے۔

فنڈ نے اس سال کے دوران 307.14 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 50.01 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 257.13 ملین روپے ہے۔ NAFA گورنمنٹ سیکیورٹیز لیکویڈ فنڈ کی ایسیٹ ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

منیجمنٹ کمپنی نے سال کے اختتام کے بعد اویٹنگ ex-NAV 5.28% (بنیادی قدر کا 5.37%) نقد ڈیویڈنڈ کی منظوری دی ہے۔

### ٹیکسیشن

درج بالا نقد منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپیٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سینڈ شیڈول کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

### آڈیٹرز

موجودہ آڈیٹرز میسرز Deloitte یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2019 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

1- منجھٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔

5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔

6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔

8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔

9- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔

10- اس مدت کے دوران منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔

11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کیا گیا ہے۔

12- ڈائریکٹرز CFO & CEO، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 17 میں ظاہر کی گئی ہے۔

13- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی

مانٹرنائی انٹرست نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

نام	کمیٹگری
1- جناب کمال عامر چنائے 2- جناب شہریار فاروق 3- جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹرز
1- جناب مدثر حسین خان (چیرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی پالیکر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونگٹ (کیلون فو)	نان ایگزیکٹو ڈائریکٹرز

### اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجھٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک

آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

05 ستمبر 2018ء

مقام: کراچی

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 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 NAFA Government Securities Liquid Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 12, 2018

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## FUND MANAGER REPORT

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

### Investment Objective of the Fund

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

### Benchmark

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

### Fund Performance Review

This is the Tenth Annual report since the launch of the Fund on May 15, 2009. The Fund size increased by 26% during FY18 and stands at Rs. 5,791 million as on June 30, 2018. The Fund's return since inception is 8.5% versus the benchmark return of 8.5%. The Fund's return for FY18 is 5.3% as against the benchmark return of 5.4%. The return of the Fund is net of management fee and all other expenses.

NGSLF's stability rating is 'AAA (f)' awarded by PACRA. NGSLF is the largest Fund in Pakistan in this rating category. The rating reflects exceptionally strong credit and liquidity profile of the Fund. T-Bills are the major asset class of the Fund. Exposure of the Fund to credit, liquidity and interest rate risks are exceptionally low due a minimum 70% investment in Government securities (T-Bill) with average maturity of the overall portfolio at 13 days. The Fund is allowed to invest in AA & above rated Banks/DFIs with maximum maturity of six months.

During FY 2018, State Bank of Pakistan (SBP) held six (06) bi-monthly monetary policy reviews. During the first half, the SBP maintained the policy rate at 5.75% owing to strong likelihood of continued growth momentum; contained inflation; and anticipation of gain in exports due to improvement in domestic energy supplies and incentives given to exporting industry. However, in the latter half, the SBP increased the policy rate by 75 basis points to 6.5% in response to growing pressures on the external front driven by ballooning Current Account Deficit (CAD), preempt overheating of the economy, and rein in inflationary pressures. Sovereign yields responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bills yields went up by 79 bps, 90 bps, and 116 bps, respectively.

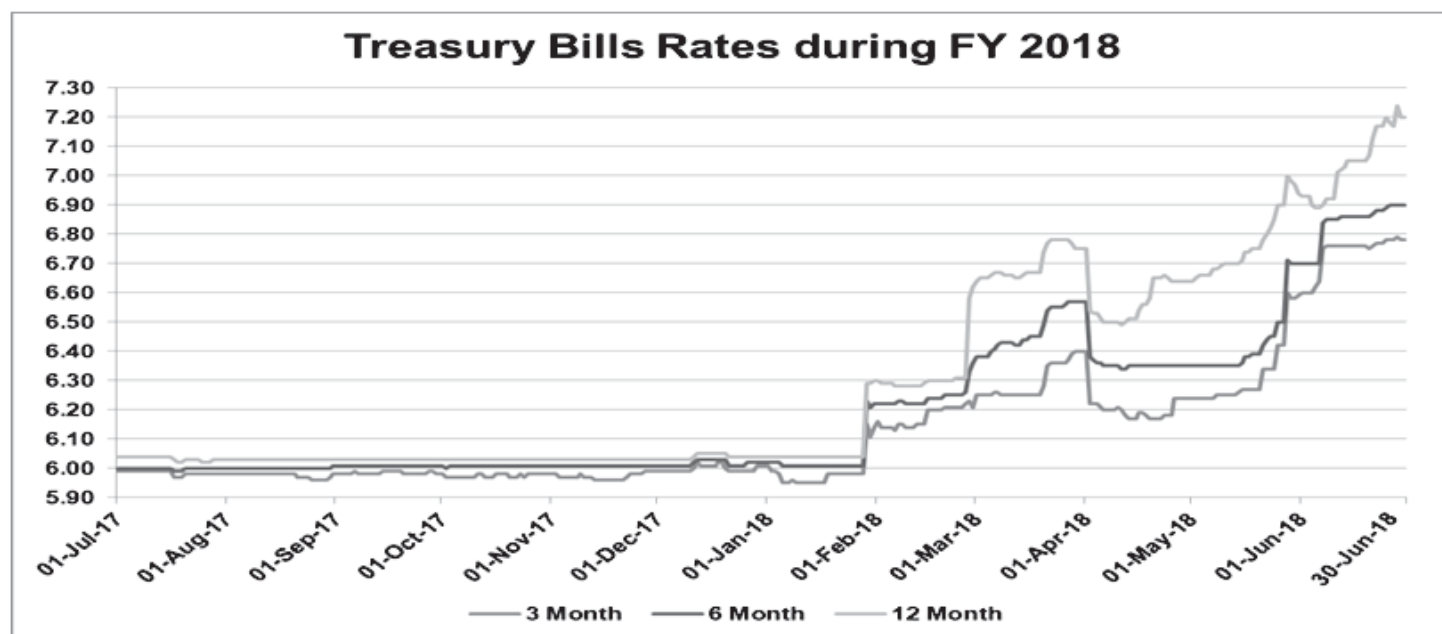
### Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-18	30-Jun-17
T-Bills	70.56%	43.67%
Cash equivalents & other net assets	29.44%	56.33%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>



# NAFA GOVERNMENT SECURITIES LIQUID FUND

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



Distribution for the Financial Year 2018

Distribution	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Final	5.37%	0.5367	10.1619

Unit Holding Pattern of NAFA Government Securities Liquid Fund as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	694
1001-5000	201
5001-10000	65
10001-50000	189
50001-100000	92
100001-500000	114
500001-1000000	20
1000001-5000000	20
5000001-10000000	4
10000001-100000000	10
100000001-1000000000	0
	1,409

During the period under question:

There has been no other significant change in the state of affairs of the Fund. NAFA Government Securities Liquid Fund does not have any soft commission arrangement with any broker in the industry.

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 12.197 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.0225 / 0.21%. For details investors are advised to read note 10.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of NAFA Government Securities Liquid Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transaction 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 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 matters

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

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></p> <p>As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss – held for trading amounted to Rs. 4,085 million as at June 30, 2018.</p> <p>The Fund's investments mainly include short-term government securities as at year end therefore there is a risk that appropriate prices may not be used to determine fair value of the investments.</p> <p>Further, in respect of existence of investments, there is a risk that the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>Valuation and existence was assessed by:</p> <ul style="list-style-type: none"><li>evaluating the design and implementation of key controls around investments;</li><li>independently testing 100% of the valuations directly to pricing sources; and</li><li>independently matching the securities held by the Fund as per internal records with the certificates appearing in the IPS account and investigated any reconciling items.</li></ul>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

2	<p><b>Element of Income</b></p> <p>As disclosed in detail in note 3.5.1, the Securities and Exchange Commission of Pakistan (the SECP) issued SRO no. 756(1)/2017 dated August 03, 2017, whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). As part of such amendments as definition of Element of Income has been incorporated and certain amendments were also made in the 5th Schedule to the NBFC Regulations whereby distribution statement has been omitted from the financial statements and Element of Income has been made part of the 'Unit Holders' Fund' instead of the 'Income Statement' as suggested by ICAP and a new disclosure regarding allocation of accounting income is added to the 'Income Statement'.</p> <p>The abovementioned amendments require significant changes in the presentation of the financial statements and the accounting treatment of the 'Element of Income' and the policy for distribution/dividends made by the Fund.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the amendments made in the NBFC Regulations;</li> <li>• Obtained understanding of the changes required in the disclosures and accounting treatments in the financial statements of the Fund;</li> <li>• Held discussions with the Management regarding the changes required; and</li> <li>• On sample basis we have checked the calculation made and recorded in the financial statements as related to this key audit matter.</li> </ul>
---	---	---

## Information other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the Director's report, Fund Managers' report, Trustee Report to the unit holders, Statement of Compliance with the Shariah principles, report of the Shariah Advisor, performance table and proxy voting disclosure.

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 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.

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.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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.
- 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 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 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 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 Financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who through their report dated September 15, 2017 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Hena Sadiq.

**Deloitte Yousuf Adil**  
**Chartered Accountants**

Date: September 25, 2018  
Place: Karachi

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

		2018	2017
	Note	-----Rupees in '000-----	
<b>ASSETS</b>			
Bank balances	4	5,847,133	4,716,993
Investments	5	4,085,686	2,008,028
Mark-up accrued		5,969	329
Advances and prepayments	6	9,978	10,177
Receivable against transfer of units		453	121
<b>Total assets</b>		<b>9,949,219</b>	<b>6,735,648</b>
<b>LIABILITIES</b>			
Payable to NBP Fund Management Limited - Management Company	7	5,275	8,146
Payable to Central Depository Company of Pakistan Limited - Trustee	8	464	476
Payable to the Securities and Exchange Commission of Pakistan	9	3,744	3,960
Payable against purchase of Investments		4,088,135	2,009,345
Payable against redemption of units		26	481
Dividend payable		-	7,189
Accrued expenses and other liabilities	10	60,963	107,822
<b>Total liabilities</b>		<b>4,158,607</b>	<b>2,137,419</b>
<b>NET ASSETS</b>		<b>5,790,612</b>	<b>4,598,229</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>5,790,612</b>	<b>4,598,229</b>
<b>Contingencies and commitments</b>	11		
		-----Number of units-----	
<b>Number of units in issue</b>	12	<b>541,249,141</b>	<b>452,520,963</b>
		-----Rupees-----	
<b>Net asset value per unit</b>		<b>10.6986</b>	<b>10.1614</b>

The annexed notes from 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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Note	-----Rupees in '000-----	
<b>INCOME</b>		
Income from government securities	218,973	243,821
Profit on bank deposits	60,961	73,584
Income from term deposit receipts	17,999	86
Income from certificates of investment	6,411	-
Income from money market placements	6,549	-
Net loss on sale of investments	(1,305)	(247)
Net unrealised loss on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	5.3 (2,449)	(1,317)
<b>Total income</b>	<b>307,139</b>	<b>315,927</b>
<b>EXPENSES</b>		
Remuneration of NBP Fund Management Limited - Management Company	7.1 26,055	27,613
Sindh Sales Tax on remuneration of the Management Company	7.2 3,387	3,590
Reimbursement of operational expenses to the Management Company	7.3 4,992	5,280
Remuneration of Central Depository Company of Pakistan Limited - Trustee	8.1 4,494	4,704
Sindh Sales Tax on remuneration of the Trustee	8.2 584	612
Annual fee to the Securities and Exchange Commission of Pakistan	9.1 3,744	3,960
Auditors' remuneration	13 692	625
Securities transaction costs	38	82
Bank charges	275	159
Annual Listing fee	28	55
Mutual fund rating fee	395	379
Legal and professional charges	37	41
Other charges	42	4
<b>Total expenses</b>	<b>44,763</b>	<b>47,104</b>
<b>Net income from operating activities</b>	<b>262,376</b>	<b>268,823</b>
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	(162,574)
Reversal of provision for Worker's Welfare Fund	-	108,259
Provision for Sindh Workers' Welfare Fund	(5,248)	(6,949)
<b>Net income for the year before taxation</b>	<b>257,128</b>	<b>207,559</b>
Taxation	14 -	-
<b>Net income for the year after taxation</b>	<b>257,128</b>	<b>207,559</b>
<b>Earnings per unit</b>	15	
<b>Allocation of net income for the year</b>		
Net income for the year after taxation	257,128	
Income already paid on units redeemed	(74,387)	
	<b>182,741</b>	
<b>Accounting income available for distribution:</b>		
- Relating to capital gain	-	
- Excluding capital gain	182,741	
	<b>182,741</b>	

The annexed notes from 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



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	----- Rupees in '000 -----	-----
Net income for the year after taxation	257,128	207,559
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>257,128</b>	<b>207,559</b>

The annexed notes from 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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

	2018			2017		
	(Rupees in '000)					
	Capital Value	Undistributed Income	Total	Capital Value	Undistributed Income	Total
Net assets at the beginning of the year	4,504,670	93,559	4,598,229	3,085,148	86,800	3,171,948
Issuance of 533,012,141 units (2017: 2,187,570,613 units)						
- Capital value	5,416,151	-	5,416,151			
- Element of income	152,158	-	152,158			
Total proceeds on issuance of units	5,568,309	-	5,568,309	22,195,966	1,083,035	23,279,001
Redemption of 444,283,963 units (2017: 2,047,666,586 units)						
- Capital value	(4,514,506)	-	(4,514,506)			
- Element of loss	(44,161)	(74,387)	(118,548)			
Total payments on redemption of units	(4,558,667)	(74,387)	(4,633,054)	(20,776,444)	(1,245,609)	(22,022,053)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	162,574	162,574
Total comprehensive income for the year	-	257,128	257,128	-	207,559	207,559
Distribution during the year	-	-	-	-	(200,800)	(200,800)
Net assets at the end of the year	5,514,312	276,300	5,790,612	4,504,670	93,559	4,598,229
Undistributed income brought forward						
- Realised		94,876			86,890	
- Unrealised		(1,317)			(90)	
		93,559			86,800	
Accounting income available for distribution						
- Relating to capital loss		-				
- Excluding capital gain		182,741				
		182,741			207,559	
Distribution during the year		-			(200,800)	
Undistributed income carried forward		276,300			93,559	
Undistributed income carried forward						
- Realised		278,749			94,876	
- Unrealised		(2,449)			(1,317)	
		276,300			93,559	
		- (Rupees) -			- (Rupees) -	
Net assets value per unit at beginning of the year		10.1614			10.1464	
Net assets value per unit at end of the year		10.6986			10.1614	

The annexed notes from 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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees in '000	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		257,128	207,559
<b>Adjustments</b>			
Profit on bank deposits		(60,961)	(73,584)
Income from term deposit receipts		(17,999)	(86)
Income from certificates of investment		(6,411)	-
Income from money market placements		(6,549)	-
Net unrealised loss on re-measurement of investment classified as 'financial assets at fair value through profit or loss'		2,449	1,317
Provision for Sindh Workers' Welfare Fund		5,248	6,949
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	162,574
		<b>172,905</b>	<b>304,729</b>
<b>Decrease / (increase) in assets</b>			
Investments - net		(1,317)	542,065
Advances, deposits and other receivables		199	(3,001)
		<b>(1,118)</b>	<b>539,064</b>
<b>(Decrease) / increase in liabilities</b>			
Payable to the Management Company		(2,871)	2,769
Payable to Central Depository Company of Pakistan Limited - Trustee		(12)	55
Payable to the Securities and Exchange Commission of Pakistan		(216)	(351)
Accrued expenses and other liabilities		(52,107)	(133,560)
		<b>(55,206)</b>	<b>(131,087)</b>
		<b>116,581</b>	<b>712,706</b>
Return of bank balances received		55,321	73,916
Return on term deposit receipts received		17,999	-
Return on certificate of investments received		6,411	-
Return on letter of placements received		6,549	86
		<b>86,280</b>	<b>74,002</b>
<b>Net cash generated from operating activities</b>		<b>202,861</b>	<b>786,708</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net cash generated from investing activities		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issue of units		5,567,977	23,143,148
Amount paid on redemption of units		(4,633,509)	(22,695,206)
Dividend Paid		(7,189)	(5,458)
<b>Net cash generated from financing activities</b>		<b>927,279</b>	<b>442,484</b>
<b>Net increase in cash and cash equivalents during the year</b>		<b>1,130,140</b>	<b>1,229,192</b>
Cash and cash equivalents at beginning of the year		4,716,993	3,487,801
<b>Cash and cash equivalents at end of the year</b>	4	<b>5,847,133</b>	<b>4,716,993</b>

The annexed notes from 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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Fund is an open-ended mutual fund 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. The Fund is categorised as an Open-End "Money Market Scheme" as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).

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

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

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

International Financial Reporting Standards (IFRS) 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

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

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, 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.

#### 2.2 Basis of Measurement

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Fund.

## 2.4 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

### 2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

#### Effective from accounting period beginning on or after:

Amendments to IAS 7 'Statement of Cash Flows' - January 01, 2017  
Amendments as a result of the disclosure initiative

Amendments to IAS 12 'Income Taxes' - Recognition of January 01, 2017  
deferred tax assets for unrealised losses

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

### 2.4.2 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 amendments (except for IFRS 9 'Financial Instruments') 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:

IFRS 15 'Revenue from contracts with customers' - This July 01, 2018  
standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

IFRS 16 'Leases' - This standard will supersede IAS 17 January 01, 2019  
'Leases' upon its effective date.

Amendments to IFRS 2 'Share-based Payment' - January 01, 2018  
Clarification on the classification and measurement of share-based payment transactions

IFRS 9 'Financial Instruments' - This standard will July 01, 2018  
supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Amendments to IFRS 9 'Financial Instruments' - January 01, 2019  
Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

Effective from accounting period beginning on or after:

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 01, 2018. Earlier application is permitted.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018. Earlier application is permitted.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

Certain annual improvements have also been made to a number of IFRSs. Which are also not expected to have material impact on financial reporting of the Fund.

## 2.5 IFRS 9 'Financial Instruments' Impact Assessment

2.5.1 IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

Key requirements of IFRS 9 are as follows;

### Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Classification and measurement of financial liabilities

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

## Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

### 2.5.2 Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Market treasury bills classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will qualify to be classified and measured at "Amortised cost" upon application of IFRS 9.

### 2.6 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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### 2.7 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying Fund's accounting policies. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In the process of applying Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of financial assets (Note 3.2.1)
- (b) impairment of financial assets (Note 3.2.5)
- (c) provisions (Note 3.6)

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements (except note 3.5) are set out below.

### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

##### a) Investments at fair value through profit or loss - held-for-trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

##### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### 3.2.2 Regular way contracts

All regular purchases / sales of financial assets are recognised on the trade date i.e. the date that the Fund commits to purchase / sell the assets.

#### 3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the 'income statement'.

#### 3.2.4 Subsequent measurement

##### a) Financial assets as 'at fair value through profit or loss'

###### 1) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss - held for trading' are taken to the 'income statement'.

##### b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method. Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### 3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever, the carrying amount of an asset exceeds its recoverable amount. impairment losses are recognized in the 'income statement'.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## a) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

### 3.2.6 Derecognition

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

### 3.2.7 Offsetting of financial assets and financial liabilities

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

## 3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

## 3.4 Issuance and redemption of units

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

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

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

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

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

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

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 3.5.1 Amendment in the NBFC Regulations in the current year

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income should be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the amended regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the amended regulations.

Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealized appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognized in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as allowed by SECP vide its email to MUFAP dated February 08, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the profit of the Fund would have been higher by Rs. 32.938 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been lower by Rs. 0.0012. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

## 3.6 Provisions

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

## 3.7 Revenue recognition

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 3.8 Taxation

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

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

## 3.9 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared.

## 3.10 Earnings per unit

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

	Note	2018 -----Rupees in '000-----	2017
<b>4. BANK BALANCES</b>			
Current accounts	4.1	9,411	11,649
Savings accounts	4.2 & 4.3	5,837,722	4,705,344
		<u>5,847,133</u>	<u>4,716,993</u>
<b>4.1</b>	These include bank balances of Rs. 1.13 million and Rs. 8.28 million (June 30, 2017: Rs. 1.22 million and Rs. 10.43 million), maintained with National Bank of Pakistan and Summit Bank Limited (related parties) respectively.		
<b>4.2</b>	These accounts carry rates of return ranging from 2.75% to 7.50% (30 June 2017: 3.75% to 7.43%) per annum.		
<b>4.3</b>	These include bank balances of Rs. 5.89 million and Rs. 0.50 million (June 30, 2017: Rs. 2.835 million and Rs. 6.623 million), which are maintained with National Bank of Pakistan and Askari Bank Limited (related parties) respectively, and both parties carry mark-up at the rate of 3.75% (June 30, 2017: 3.75%) per annum.		

	Note	2018 -----Rupees in '000-----	2017
<b>5. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Government securities - Market Treasury Bills	5.1	4,085,686	2,008,028
		<u>4,085,686</u>	<u>2,008,028</u>

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 5.1 Investment in Government securities - Market Treasury bills

Issue Date	Tenor	Face value				Market value as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2017	Purchases during the year	Sales / matured during the year	As at June 30, 2018			
Rupees in '000'						----- % -----		
February 2, 2017	6 months	-	259,000	259,000	-	-	-	-
February 16, 2017	6 months	-	1,000,000	1,000,000	-	-	-	-
March 2, 2017	6 months	-	1,000,000	1,000,000	-	-	-	-
April 13, 2017	3 months	2,010,000	1,200,000	3,210,000	-	-	-	-
April 27, 2017	3 months	-	2,100,000	2,100,000	-	-	-	-
May 11, 2017	3 months	-	1,591,000	1,591,000	-	-	-	-
May 25, 2017	3 months	-	220,000	220,000	-	-	-	-
June 8, 2017	6 months	-	1,000,000	1,000,000	-	-	-	-
June 22, 2017	3 months	-	424,000	424,000	-	-	-	-
June 22, 2017	6 months	-	1,700,000	1,700,000	-	-	-	-
July 6, 2017	6 months	-	285,000	285,000	-	-	-	-
July 18, 2017	6 months	-	250,000	250,000	-	-	-	-
July 20, 2017	3 months	-	5,350,000	5,350,000	-	-	-	-
August 3, 2017	3 months	-	4,100,000	4,100,000	-	-	-	-
August 17, 2017	3 months	-	1,200,000	1,200,000	-	-	-	-
August 17, 2017	6 months	-	125,000	125,000	-	-	-	-
August 31, 2017	3 months	-	2,700,000	2,700,000	-	-	-	-
September 14, 2017	3 months	-	1,925,000	1,925,000	-	-	-	-
September 28, 2017	3 months	-	1,350,000	1,350,000	-	-	-	-
September 28, 2017	6 months	-	500,000	500,000	-	-	-	-
October 12, 2017	3 months	-	3,375,000	3,375,000	-	-	-	-
October 26, 2017	3 months	-	741,000	741,000	-	-	-	-
November 9, 2017	3 months	-	958,000	958,000	-	-	-	-
November 23, 2017	3 months	-	2,256,000	2,256,000	-	-	-	-
November 23, 2017	6 months	-	800,000	800,000	-	-	-	-
December 7, 2017	6 months	-	1,750,000	1,750,000	-	-	-	-
December 29, 2017	1 month	-	911,000	911,000	-	-	-	-
January 4, 2018	3 months	-	1,259,000	1,259,000	-	-	-	-
January 18, 2018	3 months	-	4,345,000	4,345,000	-	-	-	-
February 1, 2018	3 months	-	3,950,000	3,950,000	-	-	-	-
February 15, 2018	3 months	-	3,083,000	3,083,000	-	-	-	-
April 12, 2018	3 months	-	3,883,000	3,883,000	-	-	-	-
April 26, 2018	3 months	-	5,800,000	1,700,000	4,100,000	4,085,686	70.56%	100%
June 7, 2018	3 months	-	500,000	500,000	-	-	-	-
		2,010,000	61,890,000	59,800,000	4,100,000	4,085,686	70.56%	100%

Carrying value before mark to market as at June 30, 2018

**4,088,135**

5.2 This carry a rate of return of 6.62% (2017: 5.95%) per annum.

## 5.3 Net unrealised (loss) / gain on re-measurement of investment classified as 'financial assets at fair value through profit or loss'

	Note	2018 Rupees in '000	2017 Rupees in '000
Market value of investments	5.1	<b>4,085,686</b>	2,008,028
Less: carrying value of investments before mark to market	5.1	<b>(4,088,135)</b>	(2,009,345)
		<b>(2,449)</b>	(1,317)

## 6. ADVANCES AND PREPAYMENTS

Advance tax	<b>9,978</b>	9,978
Prepaid annual rating fee	-	199
	<b>9,978</b>	10,177



# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 7. PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company	7.1	2,525	2,536
Sindh Sales Tax on remuneration of the Management Company	7.2	328	330
Operational expenses	7.3	2,422	5,280
		<b>5,275</b>	<b>8,146</b>

- 7.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015, SECP made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed from 2% to 1%.

The Management Company has charged management remuneration at the rate of 1% per annum until December 6, 2015. Thereafter from December 7, 2015, the Management Company has revised their policy for charging management remuneration as per the table given below:

Management remuneration as % of net income*	Minimum management remuneration (as % of average net asset value)	Maximum management remuneration (as % of average net asset value)
8.00%	0.50%	1.00%

Net income = Gross income - (all expenses of the Fund excluding Management remuneration and related Sales Tax and Federal Excise Duty thereon).

Management remuneration is paid on a monthly basis in arrears.

- 7.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 7.3** This represents reimbursement of certain expenses to the Management Company. As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.

	Note	2018 -----Rupees in '000-----	2017
<b>8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration of the Trustee	8.1	411	421
Sindh Sales Tax on remuneration of the Trustee	8.2	53	55
		<b>464</b>	<b>476</b>

- 8.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund, based on the net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

Tariff structure applicable to the Fund as at June 30, 2018 is as follows:

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## Net asset value

Upto Rs 1,000 million

On an amount exceeding Rs. 1,000 million to 10,000 million

On an amount exceeding Rs. 10,000 million

## Tariff per annum

0.15% per annum of net asset value

Rs 1.5 million plus 0.075% per annum of net asset value exceeding Rs 1,000 million

Rs 8.25 million plus 0.06% per annum of net asset value exceeding Rs 10,000 million.

- 8.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

## 9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 9.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorised as "money market scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the Fund. The fee is paid annually in arrears.

## 10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2018 -----Rupees in '000-----	2017
Provision for Sindh Workers' Welfare Fund	10.1	12,197	6,949
Federal Excise Duty on management remuneration	10.2 & 10.3	45,779	45,779
Auditors' remuneration		529	444
Brokerage		239	241
Bank charges		36	36
Withholding tax		269	35,658
Capital gain tax		1,135	18,141
Legal Charges		30	4
Others		749	570
		<b>60,963</b>	<b>107,822</b>

- 10.1** 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, was 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 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 the 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, the MUFAP 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 SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 12.197 million (2017: Rs. 6.949 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.0225 (June 30, 2017: Rs. 0.0154) per unit.

# NAFA GOVERNMENT SECURITIES LIQUID FUND

- 10.2** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

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

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

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED aggregating to Rs. 45.779 million as at June 30, 2018.

Had the provision not been made, the net asset value per unit as at June 30, 2018 would have been higher by Rs. 0.0846 per unit (2017: Rs. 0.1064 per unit).

- 10.3** The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the Taxation authority, if required.

## 11. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2018 and June 30, 2017.

## 12. NUMBER OF UNITS IN ISSUE

	2018	2017
Note	-----Number of units-----	
Total units in issue at the beginning of the year	452,520,963	312,616,936
Add: units issued	533,012,141	2,187,570,613
Less: units redeemed	(444,283,963)	(2,047,666,586)
Total units in issue at the end of the year	<u>541,249,141</u>	<u>452,520,963</u>

## 13. AUDITORS' REMUNERATION

	2018	2017
	-----Rupees in '000-----	
Annual audit fee	365	365
Half yearly review	146	146
Fee for other certification	90	-
Out of pocket expenses	<u>91</u>	<u>114</u>
	<u>692</u>	<u>625</u>

## 14. TAXATION

The Fund's income is exempt from Income Tax as per Clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). The Fund intends to distribute such accounting income for the year ended June 30, 2018 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## 15. EARNINGS PER UNIT

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

## 16. TOTAL EXPENSE RATIO

Total Expense Ratio (all the expenses incurred during the period divided by Average net assets for the year) is 1.00% per annum including 0.26% representing government levies on collective investment scheme such as sales tax, worker's welfare fund and Securities and Exchange Commission of Pakistan fee for the year.

## 17. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS AND RELATED PARTIES

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

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

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

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

	2018	2017
	----- Rupees in '000 -----	
<b>17.5 Transactions during the year</b>		
<b>NBP Fund Management Limited - Management Company</b>		
Remuneration of the Management Company	26,055	27,613
Sindh Sales Tax on remuneration of the Management Company	3,387	3,590
Reimbursement of operational expenses to the Management Company	4,992	5,280
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Market Treasury Bills purchased	10,640,317	8,625,234
Market Treasury Bills sold	2,241,560	247,466
Bank profit earned in savings account	288	-
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the Trustee	4,494	4,704
Sindh sales tax on remuneration of the Trustee	584	612
<b>Askari Bank Limited (Common Directorship with the Management Company)</b>		
Bank profit earned in savings account	110	249
<b>Chief Financial Officer of the Management Company</b>		
Units redeemed / transferred out Nil units (2017: 36,402 units)	-	372

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2018	2017
	----- Rupees in '000 -----	
<b>Muhammad Murtaza Ali (Company Secretary of the Management Company)</b>		
Re-investment of dividend Nil units (2017: 9,953 units)	-	101
Units issued / transferred in 127,679 units (2017: Nil units)	<b>1,356</b>	-
Units redeemed / transferred out 156,662 units (2017: 62,637 units)	<b>1,651</b>	641
<b>Mr. Humayun Bashir - Director</b>		
Units issued / transferred in Nil units (2017: 369,921 units)	-	4,023
Units redeemed / transferred out Nil units (2017: 369,921 units)	-	4,023
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Units issued / transferred in 166,345 units (2017: 692,405 units)	<b>1,766</b>	7,529
Units redeemed / transferred out 101,530 units (2017: 692,405 units)	<b>1,085</b>	7,530
<b>Employees of the Management Company</b>		
Re-investment of dividend Nil units (2017: 124 units)	-	1
Units issued / transferred in 294,838 units (2017: 502,060 units)	<b>3,121</b>	5,347
Units redeemed / transferred out 286,136 units (2017: 573,433 units)	<b>3,039</b>	6,089
<b>NBP Employees Pension Fund</b>		
Units issued / transferred in Nil units (2017: 1,330,406 units)	-	13,503
<b>*Arif Ahmed</b>		
Units issued / transferred in Nil units (2017: 2,448,216 units)	-	25,400
Units redeemed / transferred out Nil units (2017: 2,448,216 units)	-	25,416
<b>*Thal Limited - Treasury Limited</b>		
Units issued / transferred in Nil units (2017: 80,889,659 units)	-	872,544
Units redeemed / transferred out Nil units (2017: 80,889,659 units)	-	879,659
<b>Thal Limited Employees Retirement Benefit Fund</b>		
Market Treasury Bills purchased	-	3,487
<b>Thal Limited - Employee Provident Fund (Portfolio managed by the Management Company)</b>		
Market Treasury Bills purchased	-	11,884
<b>Mutual Fund Association of Pakistan - MUFAP</b>		
Re-investment of dividend Nil units (2017: 19,838 units)	-	201
Units issued / transferred in 2,495 units (2017: 588,766 units)	<b>26</b>	6,000
Units redeemed / transferred out 281,357 units (2017: 234,173 units)	<b>2,950</b>	2,500
<b>Management Association of Pakistan</b>		
Units issued / transferred in 5 units (2017: 242,148 units)	-	2,633
Units redeemed / transferred out Nil units (2017: 242,148 units)	-	2,633
<b>*Byco Oil Pakistan Limited - Employee Provident Fund (Portfolio managed by the Management Company)</b>		
Units issued / transferred Nil units (2017: 262,237 units)	-	2,708
Units redeemed / transferred out Nil units (2017: 262,237 units)	-	2,844
<b>Byco Petroleum Pakistan Limited - Employee Provident Fund (Portfolio managed by the Management Company)</b>		
Units issued / transferred Nil units (2017: 5,105,198 units)	-	53,371
Units redeemed / transferred out 1,939,611 units (2017: 3,165,587 units)	<b>20,013</b>	34,474

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2018	2017
	----- Rupees in '000 -----	
<b>Summit Bank Limited</b>		
Market Treasury Bills purchased	-	997,742
<b>NAFA Government Securities Savings Fund</b>		
Market Treasury Bills purchased	-	47,634
<b>NAFA Income Opportunity Fund</b>		
Market Treasury Bills purchased	-	324,495
<b>NAFA Savings Plus Fund</b>		
Market Treasury Bills purchased	-	29,952
<b>NAFA Income Fund</b>		
Market Treasury Bills purchased	-	29,952
<b>Pakistan Telecommunication Employees Trust</b>		
Market Treasury Bills sold	2,187,329	-
<b>NBP Leasing Limited Employees Provident Fund</b>		
Re-investment of dividend Nil units (2017: 25,712 units)	-	261
Units redeemed / transferred out 484,014 units (2017: Nil units)	4,936	-
<b>NBP Endowment Fund Students Loan Scheme</b>		
Re-investment of dividend Nil units (2017: 687,821 units)	-	6,981
Units redeemed / transferred out 80,999,982 units (2017: Nil units)	83,500	-
<b>Faruque Private Limited</b>		
Units issued / transferred in 1,714 units (2017: 927,429 units)	18	10,000
Units redeemed / transferred out Nil units (2017: 927,429 units)	-	10,071
<b>**Punjab Police Welfare Fund (Unit holder of 10% or more of units of the CIS)</b>		
Units issued / transferred in 75,444,908 units (2017: Nil units)	794,254	-
<b>**Pakistan Mobile Communication Limited (Unit holder of 10% or more of units of the CIS)</b>		
Units issued / transferred in 83,465,012 units (2017: Nil units)	885,000	-
Units redeemed / transferred out 16,167,386 units (2017: 927,429 units)	172,949	-
<b>Pak Arab Refinery Limited - Supervisory Staff Gratuity Fund (Unit holder of 10% or more of units of the CIS)</b>		
Market Treasury Bills purchased	-	5,679
<b>Millat Tractors Ltd (Unit holder of 10% or more of units of the CIS)</b>		
Units issued / transferred in 7,676 units (2017: 51,278,858 units)	80	525,000



# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2018	2017
	----- Rupees in '000 -----	
<b>*Pioneer Cement Limited</b>		
Re-investment of dividend Nil units (2017: 3,371,585 units)	-	34,219
Units issued / transferred in Nil units (2017: 129,172,445 units)	-	1,375,000
Units redeemed / transferred out Nil units (2017: 69,076,039 units)	-	750,214

\* Current year transactions with these parties have not been disclosed as they did not remain connected persons and related parties during the year.

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

	2018	2017
	----- Rupees in '000 -----	
<b>Amounts outstanding as at year end are as follows:</b>		
<b>NBP Fund Management Limited - Management Company</b>		
Remuneration of the Management Company	2,525	2,536
Sindh Sales Tax on remuneration of the Management Company	328	330
Operational expenses	2,422	5,280
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the Trustee	411	421
Sindh Sales Tax on remuneration of the Trustee	53	55
<b>National Bank of Pakistan (Parent of the Management Company)</b>		
Bank balance	7,020	4,050
<b>Chief Operating Officer &amp; Company Secretary</b>		
Investment held in the Fund: 128,805 units (2017: 157,789 units)	1,378	1,603
<b>Summit Bank Limited (Common Directorship with the Management Company)</b>		
Bank balance	8,278	10,434
<b>Askari Bank Limited (Common Directorship with the Management Company)</b>		
Bank balance	498	6,623
Bank profit receivable	9	20
<b>NAFA Provident Fund Trust - Provident Fund</b>		
Investment held in the Fund: 64,815 units (2017: Nil units)	693	-
<b>Employees of the Management Company</b>		
Investment held in the Fund: 10,767 units (2017: 2,066 units)	115	21
<b>NBP Employees Pension Fund</b>		
Investment held in the Fund: 19,115,655 units (2017: 19,115,655 units)	204,511	194,242
<b>NBP Leasing Limited Employees Provident Fund</b>		
Investment held in the Fund: Nil units (2017: 484,014 units)	-	4,918

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	2018	2017
	----- Rupees in '000 -----	
<b>NBP Endowment Fund Students Loan Scheme</b>		
Investment held in the Fund: 4,847,816 units (2017: 12,947,799 units)	51,865	131,568
<b>Byco Petroleum Pakistan Limited - Employee Provident Fund (Portfolio managed by the Management Company)</b>		
Investment held in the Fund: Nil units (2017: 1,939,611 units)	-	19,709
<b>Mutual Fund Association of Pakistan - MUFAP</b>		
Investment held in the Fund: 94,569 units (2017: 373,431 units)	1,012	3,795
<b>Management Association of Pakistan</b>		
Investment held in the Fund: 4 units (2017: Nil units)	-	-
<b>Faruque Private Limited</b>		
Investment held in the Fund: 1,714 units (2017: Nil units)	18	-
<b>*K &amp; N's Foods Private Limited (Unit holder of 10% or more of units of the CIS)</b>		
Investment held in the Fund: Nil units (2017: 48,997,236 units)	-	497,881
<b>Millat Tractors Limited (Unit holder of 10% or more of units of the CIS)</b>		
Investment held in the Fund: 54,158,759 units (2017: 51,278,858 units)	579,423	521,065
<b>*Pioneer Cement Limited</b>		
Investment held in the Fund: Nil units (2017: 63,467,991 units)	-	644,924
<b>**Punjab Police Welfare Fund (Unit holder of 10% or more of units of the CIS)</b>		
Investment held in the Fund: 75,444,908 units (2017: Nil units)	807,155	-
<b>**Pakistan Mobile Communication Limited (Unit holder of 10% or more of units of the CIS)</b>		
Investment held in the Fund: 67,297,625 units (2017: Nil units)	719,990	-
<b>Net amount receivable against transfer of units from:</b>		
NAFA Islamic Stock Fund	-	65
NAFA Stock Fund	-	56

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

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

## 18. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	Doctorate in Business Administration, MBA and CFA	30
2	Mr. Sajjad Anwar	MBA and CFA	18
3	Mr. Muhammad Ali Bhabha	CFA, FRM, MBA and MS(CS)	23
4	Mr. Hasan Raza	ACCA, BSC and CFA	7
5	Mr. Taha Khan Javed	MBA and CFA	12

# NAFA GOVERNMENT SECURITIES LIQUID FUND

**18.1** Mr. Muhammad Ali Bhabha is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NAFA Income Opportunity Fund
- NAFA Government Securities Savings Fund
- NAFA Money Market Fund
- NAFA Savings Plus Fund
- NAFA Financial Sector Income Fund
- NAFA Islamic Income Fund
- NAFA Riba Free Savings Fund
- NAFA Islamic Money Market Fund
- NAFA Income Fund
- NAFA Active Allocation Riba Free Savings Fund

## 19. TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission charged during the year ended June 30, 2018

S.No.	Particulars	Percentage
1	Bright Capital (Private) Limited	26.06%
2	Invest Capital Markets Limited	21.34%
3	Next Capital Limited	18.01%
4	First Capital Securities Corporation Limited	11.15%
5	BMA Capital Management Limited	9.85%
6	EFG Hermes Pakistan Limited	6.87%
7	Vector Capital (Private) Limited	2.40%
8	Continental Exchange (Private) Limited	2.23%
9	Arif Habib Securities Limited	2.09%

List of brokers by percentage of commission charged during the year ended June 30, 2017

S.No.	Particulars	Percentage
1	J.S. Global Capital Limited	57.03%
2	Bright Capital (Private) Limited	18.48%
3	Next Capital Limited	11.61%
4	BMA Capital Management Limited	8.03%
5	Vector Capital (Private) Limited	4.15%
6	Invest One Markets Limited	0.70%

## 20. PATTERN OF UNIT HOLDING

Category	As at June 30, 2018		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
(Rupees in '000)			
Individuals	1,304	705,433	12.19%
Associated Companies and directors	3	257,069	4.44%
Insurance companies	1	2,783	0.05%
Retirement funds	21	166,968	2.88%
Banks	1	-	0.00%
Public limited companies	8	1,388,225	23.97%
Others	71	3,270,134	56.47%
	1,409	5,790,612	100%

# NAFA GOVERNMENT SECURITIES LIQUID FUND

Category	As at June 30, 2017		
	Number of unit holders	Net asset value of the amount invested	Percentage of total investment
(Rupees in '000)			
Individuals	1,029	634,983	13.81%
Retirement funds	18	306,670	6.67%
Associated Companies	3	330,728	7.19%
Bank	1	94,758	2.06%
Listed Companies	7	1,202,138	26.14%
Others	48	2,028,952	44.13%
	1,106	4,598,229	100%

## 21. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 64th, 65th, 66th and 67th Board meetings were held on September 15, 2017, October 27, 2017, February 22, 2018 and April 30, 2018, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Mudassir H. Khan [note 21.1]	4	4	-	-
Mr. Tariq Jamali [note 21.1]	4	3	1	67th
Mr. Abdul Hadi Palekar	4	4	-	-
Mr. Lui Mang Yin (Martin Lui) [note 21.2]	2*	2	-	-
Mr. FOO Chiah Shiung (Kelvin Foo)	4	3	1	65th
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	4	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan [note 21.3]	-*	-	-	-
Dr. Amjad Waheed	4	4	-	-

21.1. Mr. Mudassir H. Khan and Mr. Tariq Jamali were appointed as directors on Board with effect from August 18, 2017.

21.2. Mr. Lui Mang Yin (Martin Lui) resigned as director on the Board with effect from December 21, 2017.

21.3. Mr. Wajahat Rasul Khan appointed as director on the Board with effect from April 30, 2018.

\* These directors were appointed and retired/resigned during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

## 22. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2018		
	Loans and receivables	At fair value through profit or loss - held for trading	Total
-----Rupees in '000-----			
Financial Assets			
Bank balances	5,847,133	-	5,847,133
Investment	-	4,085,686	4,085,686
Mark-up accrued	5,969	-	5,969
Receivable against conversion of units	453	-	453
	5,853,555	4,085,686	9,939,241

# NAFA GOVERNMENT SECURITIES LIQUID FUND

As at June 30, 2018

At fair value through profit or loss	At amortized cost	Total
--------------------------------------	-------------------	-------

Rupees in '000

## Financial Liabilities

Payable to the Management Company	-	5,275	5,275
Payable to the Trustee	-	464	464
Payable against purchase of investments	-	4,088,135	4,088,135
Payable against redemption of units	-	26	26
Accrued expenses and other liabilities	-	1,583	1,583
Net assets attributable to redeemable units	-	5,790,612	5,790,612
	-	9,886,095	9,886,095

As at June 30, 2017

Loans and receivables	At fair value through profit or loss - held for trading	Total
-----------------------	---	-------

Rupees in '000

## Financial Assets

Bank balances	4,716,993	-	4,716,993
Investments	-	2,008,028	2,008,028
Mark-up accrued	329	-	329
Receivable against conversion of units	121	-	121
	4,717,443	2,008,028	6,725,471

As at June 30, 2017

At fair value through profit or loss	At amortized cost	Total
--------------------------------------	-------------------	-------

Rupees in '000

## Financial Liabilities

Payable to the Management Company	-	8,146	8,146
Payable to the Trustee	-	476	476
Payable against purchase of investments	-	2,009,345	2,009,345
Payable against redemption of units	-	481	481
Dividend payable	-	7,189	7,189
Accrued expenses and other liabilities	-	1,295	1,295
Net assets attributable to redeemable units	-	4,598,229	4,598,229
	-	6,625,161	6,625,161

## 23. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 23.1. Market risk

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

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

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

## 23.1.1. Currency risk

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

## 23.1.2. Interest rate risk

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

### - Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk except for balances in certain saving accounts. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund would have been higher / lower by approximately Rs. 58.317 million (2017: Rs. 47.053 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

### - Sensitivity analysis for fixed rate instruments

Presently, the fund does not hold any fixed rate instrument that has been designated at fair value through profit and loss. Therefore, a change in interest rate as at June 30, 2018 would not have any affect on the income statement.

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

As at June 30, 2018						
Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments	%	Rupees in '000				
<b>Financial assets</b>						
Bank balances	2.75 - 7.50	5,847,133	5,837,722	-	-	9,411
Investment	6.62	4,085,686	4,085,686	-	-	-
Mark-up accrued		5,969	-	-	-	5,969
Receivable against transfer of units		453	-	-	-	453
		9,939,241	9,923,408	-	-	15,833
<b>Financial liabilities</b>						
Payable to the Management Company		5,275	-	-	-	5,275
Payable to the Trustee		464	-	-	-	464
Payable against purchase of investments		4,088,135	-	-	-	4,088,135
Payable against redemption of units		26	-	-	-	26
Accrued expenses and other liabilities		1,583	-	-	-	1,583
Net assets attributable to redeemable units		5,790,612	-	-	-	5,790,612
		9,886,095	-	-	-	9,886,095
On-balance sheet gap		53,146	9,923,408	-	-	(9,870,262)
<b>Off-balance sheet financial instruments</b>						
Off-balance sheet gap		-	-	-	-	-



# NAFA GOVERNMENT SECURITIES LIQUID FUND

As at June 30, 2017						
Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments	%	Rupees in '000				
Financial assets						
Bank balances	3.75 - 7.43	4,716,993	4,705,344	-	-	11,649
Investments	5.95	2,008,028	2,008,028			-
Mark-up accrued		329	-	-	-	329
Receivable against transfer of units		121	-	-	-	121
		6,725,471	6,713,372	-	-	12,099
Financial liabilities						
Payable to the Management Company		8,146	-	-	-	8,146
Payable to the Trustee		476	-	-	-	476
Payable against purchase of investments		2,009,345	-	-	-	2,009,345
Payable against redemption of units		481	-	-	-	481
Dividend payable		7,189	-	-	-	7,189
Accrued expenses and other liabilities		1,295	-	-	-	1,295
Net assets attributable to redeemable units		4,598,229	-	-	-	4,598,229
		6,625,161	-	-	-	6,625,161
On-balance sheet gap		100,310	6,713,372	-	-	(6,613,062)
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-

## 23.1.3 Price risk

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

## 23.2 Credit risk

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

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

Bank balances by rating category	June 30, 2018
AAA	5.73%
AA+	93.82%
AA	0.12%
AA-	0.21%
A-	0.12%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is as follows:

# NAFA GOVERNMENT SECURITIES LIQUID FUND

	June 30, 2018		June 30, 2017	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
	----- Rupees in '000 -----			
Bank balances	5,847,133	5,847,133	4,716,993	4,716,993
Investment	4,085,686	4,085,686	2,008,028	2,008,028
Receivable against transfer of units	453	453	121	121
Mark-up accrued	5,969	5,969	329	329

## Concentration of credit risk

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

The Fund's major asset balances (98.90%) are held with two banks. The management believes that these are credit-worthy counterparties.

## 23.3 Liquidity risk

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

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

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

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

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

	June 30, 2018			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- Rupees in '000 -----			
<b>Financial liabilities</b>				
Payable to the Management Company	5,275	5,275	-	-
Payable to the Trustee	464	464	-	-
Payable against purchase of investments	4,088,135	4,088,135	-	-
Payable against redemption of units	26	26	-	-
Accrued expenses and other liabilities	1,583	1,583	-	-
Net assets attributable to redeemable units	5,790,612	5,790,612	-	-
	9,886,095	9,886,095	-	-

# NAFA GOVERNMENT SECURITIES LIQUID FUND

June 30, 2017				
Total	Upto three months	Over three months and upto one year	Over one year	
Rupees in '000				
8,146	8,146	-	-	-
476	476	-	-	-
2,009,345	2,009,345	-	-	-
481	481	-	-	-
7,189	7,189	-	-	-
1,295	1,295	-	-	-
4,598,229	4,598,229	-	-	-
6,625,161	6,625,161	-	-	-

## 24. UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the issuance and redemption of units. There is no specific capital requirement which is applicable on the Fund.

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

In accordance with the risk management policies stated in note 23, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

**Level 2** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

# NAFA GOVERNMENT SECURITIES LIQUID FUND

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

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

## **26. NON ADJUSTING EVENT AFTER REPORTING DATE**

The Management Company on July 4, 2018 has declared a cash distribution of Rs. 0.5367 per unit. The Financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

## **27. GENERAL**

**27.1** Figures have been rounded off to nearest thousand rupee.

**27.2** Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

## **28. DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 05, 2018.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES LIQUID FUND

## PERFORMANCE TABLE








Particulars	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013
Net assets at the year / period ended (Rs '000)	5,790,612	4,598,229	3,171,948	7,013,455	9,858,623	12,401,926
Net income for the year / period ended (Rs '000)	257,128	207,559	135,646	386,114	1,113,816	1,073,565
Net Asset Value per unit at the year / period ended (Rs)	10.9686	10.1614	10.1464	10.1423	10.0538	10.0389
Offer Price per unit at year end	10.9686	10.1614	10.1464	10.1423	10.0538	10.0389
Redemption Price per unit at year end	10.9686	10.1614	10.1464	10.1423	10.0538	10.0389
Highest offer price per unit (Rs)	10.6986	10.1626	10.1464	10.1424	10.0538	10.0389
Lowest offer price per unit (Rs)	10.1634	9.4401	9.5945	9.3685	9.2998	9.2414
Highest redemption price per unit (Rs)	10.6986	10.1626	10.1464	10.1424	10.0538	10.0389
Lowest redemption price per unit (Rs)	10.1634	9.4419	9.5945	9.3685	9.2998	9.2414
Opening Nav of Fiscal Year	10.1614	9.4401	9.5936	9.3648	9.2990	9.2390
Total return of the fund	5.29%	7.64%	5.76%	8.30%	8.12%	8.66%
Capital growth	0.01%	-0.40%	0.04%	0.33%	-0.17%	-0.55%
Income distribution as a % of ex nav	5.28%	8.04%	5.72%	7.97%	8.29%	9.20%
Income distribution as a % of par value	5.37%	7.59%	5.80%	7.46%	7.71%	8.50%
<b>Distribution</b>						
Interim distribution per unit	-	0.7592	-	0.7460	0.7710	0.8504
Final distribution per unit	0.5367	-	0.5801	-	-	-
<b>Distribution Dates</b>						
Interim	-	-	-	-	30-Jul-13	30-Jul-12
Interim	-	-	-	-	29-Aug-13	28-Aug-12
Interim	-	-	-	-	27-Sep-13	28-Sep-12
Interim	-	-	-	-	29-Oct-13	30-Oct-12
Interim	-	-	-	-	28-Nov-13	28-Nov-12
Interim	-	-	-	-	27-Dec-13	28-Dec-12
Interim	-	-	-	-	29-Jan-14	29-Jan-13
Interim	-	-	-	-	28-Feb-14	27-Feb-13
Interim	-	-	-	-	28-Mar-14	28-Mar-13
Interim	-	-	-	-	29-Apr-14	29-Apr-13
Interim	-	-	-	-	28-May-14	29-May-13
Interim	-	21-Jun-17	-	29-Jun-15	26-Jun-14	28-Jun-13
Final	04-Jul-18	-	30-Jun-16	-	-	-
Average annual return of the fund (launch date May 16, 2009)						
(Since inception to June 30, 2018)	8.54%					
(Since inception to June 30, 2017)		8.95%				
(Since inception to June 30, 2016)			9.13%			
(Since inception to June 30, 2015)				9.70%		
(Since inception to June 30, 2014)					9.97%	
(Since inception to June 30, 2013)						10.42%
Portfolio Composition ( Please see Fund Manager Report)						
Weighted average portfolio duration	13 Days	3 Days	4 Days	19 Days	46 Days	09 Days
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up						



**Be aware, Be alert,  
Be safe**

**Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device
-  Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices



## Head Office

7th Floor, Clifton Diamond Building, Block No.4,  
Scheme No.5, Clifton, Karachi.

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** INVEST to 9995

**Fax:** 021-35825335

**Email:** [info@nbpfunds.com](mailto:info@nbpfunds.com)

**Website:** [www.nbpfunds.com](http://www.nbpfunds.com)

 /nbpfunds