



# NBP FUNDS

*Managing Your Savings*

**AM1**

Rated by PACRA

## NAFA GOVERNMENT SECURITIES SAVINGS 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 SAVINGS 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 Shahra-e-Faisal, Karachi.

### Bankers to the Fund

Allied Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Summit Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Sindh Bank Limited  
Samba Bank Limited  
Bankislami Pakistan Limited  
Zarai Taraqiati Bank Limited

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.02  
Beaumont Road,  
Karachi - 75530, Pakistan.

## **Legal Advisor**

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

## **Head Office:**

7<sup>th</sup> Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: (111-111-632)  
Helpline (Toll Free): 0800-20002  
Fax: (021) 35825329

## **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

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# 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 SAVINGS FUND

## DIRECTORS' REPORT

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

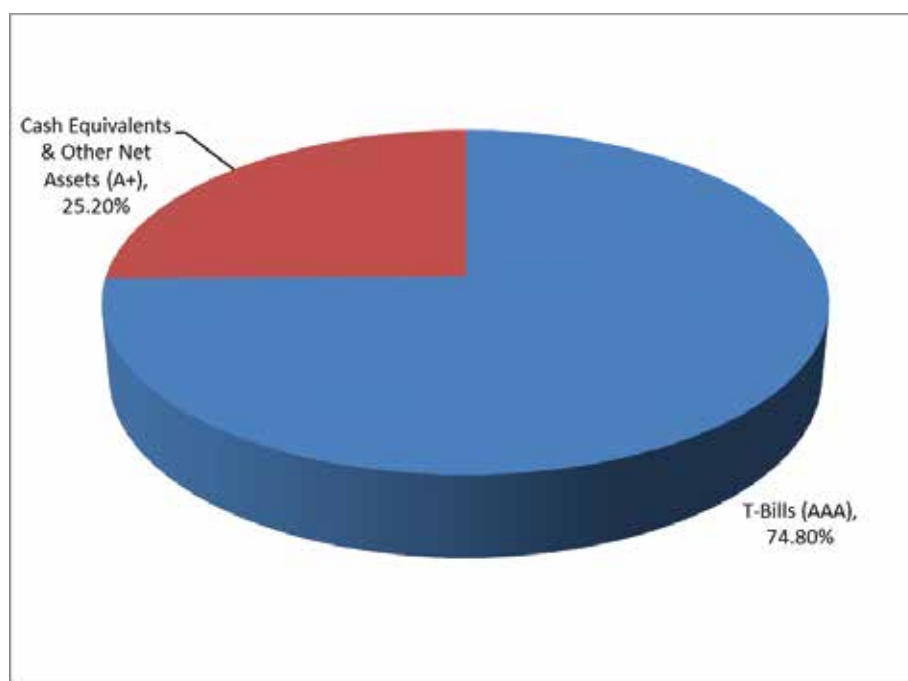
### Fund's Performance

The size of NAFA Government Securities Savings Fund has increased from Rs. 108 million to Rs. 144 million during the period, i.e. an increase of 33%. During the said period, the unit price of the Fund has increased from Rs. 10.3042 on June 30, 2017 to Rs. 10.8208 on June 30, 2018, thus posting a return of 5.0% as compared to its Benchmark return of 6.2% for the same period. The return of the Fund is net of management fee and all other expenses.

NAFA Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities. The Fund invests at least 10% of its assets in less than 90 days T-Bills or saving accounts with banks, which enhances liquidity profile of the Fund.

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.9.678 million during the year. After deducting total expenses of Rs. 2.143 million, the net income is Rs. 7.535 million. The asset allocation of NAFA Government Securities Savings Fund as on June 30, 2018 is as follows:





# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Income Distribution

The Management Company has approved cash dividend of 5.01% of opening ex-NAV (5.16% 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 KPMG Taseer Hadi & 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 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The 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 SAVINGS 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 منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA گورنمنٹ سیکیورٹیز سیونگز فنڈ (NGSSF) کی چوتھی سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

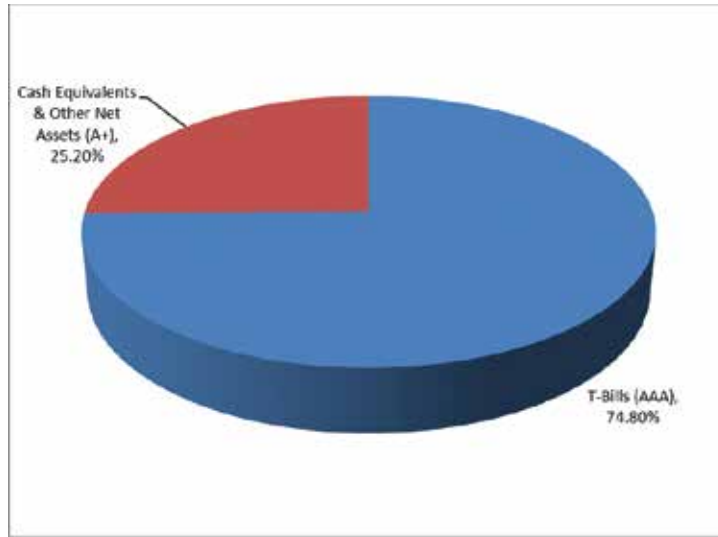
### فنڈ کی کارکردگی

NAFA گورنمنٹ سیکیورٹیز سیونگز فنڈ کا فنڈ سائز اس مدت کے دوران 108 ملین روپے سے بڑھ کر 144 ملین روپے ہو گیا ہے یعنی تقریباً 33% کا اضافہ۔ اس مدت کے دوران فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 10.3042 روپے سے بڑھ کر 30 جون 2018 کو 10.8208 روپے ہو چکی ہے اور اس طرح اسی مدت کے دوران فنڈ نے اپنے بنچ مارک منافع 6.2% کے مقابلے میں 5.0% اضافہ دکھایا ہے۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NAFA گورنمنٹ سیکیورٹیز سیونگز فنڈ (NGSSF) اپنے اثاثوں کا کم از کم 70% گورنمنٹ سیکیورٹیز میں سرمایہ کاری کرتا ہے۔ فنڈ اپنے اثاثوں کا کم از کم 90% دن سے کم مدت کے T-Bills یا بینکوں کے ساتھ سیونگ اکاؤنٹس میں انویسٹ کرتا ہے جس سے فنڈ کے لیکویڈیٹی پروفائل میں اضافہ ہو جاتا 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 بیس 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، 90 bps اور 116 bps سے بڑھ گئے۔

فنڈ نے اس سال کے دوران 9.678 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 2.143 ملین روپے اخراجات منہا کرنے کے بعد خالص آمدنی 7.535 ملین روپے ہے۔ NAFA گورنمنٹ سیکیورٹیز سیونگز فنڈ (NGSSF) کی ایسیٹ ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

منجمنٹ کمپنی نے سال کے اختتام کے بعد اوپننگ ex-NAV کا 5.01% (بنیادی قدر کا 5.16%) 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 کیپٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر آکرم ٹیکس آرڈیننس 2001 کے سیکنڈ شیفڈول کے پارٹ I کی شق 99 کے تحت ٹیکس لاگو نہیں ہے۔

### آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی 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 SAVINGS FUND

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش 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 مؤثر 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 ٹیبیل / 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 منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 22 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 19 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 مائنارٹی انٹرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

کیٹیگری	نام
غیر جانبدار ڈائریکٹرز	1- جناب کمال عامر چٹائے 2- جناب شہریار فاروق 3- جناب ہمایوں بشیر
ایگزیکٹو ڈائریکٹرز	ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)
نان ایگزیکٹو ڈائریکٹرز	1- جناب مدر حسین خان (چئیرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی بلیکر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونگ (کیلون فو)

### اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ 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 رٹری 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 منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

05 ستمبر 2018ء

مقام: کراچی

# NAFA GOVERNMENT SECURITIES SAVINGS 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 Savings Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 SAVINGS FUND

## FUND MANAGER REPORT

NAFA Government Securities Savings Fund (NGSSF) is an Open-End Income Scheme.

### Investment Objective of the Fund

The objective of NAFA Government Securities Savings Fund is to provide competitive return from portfolio of low credit risk by investing primarily in Government Securities.

### Benchmark

6-Month PKRV.

### Fund Performance Review

This is the Fourth Annual report since the launch of the Fund on July 10, 2014. The Fund size stands at Rs. 144 million as on June 30, 2018. Since its inception, the Fund posted an annualized return of 7.8% versus the benchmark return of 6.8%. This translates into an outperformance of 1.0% p.a. During FY18, the Fund posted 5.0% return versus the benchmark return of 6.2%. The return of the Fund is net of management fee.

NAFA Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities. The Fund invests at least 10% of its assets in less than 90 days T-Bills or saving accounts with banks, which enhances liquidity profile of the Fund.

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.

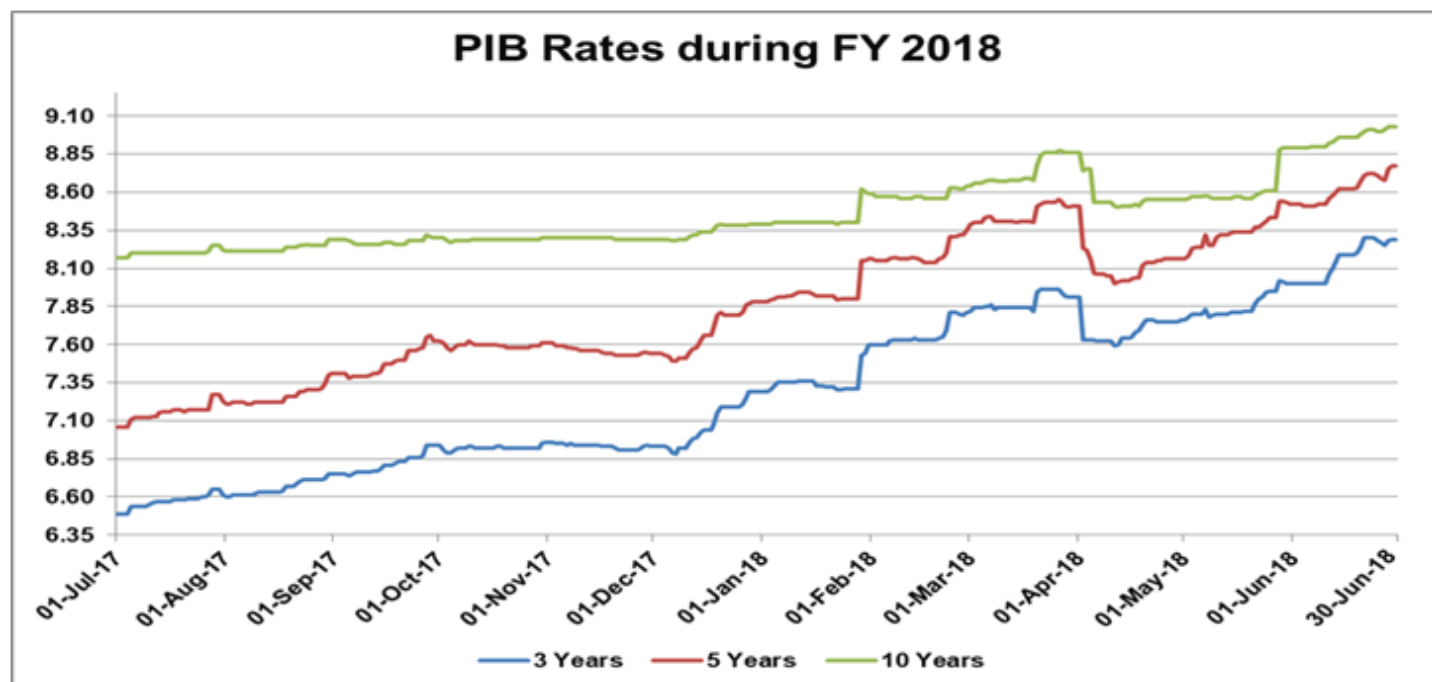
### Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-18	30-Jun-17
T-Bills	75%	83%
Cash (Cash Equivalents) & Other Assets	25%	17%
<b>Total</b>	<b>100%</b>	<b>100%</b>



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2018

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Final	5.16%	0.5162	10.3046

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

Size of Unit Holding (Units)	# of Unit Holders
1-1000	73
1001-5000	17
5001-10000	10
10001-50000	27
50001-100000	10
100001-500000	13
500001-1000000	2
5000001-10000000	1
10000001-100000000	-
	153

During the period under question:

There has been no significant change in the state of affairs of the Fund. NAFA Government Securities Savings 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. 0.55 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.0413 / 0.38%. For details investors are advised to read note 11.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the NAFA Government Securities Savings Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key audit matters

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

S. #	Key audit matter	How the matter was addressed in our audit
1	<b>Amendments to the NBFC Regulations, 2008</b>	
	<p>Refer to note 4 to the accompanying financial statements with respect to element of income.</p> <p>The amendments to NBFC Regulations, 2008 brought through SRO 756(I)/2017 dated 03 August 2017 issued by Securities and Exchange Commission of Pakistan (SECP) and methodology specified by MUFAP duly consented by SECP, have necessitated changes in accounting policies with respect to recording of element of income / loss on net basis from income statement to unit holders' fund directly and consideration of Income already paid on units redeemed as dividend. The said SRO also required certain presentation changes. The Fund has applied these changes with effect from 1 July 2017.</p> <p>We identified the said changes as a key audit matter because application of these changes involved complex calculations and judgment in respect of determination of income already paid on units redeemed (element of income as dividend), distribution and refund of capital (element of income) to conform with methodology specified by MUFAP for such calculations.</p>	<p>Our audit procedures in respect of change in accounting polices due to amendments in NBFC Regulations 2008 included the following:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of requirements of amendments to NBFC Regulations, 2008 and methodology specified by MUFAP duly consented by SECP for estimation of income already paid on units redeemed (element of income as dividend), distribution and refund of capital (element of income).</li><li>• Testing, on sample basis, that income already paid on units redeemed (element of income as dividend), distribution and refund of capital (element of income) have been determined as per methodology specified by MUFAP in the consultation of SECP.</li><li>• Assessing the adequacy of disclosures made with respect to change in accounting policies and the requirements of NBFC Regulations, 2008.</li></ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2018, but does not include the financial statements and our auditors' report thereon.

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

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

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance 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 auditors' 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nadeem.

**Date: 05 September 2018**

**Karachi**

**KPMG Taseer Hadi & Co.  
Chartered Accountants**

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Statement of Assets and Liabilities As at 30 June 2018

	Note	2018 (Rupees in '000)	2017
<b>Assets</b>			
Bank balances	5	103,911	114,253
Investments	6	107,623	89,912
Profit receivables		27	41
Deposit, prepayment and other receivables	7	828	896
<b>Total assets</b>		<b>212,389</b>	<b>205,102</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	8	360	438
Payable to Central Depository Company of Pakistan Limited - Trustee	9	23	28
Payable to Securities and Exchange Commission of Pakistan	10	114	126
Payable against purchase of investments		64,813	89,971
Accrued expenses and other liabilities	11	3,190	6,778
<b>Total liabilities</b>		<b>68,500</b>	<b>97,341</b>
<b>Net assets</b>		<b>143,889</b>	<b>107,761</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>143,889</b>	<b>107,761</b>
<b>Contingency and commitment</b>	12		
		(Number of units)	
<b>Number of units in issue</b>	13	<b>13,297,449</b>	<b>10,457,979</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>10.8208</b>	<b>10.3042</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Income Statement For the year ended 30 June 2018

	Note	2018 (Rupees in '000)	2017
<b>Income</b>			
Income from Market Treasury Bills		6,436	4,914
Income from Pakistan Investment Bonds		-	4,794
Profit on bank deposits and term deposit receipts		3,319	3,148
Loss on sale of investments - net		(18)	(2,194)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.1.2	(59)	(59)
<b>Total income</b>		<b>9,678</b>	<b>10,603</b>
<b>Expenses</b>			
Remuneration to NBP Fund Management Limited - Management Company	8.1	880	968
Sindh Sales Tax on remuneration to Management Company	8.2	114	126
Remuneration to Central Depository Company of Pakistan Limited - Trustee	9.1	257	286
Sindh Sales Tax on remuneration to Trustee	9.2	33	37
Annual fee - Securities and Exchange Commission of Pakistan	10	114	126
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	151	168
Auditors' remuneration	14	300	440
Mutual fund rating fee		204	194
Annual listing fee		22	44
Settlement and bank charges		22	100
Securities transaction cost		1	1
Legal and professional charges		19	24
Printing charges		26	41
<b>Total expenses</b>		<b>2,143</b>	<b>2,555</b>
<b>Net income from operating activities</b>		<b>7,535</b>	<b>8,048</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		-	(3,285)
Reversal of provision for Workers' Welfare Fund	11.1	-	1,619
Provision for Sindh Workers' Welfare Fund	11.1	(151)	(399)
<b>Net income for the year before taxation</b>		<b>7,384</b>	<b>5,983</b>
Taxation	15	-	-
<b>Net income for the year</b>		<b>7,384</b>	<b>5,983</b>
<b>Allocation of net income for the year</b>		<b>7,384</b>	<b>-</b>
Net income for the year		(1,015)	-
Income already paid on units redeemed		6,369	-
<b>Accounting income available for distribution:</b>			
-Relating to capital gains		-	-
-Excluding capital gains		6,369	-
		<b>6,369</b>	<b>-</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Statement of Comprehensive Income For the year ended 30 June 2018

	2018	2017
	(Rupees in '000)	
Net income for the year	7,384	5,983
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>7,384</b>	<b>5,983</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Statement of Movement in Unit Holders' Fund For the year ended 30 June 2018

	2018			2017		
	Value	Undistributed income	Total	Value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	68,909	38,852	107,761	265,224	38,685	303,909
Issuance of 7,706,619 units (2017: 27,883,027 units)						
- Capital value	79,411	-	79,411	-	-	-
- Element of income	729	-	729	-	-	-
Total proceeds on issuance of units	80,140	-	80,140	286,865	12,111	298,976
Redemption of 4,867,149 units (2017: 46,964,691 units)						
- Capital value	(50,152)	-	(50,152)			
- Element of loss	(229)	(1,015)	(1,244)			
Total payments on redemption of units	(50,381)	(1,015)	(51,396)	(483,180)	(15,396)	(498,576)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	3,285	3,285
Interim distribution for the year ended 30 June 2018: Nil [2017: 6.67% (Date of distribution: 21 June 2017)]						
- Cash distribution	-	-	-	-	(5,816)	(5,816)
Total comprehensive income for the year	-	7,384	7,384	-	5,983	5,983
<b>Net assets at end of the year</b>	<b>98,668</b>	<b>45,221</b>	<b>143,889</b>	<b>68,909</b>	<b>38,852</b>	<b>107,761</b>
Undistributed income brought forward						
- Realised		38,911			35,676	
- Unrealised		(59)			3,009	
		38,852			38,685	
Accounting income available for distribution:						
- Relating to capital gains		-			-	
- Excluding capital gains		6,369			-	
		6,369			5,983	
Interim distribution for the year ended 30 June 2018: Nil [2017: 6.67% (Date of distribution: 21 June 2017)]						
- Cash distribution		-			(5,816)	
Undistributed income carried forward		45,221			38,852	
Undistributed income carried forward						
- Realised		45,280			38,911	
- Unrealised		(59)			(59)	
		45,221			38,852	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		10.3042			10.2882	
Net assets value per unit at end of the year		10.8208			10.3042	

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Cash Flow Statement For the year ended 30 June 2018

	Note	2018 (Rupees in '000)	2017
<b>CASH FLOWS FOR THE YEAR FROM OPERATING ACTIVITIES</b>			
Net income for the year		7,384	5,983
<b>Adjustments:</b>			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		59	59
Element of loss / (income) and capital (gains) / losses included in prices of units issued less those in units redeemed - net		-	3,285
		7,443	9,327
<b>(Increase) / decrease in assets</b>			
Investments		(17,770)	159,727
Profit receivables		14	4,061
Deposit, prepayment and other receivables		68	(669)
		(17,688)	163,119
<b>(Decrease) / increase in liabilities</b>			
Payable to NBP Fund Management Limited - Management Company		(78)	(231)
Payable to Central Depository Company of Pakistan Limited - Trustee		(5)	(43)
Payable to Securities and Exchange Commission of Pakistan		(12)	(149)
Payable against purchase of investments		(25,158)	89,971
Accrued expenses and other liabilities		(3,588)	(1,449)
		(28,841)	88,099
<b>Net cash (used in) / generated from operating activities</b>		(39,086)	260,545
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	16		
Amounts received against issuance of units		80,140	294,902
Payment against redemption of units		(51,396)	(510,324)
<b>Net cash from / (used in) financing activities</b>		28,744	(215,422)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(10,342)	45,123
Cash and cash equivalents at beginning of the year		114,253	69,130
<b>Cash and cash equivalents at end of the year</b>	5	103,911	114,253

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Notes to and forming part of the Financial Statements For the year ended 30 June 2018

### **1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** NAFA Government Securities Savings 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 the Trustee. The Trust Deed was executed on 05 June 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 May 2014 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3** 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 of the Fund are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an "Income Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).
- 1.4** The objective of the Fund is to provide unit holders with competitive return from portfolio of low credit risk securities by investing primarily in Government Securities.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'AA-(f)' to the Fund.
- 1.6** 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 standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part and the requirements VIIIA of the repealed Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations). 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 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 2.2 Accounting convention

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

## 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand rupees, except otherwise stated.

## 2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- Classification and valuation of investments (refer note 4.1 and note 6).
- Element of income (refer note 4)

## 3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Fund's financial statements.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Fund's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Fund is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on the Fund's financial statements.



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect the funds that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, the Fund now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Fund's financial statements.
- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. The Fund remeasures its previously held interest in a joint operation when it obtains control of the business. The Fund does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that the Fund treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Fund's financial statements.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented except for the change in accounting policies as stated below:

### **New, Amended and Revised Standards and Interpretations of IFRSs**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the the Funds' financial statements and are therefore not stated in these financial statements.

### **Application of Companies Act, 2017**

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 which application has been deferred till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2.1). However, it does not have any significant impact on the Fund's financial statements.

### **Element of income**

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement on net basis and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, 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. It also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall 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 will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. "MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

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 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs. 0.5047 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 0.0007.

## 4.1 Financial Assets

### 4.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Management Company determines the appropriate classification of its financial assets at the time of initial recognition and re-evaluates their classification on a regular basis.

#### a) Loans and receivables

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

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

#### c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

All investments in the Fund as at 30 June 2018 are classified as 'financial assets at fair value through profit and loss'.

### 4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 4.1.3 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 expensed as in the income statement.

## 4.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

### a) Basis of valuation of Debt Securities (other than government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

### b) Basis of valuation of 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 are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the statement of comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Subsequent to the initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest rate method.

## 4.1.5 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular 33 of 2012 dated 24 October 2012 issued by SECP. As allowed under circular no. 13 of 2009 dated 04 May 2009 and circular 33 of 2012 dated 24 October 2012 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

## **b) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

### **4.1.6 Derecognition**

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

### **4.1.7 Offsetting of financial assets and liabilities**

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

## **4.2 Cash and cash equivalents**

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

## **4.3 Derivatives**

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

## **4.4 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

## **4.5 Provisions**

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

## 4.6 Taxation

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

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current period and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

## 4.7 Issue and redemption of units

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

## 4.8 Element of income

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

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

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



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 4.9 Earnings per unit

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

## 4.10 Net assets value per unit

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

## 4.11 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 appreciation / (diminution) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' investments are included in the statement of comprehensive income in the period in which they arise.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

## 4.12 Distributions

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

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

## 5 BANK BALANCES

		2018	2017
		(Rupees in '000)	
In current accounts		241	203
In savings accounts	5.1	103,670	114,050
		<u>103,911</u>	<u>114,253</u>

5.1 These carry a rate of return ranging from 3.75% to 7.85% (2017: 3.75% to 7.50%) per annum.

5.2 These have been adjusted with cheques of Rs. 0.099 (2017: Rs. 0.718 million) issued on account of redemption of units at close of financial period which have cleared subsequent to year end.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 6 INVESTMENTS

2018 2017  
(Rupees in '000)

Financial assets 'at fair value through profit or loss' - held for trading

Market Treasury Bills 6.1 107,623 89,912

### 6.1 Market Treasury Bills

Issue date	Tenor	Face value				Market value / Carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 01 July 2017	Purchases during the year	Sales / matured during the year	As at 30 June 2018			
		(Rupees in '000)						
13 April 2017	03 Months	90,000	-	90000	-	-	-	-
27 April 2017	03 Months	-	80000	80000	-	-	-	-
22 June 2017	03 Months	-	30000	30000	-	-	-	-
22 June 2017	06 Months	-	35000	35000	-	-	-	-
20 July 2017	03 Months	-	80000	80000	-	-	-	-
03 August 2017	03 Months	-	41000	41000	-	-	-	-
17 August 2017	03 Months	-	30000	30000	-	-	-	-
18 August 2017	03 Months	-	30000	30000	-	-	-	-
31 August 2017	03 Months	-	23000	23000	-	-	-	-
14 September 2017	03 Months	-	60000	60000	-	-	-	-
28 September 2017	03 Months	-	35000	35000	-	-	-	-
12 October 2017	03 Months	-	86000	86000	-	-	-	-
26 October 2017	03 Months	-	20000	20000	-	-	-	-
23 November 2017	03 Months	-	13000	13000	-	-	-	-
08 June 2017	06 Months	-	10000	10000	-	-	-	-
14 September 2017	03 Months	-	8000	8000	-	-	-	-
18 January 2018	03 Months	-	50000	50000	-	-	-	-
07 December 2017	06 months	-	35000	35000	-	-	-	-
01 February 2018	03 Months	-	44000	44000	-	-	-	-
15 February 2018	03 Months	-	2000	2000	-	-	-	-
26 April 2018	03 Months	-	108000	-	108,000	107,623	100.00	100.00
07 June 2018	03 Months	-	35000	35000	-	-	-	-
12 April 2018	03 Months	-	26000	26000	-	-	-	-
15 February 2018	03 Months	-	34000	34000	-	-	-	-
26 October 2017	03 Months	-	43000	43000	-	-	-	-
23 November 2017	03 Months	-	43000	43000	-	-	-	-
01 February 2018	03 Months	-	42000	42000	-	-	-	-
18 January 2018	03 Months	-	20000	20000	-	-	-	-
09 November 2018	03 Months	-	42000	42000	-	-	-	-
15 February 2018	03 Months	-	50000	50000	-	-	-	-
Total		90,000	1,155,000	1,137,000	108,000	107,623	100.00	100.00

Carrying value before fair value adjustment as at 30 June 2018

107,682

6.1.1 This carries a rate of return of 5.83% to 6.9% (2017: 5.78% to 5.99%) per annum.

6.1.2 Net unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'

Market value of investments 6.1 107,623 89,912  
Less: Carrying value of investments (107,682) (89,971)  
(59) (59)

## 7 DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES

Security deposit with Central Depository Company of Pakistan Limited 102 102  
Prepaid annual rating fee - 68  
Withholding tax 639 639  
Other receivable 87 87  
828 896

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8	PAYABLE TO NBP Fund MANAGEMENT Limited - MANAGEMENT COMPANY	2018 (Rupees in '000)	2017
	Management remuneration	8.1 72	64
	Sindh Sales Tax on management remuneration	8.2 9	8
	Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3 76	168
	Sindh Sales Tax on sales load	36	36
	Sales and transfer load	122	117
	Other payable	45	45
		<b>360</b>	<b>438</b>

**8.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets . Effective from 07 December 2015, the Management Company has charged its remuneration at the rate of 10% of net income of the Fund subject to Upper Cap of 1% and Lower Cap of 0.5% of the average net assets of the Fund.

**8.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration and sales load.

**8.3** Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.

## 9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Trustee remuneration	9.1	20	19
Sindh Sales Tax on Trustee remuneration	9.2	3	2
Settlement charges		-	7
		<b>23</b>	<b>28</b>

**9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.17% p.a. of net assets
On an amount Rs. 1,000 million to 5,000 million	Rs. 1.7 million plus 0.085% p.a. of net assets exceeding Rs. 1,000 million.
On an amount exceeding Rs. 5,000 million	Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5,000 million.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

**9.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on trustee remuneration.

## **10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an income scheme is required to pay an annual fee to 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.

## **11 ACCRUED EXPENSES AND OTHER LIABILITIES**

**2018**                      **2017**  
(Rupees in '000)

Provision for Sindh Workers' Welfare Fund	11.1	<b>550</b>	399
Federal Excise Duty on management remuneration	11.2	<b>1,864</b>	1,864
Federal Excise Duty on sales load		<b>371</b>	371
Auditors' remuneration		<b>235</b>	302
Brokerage fee		-	8
Bank charges		<b>1</b>	47
Printing charges		<b>19</b>	58
Withholding tax		-	1,078
Capital gains tax		<b>4</b>	66
Legal fee		<b>10</b>	2
Rating fee payable		<b>136</b>	-
Payable to NAFA Government Securities Liquid Fund (related party)		-	2,583
		<b>3,190</b>	<b>6,778</b>

**11.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, 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 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. Furthermore, the Honourable Supreme Court of Pakistan decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. 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 21 May 2015) and accordingly the provision maintained in prior years amounted to Rs.1.619 million was reversed in the year 2017.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

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.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from 21 May 2015 to 30 June 2018, the net asset value of the Fund as at 30 June 2018 would have been higher by Rs. 0.0414 per unit (2017: Rs 0.0382).

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

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has interalia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sind High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

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

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 1.864 million (30 June 2017: 1.864 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.1402 (30 June 2017: Rs. 0.1782) per unit.

## 12 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 30 June 2018.

## 13 NUMBER OF UNITS IN ISSUE

2018  
(Number of units)

Total units in issue at beginning of the year		10,457,979	29,539,643
Add: units issued	13.1	7,706,619	27,883,027
Less: units redeemed		(4,867,149)	(46,964,691)
Total units in issue at end of the year		<u>13,297,449</u>	<u>10,457,979</u>

- 13.1** This includes Nil units issued against Dividend Reinvestment Plan amounting to Rs. Nil taxation (2017: 464,013 units, amounting to Rs. 4.774 million, net of taxation).

## 14 AUDITORS' REMUNERATION

2018  
(Rupees in '000)

Audit fee	170	250
Half yearly review	68	100
Out of pocket expenses and others including government levy	62	90
	<u>300</u>	<u>440</u>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 15 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.12) , no provision for taxation has been made in these financial statements. The Management Company on 04 July 2018 (refer note 27) has declared distribution more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year.

## 16 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2017	-	-	-
Receivable against issuance of units	80,140	-	(80,140)
Payable against redemption of units	-	51,396	51,396
	80,140	51,396	(28,744)
Amount received on issuance of units	(80,140)	-	80,140
Amount paid on redemption of units	-	(51,396)	(51,396)
Dividend paid	-	-	-
	(80,140)	(51,396)	28,744
Closing balance as at 30 June 2018	-	-	-

## 17 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year) is 1.51% per annum. Total expense ratio (excluding government levies) is 1.24% per annum.

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2018	
	Loans and receivables	At fair value through profit or loss
	----- (Rupees in '000) -----	
<b>Assets</b>		
Bank balances	103,911	-
Investments	-	107,623
Profit receivables	27	-
Deposit	102	-
	104,040	107,623
	104,040	211,663



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

	30 June 2018		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	-	360	360
Payable to Central Depository Company of Pakistan Limited - Trustee	-	23	23
Payable against purchase of investments	-	64,813	64,813
Accrued expenses and other liabilities	-	401	401
	<u>-</u>	<u>65,597</u>	<u>65,597</u>

	30 June 2017		
	Loans and receivables	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Bank balances	114,253	-	114,253
Investments	-	89,912	89,912
Profit receivables	41	-	41
Deposit	102	-	102
	<u>114,396</u>	<u>89,912</u>	<u>204,308</u>

	30 June 2017		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	-	438	438
Payable to Central Depository Company of Pakistan Limited - Trustee	-	28	28
Payable against purchase of investments	-	89,971	89,971
Accrued expenses and other liabilities	-	3,000	3,000
	<u>-</u>	<u>93,437</u>	<u>93,437</u>

## 19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

**19.1** Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and 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 10 percent or more units of the Fund.

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

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

**19.4** The details of significant transactions and balances with connected persons at year end except those disclosed elsewhere in these financial statements are as follows:

<b>19.5 Transactions during the year:</b>	<b>2018</b>	<b>2017</b>
	<b>(Rupees in '000)</b>	
<b>NBP Fund Management Limited Management Company</b>		
Units issued: 4,832,899 units (2017: 5,593,008)	<b>50,039</b>	58,683
Units redeemed: Nil (2017: 2,318,400 units)	-	25,000
Management remuneration	<b>880</b>	968
Sindh Sales Tax on remuneration to Management Company	<b>114</b>	126
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>151</b>	168
Dividend Reinvestment plan units issued: Nil (2017: 137,198 units)	-	1,412
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration to the Trustee	<b>257</b>	286
CDS charges	-	22
Sindh Sales Tax on remuneration to Trustee	<b>33</b>	37
<b>Employees of the Management Company</b>		
Units issued: 28 units (2017: 1,412 units)	-	15
Units redeemed: Nil (2017: 36,504 units)	-	381
<b>Mr. Khalid Mehmood - Chief Financial Officer</b>		
Units redeemed: Nil units (2017: 144,963 units)	-	1,509
<b>Attock Petroleum Limited</b>		
Units redeemed: Nil (2017: 10,056,987)	-	104,136
<b>Gul Ahmed Energy Limited</b>		
Units redeemed: Nil units (2017: 3,598,267)	-	37,587
<b>Service Provident Fund Trust</b>		
Pakistan Investment Bond purchased	-	3,766
<b>National Bank of Pakistan - NBP</b>		
Market Treasury Bills purchased	<b>236,111</b>	69,704
Market Treasury Bills sold	<b>29,986</b>	-
Profit on bank deposits	<b>6</b>	-
<b>NAFA Income Opportunity Fund</b>		
Market Treasury Bills sold	-	68,308
<b>NAFA Government Securities Liquid Fund</b>		
Market Treasury Bills sold	-	47,634
<b>Pakistan Telecommunication employees trust</b>		
Market Treasury bills sold	<b>34,589</b>	-

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

	2018	2017
	(Rupees in '000)	
<b>BankIslami Pakistan Limited</b>		
Profit on bank deposits	2	-
<b>19.6 Amounts outstanding as at year end:</b>		
<b>NBP Fund Management Limited - Management Company</b>		
Units held: 8,244,705 units (2017: 3,411,806)	89,214	35,156
Management remuneration payable	72	64
Sindh Sales Tax payable	9	8
Allocation of expenses related to registrar services, accounting, operation and valuation services	76	168
Sales load and transfer load payable	122	117
Sindh Sales Tax on sales load	36	36
Other payable	45	45
<b>Employees of the Management Company</b>		
Units held: 31,169 units (2017: 31,142 units)	337	321
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	20	19
Sindh Sales Tax payable	3	2
Settlement charges payable	-	7
Security deposit	102	102
<b>National Bank of Pakistan</b>		
Bank Balance in savings account	145	297
Profit receivable	2	-
<b>Summit Bank</b>		
Bank balance in current account	241	203
<b>Bank Islami Pakistan Limited</b>		
Balance in saving account	45	-
Profit receivable	1	-

## 20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

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

\*Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NAFA Government Securities Liquid Fund, NAFA Saving Plus Fund, NAFA Money Market Fund, NAFA Riba Free Savings Fund, NAFA Financial Sector Income Fund, NAFA Income Fund, NAFA Active Allocation Riba Free Savings Fund, NAFA Islamic Money Market Fund, NAFA Islamic Income Fund and NAFA Income Opportunity Fund.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 21 TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

List of brokers / dealers by percentage of commission paid / payable during the year ended 30 June 2018:

S. No	Particulars	Percentage (%)
1	Next Capital Limited	100.00

List of brokers by percentage of commission paid during the year ended 30 June 2017:

S. No	Particulars	Percentage (%)
1	J.S. Global Capital Limited	33.33
2	Next Capital Limited	33.33
3	Bright Capital (Private) Limited	33.33

## 22 PATTERN OF UNIT HOLDING

Category	As at 30 June 2018		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ----
Individuals	147	53,135	36.93
Associated Company	1	89,214	62.00
Others	5	1,540	1.07
	<b>153</b>	<b>143,889</b>	<b>100.00</b>

Category	As at 30 June 2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ----
Individuals	145	60,134	55.81
Retirement Funds	2	11,007	10.21
Associated Company	1	35,156	32.62
Others	2	1,464	1.36
	<b>150</b>	<b>107,761</b>	<b>100.00</b>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of Director	Number of meetings			Meetings not attended
	Held during	Attended	Leave granted	
Mr. Mudassir Hussain Khan	4	4	-	-
Mr. Tariq Jamali	4	3	1	67th meeting
Mr. Abdul Hadi Palekar	4	4	-	-
Mr. Lui Mang Yin (Martin Lui) (note 23.1)	2*	2	-	-
Mr. FOO Chiah Shiung (Kelvin Foo)	4	3	1	65th meeting
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	4	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan [note 23.1]	-*	-	-	-
Dr. Amjad Waheed	4	4	-	-

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

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

\* These directors were appointed and retired 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.

## 24 FINANCIAL RISK MANAGEMENT

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

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

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

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 24.1 Market risk

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

### *Management of market risk*

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

### 24.1.1 Currency risk

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

### 24.1.2 Interest rate risk

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

#### (a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

#### (b) Sensitivity analysis for fixed rate instruments

Fixed rate instruments comprise Market Treasury Bills and Pakistan Investment Bonds and bank balances. Except for Market Treasury Bills and Pakistan Investment Bonds, the Fund's income and net assets are substantially independent of changes in market interest rate.

As at 30 June 2018, the Fund holds Market Treasury Bills which are classified as 'at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on 30 June 2018, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 0.056 million (2017: Rs 0.015 million). In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2018, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 0.056 million (2017: Rs 0.015 million).

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

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



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

30 June 2018

30 June 2018

	Yield / interest rate	Exposed to yield / interest rate risk				Total
		Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk	
		----- (Rupees in '000) -----				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3.75% - 7.85%	103,670	-	-	241	103,911
Investments	5.83% - 6.9%	107,623	-	-	-	107,623
Profit receivables		-	-	-	27	27
Deposit		-	-	-	102	102
		211,293	-	-	370	211,663
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - Management Company		-	-	-	360	360
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	23	23
Payable against purchase of investments		-	-	-	64,813	64,813
Accrued expenses and other liabilities		-	-	-	401	401
		-	-	-	65,597	65,597
<b>On-balance sheet gap</b>		211,293	-	-	(65,227)	146,066
<b>Off-balance sheet financial instruments</b>						
		-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		211,293	-	-	(65,227)	146,066
<b>Cumulative interest rate sensitivity gap</b>		211,293	211,293	211,293		

30 June 2017

30 June 2017

	Yield / interest rate	Exposed to yield / interest rate risk				Total
		Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk	
		----- (Rupees in '000) -----				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.30% - 7.50%	114,050	-	-	203	114,253
Investments	5.95%	89,912	-	-	-	89,912
Profit receivables		-	-	-	41	41
Deposit		-	-	-	102	102
		203,962	-	-	346	204,308
<b>Financial liabilities</b>						
Payable to NBP Fund Management Limited - Management Company		-	-	-	438	438
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	28	28
Payable against purchase of investments		-	-	-	89,971	89,971
Accrued expenses and other liabilities		-	-	-	3,000	3,000
		-	-	-	93,437	93,437
<b>On-balance sheet gap</b>		203,962	-	-	(93,091)	110,871
<b>Off-balance sheet financial instruments</b>						
		-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		203,962	-	-	(93,091)	110,871
<b>Cumulative interest rate sensitivity gap</b>		203,962	203,962	203,962		

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as at 30 June 2018.

## 24.2 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 loans and receivables and bank balances. Risks attributable to investments in National Savings Certificate, Market Treasury Bills and Pakistan Investment Bonds is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2018 and 30 June 2017.

Bank Balances	2018 (Rupees in '000)	2017
AAA	1,313	788
AA+	293	4,254
AA-	68,606	96,984
AA	6	6
A+	33,447	12,038
A-	241	183
A	5	-
	<b>103,911</b>	<b>114,253</b>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2018 is the carrying amount of the financial assets.

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government sector and deposits held with commercial banks.

## 24.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

### Management of liquidity risk

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

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

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Maturity analysis for financial liabilities

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

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

	30 June 2018			Total
	Upto three months	Over three months and upto one year	Over one year	
	----- (Rupees in '000) -----			
<b>Financial Liabilities</b>				
Payable to NBP Fund Management Limited - Management Company	360	-	-	360
Payable to Central Depository Company of Pakistan Limited - Trustee	23	-	-	23
Payable against purchase of investment	64,813	-	-	64,813
Accrued expenses and other liabilities	401	-	-	401
	<u>65,597</u>	<u>-</u>	<u>-</u>	<u>65,597</u>
Unit holders' fund	<u>143,889</u>	<u>-</u>	<u>-</u>	<u>143,889</u>
	30 June 2017			Total
	Upto three months	Over three months and upto one year	Over one year	
	----- (Rupees in '000) -----			
<b>Financial Liabilities</b>				
Payable to NBP Fund Management Limited - Management Company	438	-	-	438
Payable to Central Depository Company of Pakistan Limited - Trustee	28	-	-	28
Payable against purchase of investment	89,971	-	-	89,971
Accrued expenses and other liabilities	3,000	-	-	3,000
	<u>93,437</u>	<u>-</u>	<u>-</u>	<u>93,437</u>
Unit holders' fund	<u>107,761</u>	<u>-</u>	<u>-</u>	<u>107,761</u>

## 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 price 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. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

IFRS 13, 'Fair Value Measurement' 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

		30 June 2018							
		Carrying value				Fair value			
		At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investments									
- Market Treasury Bills		107,623	-	-	107,623	-	107,623	-	107,623
<b>Financial assets not measured at fair value</b>									
	25.1								
Bank balances		-	103,911	-	103,911	-	-	-	-
Profit receivables		-	27	-	27	-	-	-	-
Deposit		-	102	-	102	-	-	-	-
		-	104,040	-	104,040	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
	25.1								
Payable to National Investment Trust Limited - Management Company		-	-	360	360	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	23	23	-	-	-	-
Payable against purchase of investments		-	-	64,813	64,813	-	-	-	-
Accrued expenses and other liabilities		-	-	401	401	-	-	-	-
		-	-	65,597	65,597	-	-	-	-
		30 June 2017							
		Carrying value				Fair value			
		At fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investments									
- Market Treasury Bills		89,912	-	-	89,912	-	89,912	-	89,912
<b>Financial assets not measured at fair value</b>									
Bank balances		-	114,253	-	114,253	-	-	-	-
Profit receivables		-	41	-	41	-	-	-	-
Deposit		-	102	-	102	-	-	-	-
		-	114,396	-	114,396	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Payable to National Investment Trust Limited - Management Company		-	-	438	438	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	28	28	-	-	-	-
Payable against conversion of units		-	-	89,971	89,971	-	-	-	-
Accrued expenses and other liabilities		-	-	3,000	3,000	-	-	-	-
		-	-	93,437	93,437	-	-	-	-

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

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

## **26 UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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

The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Fund shall be one hundred million rupees at all time during the life of the fund.

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

In accordance with the risk management policies stated in note 24, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## **27 SUBSEQUENT EVENT - NON ADJUSTING**

The Management Company on 04 July 2018 has declared distribution of Rs. 0.5162 per unit (for full year). The aggregate cash distribution is Rs. 6.364 million in addition to refund of capital / element of income by issuing 48,511 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP).

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of the distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

## **28 DATE OF AUTHORISATION FOR 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 SAVINGS FUND

## Performance Table

Particulars	For the Period ended June 30, 2018	For the Period ended June 30, 2017	For the Period ended June 30, 2016	For the period from July 10, 2014 to June 30, 2015
Net assets (Rs. '000')	143,889	107,761	303,909	545,763
Net Income / (loss) (Rs. '000')	7,384	5,983	13,852	79,310
Net Asset Value per units (Rs.)	10.8208	10.3042	10.2882	11.3972
Offer price per unit	10.9431	10.4206	10.4243	11.5492
Redemption price per unit	10.8208	10.3042	10.2882	11.3972
Ex - Highest offer price per unit (Rs.)	10.9431	10.4230	10.4243	10.4859
Ex - Lowest offer price per unit (Rs.)	10.4234	9.8660	9.7948	9.1493
Ex - Highest redemption price per unit (Rs.)	10.8208	10.3065	10.2882	10.3479
Ex - Lowest redemption price per unit (Rs.)	10.3069	9.7451	9.6645	9.0289
Opening Nav of Fiscal Year	10.3042	9.7438	9.6627	9.0276
Total return of the fund	5.01%	5.75%	6.47%	13.97%
Capital growth	0.00%	-0.15%	-0.01%	1.67%
Income distribution as a % of e x nav	5.01%	5.90%	6.48%	12.30%
Income distribution as a % of par value	5.16%	5.75%	6.67%	11.10%
Interim distribution per unit		0.5748	0.6667	-
Final distribution per unit	0.5162	-	-	1.1104
<b>Distribution dates</b>				
Interim		21-Jun-17	30-Jun-16	-
Final	4-Jul-18	-	-	14-Jul-15
Average annual return (launch date 10-07-14)				
(Since inception to June 30, 2018)	7.79%			
(Since inception to June 30, 2017)		8.74%		
(Since inception to June 30, 2016)			10.29%	
(Since inception to June 30, 2015)				14.40%
Portfolio Composition (Please see Fund Manager Report)				
Weighted average portfolio duration	14 Days	5 Days	160 Days	82 Days

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












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