



NBP FUNDS

Managing Your Savings

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NBP Government Securities Fund I



ANNUAL REPORT
JUNE 2019



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.**



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nasir Husain	Director
Mr. Abdul Hadi Palekar	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Humayun Bashir	Member
Mr. Nasir Husain	Member
Mr. Imran Zaffar	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Nasir Husain	Member
Mr. Humayun Bashir	Member
Mr. Ali Saigol	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Shehryar Faruque	Member
Mr. Abdul Hadi Palekar	Member
Mr. Ali Saigol	Member

Trustee

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

Bankers to the Fund

JS Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank Limited



Auditors

KPMG Taseer Hadi & Co.
Sheikh Sultan Trust Building,
Ground No. 2 Shaheed Chaudary Aslam Road,
Civil Lines, Karachi, 75530

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Nasir Husain
Director



Mr. Ali Saigol
Director



Mr. Shehryar Faruque
Director



Mr. Imran Zaffar
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad 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



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



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



Mr. Taha Khan Javed, CFA
Head Of Equity



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
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

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the First Annual Report of **NBP Government Securities Plan-I (NGSP-I)** for the period ended June 30, 2019.

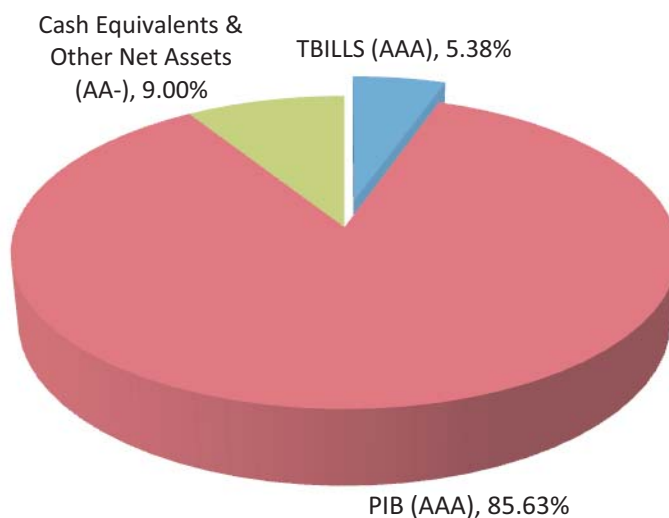
Fund's Performance

The size of NBP Government Securities Plan-I is Rs. 276 million as at June 30, 2019. The Fund has earned an annualized return of 1.9% since its inception (March 18, 2019) as compared to its Benchmark return of 11.8% for the same period. The performance of the Fund is net of management fee and other expenses.

NGSP-I is categorized as an Income Fund. The Fund aims to provide attractive return with capital preservation at maturity of the plan, by investing in Government Securities not exceeding maturity of the plan. NBP Government Securities Plan-I has a fixed maturity of July 12, 2021. The Fund invests a minimum of 90% in Government Securities and minimum 10% of its assets in saving accounts with banks or in up to 90 days T-bills, which enhances liquidity profile of the Fund.

During FY2019, the State Bank of Pakistan (SBP) held six bi-monthly monetary policy reviews. Aiming to curb the surging demand pressures to address the external account woes and addressing the underlying inflationary pressures, the SBP increased the policy rate from 6.50% to 12.25%. Inflation as measured by CPI increased from 5.2% in June 2018 to 8.9% in June 2019 due to upward adjustment in energy and fuel prices, higher imported inflation due to currency devaluation, and unabated government borrowing from the SBP. Inflation is expected to remain on the upward trajectory due to excessive government borrowings, significant increase in perishable food prices, volatility in international oil prices, currency devaluation, trickle down impact of expected upward adjustment in utility tariffs, pass-through of taxes, and second round impact of currency devaluation. The sovereign yields also responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bill yields went up by 597 bps, 595 bps, and 593 bps, respectively.

The Fund has earned a total income of Rs. 4.106 million during the period. After deducting total expenses of Rs. 1.536 million, the net income is Rs. 2.570 million. The asset allocation of NBP Government Securities Plan-I as on June 30, 2019 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 0.524% of the opening NAV (0.524% of the par value) for the period ended June 30, 2019.

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, 2020.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Nasir Husain 3. Mr. Abdul Hadi Palekar 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: August 30, 2019
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP گورنمنٹ سکیورٹیز پلان-I (NGSP-I) کی پہلی سالانہ رپورٹ برائے مختتمہ سال 30 جون 2019ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

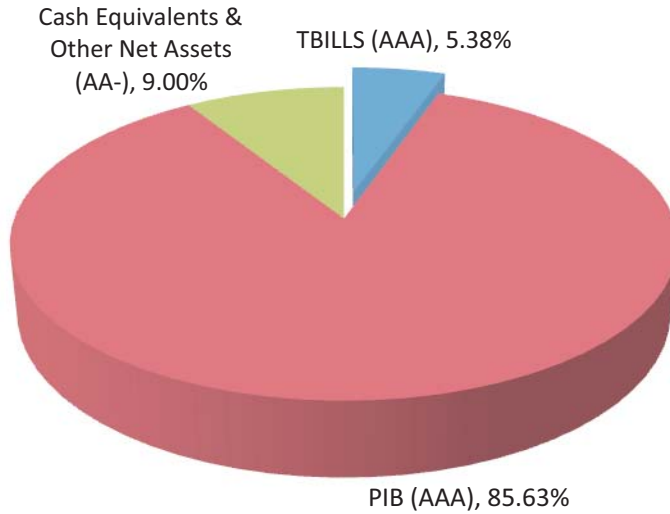
30 جون 2019ء کو NBP گورنمنٹ سکیورٹیز پلان-I کا سائز 276 ملین روپے ہے۔ اپنے آغاز (18 مارچ 2019) سے فنڈ نے سالانہ منافع %1.9 دیا۔ جبکہ گزشتہ اسی مدت میں بیچ مارک منافع %11.8 تھا۔ یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NGSP-I فنڈ کا مقصد پلان کی میچورٹی سے قبل تک گورنمنٹ سکیورٹیز میں سرمایہ کاری کر کے پلان کی میچورٹی پر کپٹل پر بیز رویشن کے ساتھ متاثر کن منافع فراہم کرنا ہے۔ NBP گورنمنٹ سکیورٹیز پلان-I کی ٹکسڈ میچورٹی 12 جولائی 2021 کی ہے۔ فنڈ گورنمنٹ سکیورٹیز میں کم از کم %90 اور بینکوں کے ساتھ سیونگ اکاؤنٹ میں اپنے ایسیٹ کا کم از کم %10 یا T-Bills میں 90 دن تک انویسٹ کرنے کی اجازت دیتا ہے، جو فنڈ کی لیویٹیڈی پر وفا کیل کو بڑھاتا ہے۔

مالی سال 2019 کے دوران، بینک دولت پاکستان (SBP) نے دو ماہ کے وقفے سے چھ ماہی پالیسی جائزوں کا انعقاد کیا۔ بیرونی اکاؤنٹ کی مشکلات اور درپیش افراط زر کے دباؤ کو دور کرنے کے رجحان SBP نے پالیسی کی شرح %6.50 سے %12.25 تک بڑھادی۔ بجلی اور ایندھن کی قیمتوں میں اضافہ، کرنسی کی قدر کی کمی کے باعث درآمدی افراط زر اور SBP سے بلا تخفیف سرکاری قرضہ لینے کے رجحان کے باعث CPI سے پیمائش کردہ افراط زر جون 2018 میں %5.2 سے بڑھ کر جون 2019 میں %8.9 ہو گیا۔ حکومت کی طرف سے ضرورت سے زائد قرضہ لینے، ایشیائی خورد و نوش کی قیمتوں میں نمایاں اضافے، بین الاقوامی تیل کی قیمتوں میں اتار چڑھاؤ، کرنسی کی قدر میں کمی، یوٹی لیبیر کے نرخوں میں متوقع اضافی ایڈجسٹمنٹ، ٹیکسوں کا بڑھنا اور کرنسی کی قدر میں کمی کے دوسرے دور جیسے اثرات کی وجہ سے افراط زر میں اضافہ متوقع ہے۔ گورنمنٹ بونڈ کے منافع بھی پالیسی کی شرح میں اضافے کے جواب میں بالترتیب 3 ماہ 6 ماہ اور 12 ماہ کے T-Bills 597bps، 595bps اور 593bps تک بڑھ گئے۔

فنڈ نے موجودہ مدت کے دوران 4.106 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 1.563 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 2.570 ملین روپے ہے۔

درج ذیل چارٹ NGSP-I کی ایسٹ ایلیکیشن برعکاس 30 جون 2019ء حسب ذیل ہے:



آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2019ء کے اختتام کے بعد اویپنگ NAV کا %0.524 (بنیادی قدر کا %0.524) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

یکسیٹیشن

درج بالا نقد منافع سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہما کرنے کے بعد 90% ہے، اس لئے فنڈ پر اکٹم ٹیکس آرڈیننس 2001 کے سیکشن 17 کی کپارٹ 1 کی شرح 99 کے تحت ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز KPMG ٹاٹا بیڈ کیٹنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2020 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

لسٹڈ کمپنیوں کے بورڈ آف کارپوریٹ گورننس رگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی 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، معیاریوں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی دواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹینبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈز، 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 مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز سی ای او، سی ایف او، 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 20 میں ظاہر کی گئی ہے۔
- 13 مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔

30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کیٹگری	
جناب کمال عامر چنائے جناب شہر یار فاروق جناب ہمایوں بشیر	•1 •2 •3	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)		ایگزیکٹو ڈائریکٹر
شیخ محمد عبدالواحد سیٹھی (چیئرمین) جناب ناصر حسین جناب عبدالہادی پالیکر جناب علی سیگل جناب عمران ظفر	•1 •2 •3 •4 •5	نان ایگزیکٹو ڈائریکٹرز



اظہار تشکر
بورڈ اس موقع سے فائدہ اٹھاتے ہوئے پیمنٹ 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 کی سرپرستی اور رہنمائی کے لئے ان کے مفلس رویہ کا بھی اعتراف کرتا ہے۔

بورڈ اپنے اسٹاک اور ریسٹریٹیوٹی کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا شراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز
NBP ڈیولپمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 30 اگست 2019

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Government Securities Fund - I (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 period from February 12, 2019 to June 30, 2019 in accordance with the provisions of the following:

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

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

FUND MANAGER REPORT

NBP Government Securities Plan-I

NBP Government Securities Plan-I (NGSP-I) is an Open-End Income Scheme.

Investment Objective of the Fund

The objective of NBP Government Securities Plan-I is to provide attractive return with capital preservation at maturity of the plan, by investing in Government Securities not exceeding maturity of the plan.

Benchmark

Average 6-Month PKRV.

Fund Performance Review

This is the First Annual report since the launch of the Fund on March 18, 2019. The Fund size stands at Rs. 276 million as on June 30, 2019. Since its inception, the Fund posted a return of 1.9% p.a versus the benchmark return of 11.8% p.a.

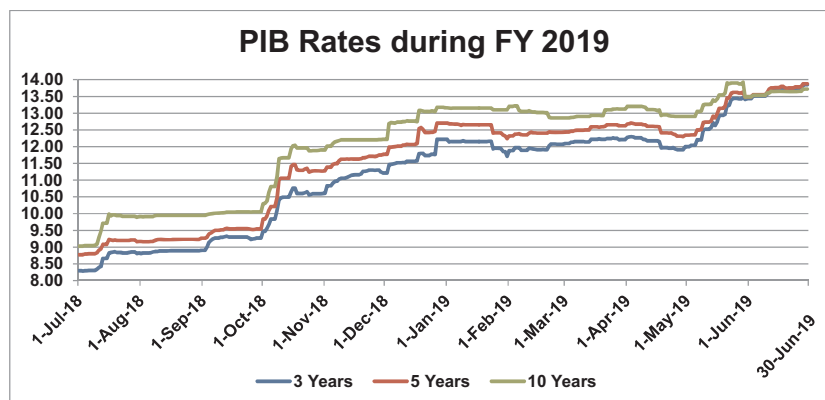
NBP Government Securities Plan I (NGSP-I) has a fixed maturity of July 12, 2021. The Fund invests a minimum of 90% in Government Securities and maximum 10% of its assets in saving accounts with banks or in upto 90 days T-Bills, which enhances liquidity profile of the Fund.

During FY2019, the State Bank of Pakistan (SBP) held six bi-monthly monetary policy reviews. Aiming to curb the surging demand pressures to address the external account woes and addressing the underlying inflationary pressures, the SBP increased the policy rate from 6.50% to 12.25%. Inflation as measured by CPI increased from 5.2% in June 2018 to 8.9% in June 2019 due to upward adjustment in energy and fuel prices, higher imported inflation due to currency devaluation, and unabated government borrowing from the SBP. Inflation is expected to remain on the upward trajectory due to excessive government borrowings, significant increase in perishable food prices, volatility in international oil prices, currency devaluation, trickle down impact of expected upward adjustment in utility tariffs, pass-through of taxes, and second round impact of currency devaluation. The sovereign yields also responded to increase in the policy rate whereby 3-month, 6-month, and 12-month T-Bill yields went up by 597 bps, 595 bps, and 593 bps, respectively.

Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-19
PIBs	85.63%
T-Bills	5.38%
Cash (Cash Equivalents) & Other Assets	8.99%
Total	100%

PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2019

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
June 2019	0.524%	10.0524	10.0000

Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
1-1000	1
1001-5000	5
5001-10000	18
10001-50000	23
50001-100000	7
100001-500000	12
500001-1000000	-
1000001-5000000	3
5000001-10000000	1
10000001-100000000	1
Total	71

During the period under question

There has been no significant change in the state of affairs of the Fund. NBP Government Securities Plan-I does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 0.052 million. If the same were not made the NAV per unit/FY19 return of scheme would be higher by Rs. 0.0019 / 0.02%. For details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2019.



INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of the NBP Government Securities Fund I

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the NBP Government Securities Fund I ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2019, income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' fund for the period from 18 March 2019 to 30 June 2019, 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 2019, and of its financial performance and its cash flows for the period from 18 March 2019 to 30 June 2019 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. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2019, 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.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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: September 27, 2019

Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2019

	Note	NGSP-I 2019 (Rupees in '000)
Assets		
Bank balances	5	17,364
Investments	6	251,160
Profit receivables		9,029
Preliminary expenses and floatation costs	7	1,085
Prepayment and other receivables	8	<u>212</u>
Total assets		278,850
Liabilities		
Payable to NBP Fund Management Limited - Management Company	9	<u>2,336</u>
Payable to Central Depository Company of Pakistan Limited - Trustee	10	27
Payable to Securities and Exchange Commission of Pakistan	11	72
Accrued expenses and other liabilities	12	<u>430</u>
Total liabilities		2,865
Net assets		<u>275,985</u>
Unit holders' fund (as per statement attached)		<u>275,985</u>
Contingency and commitment	13	
		(Number of units)
Number of units in issue	14	<u>27,592,030</u>
		(Rupees)
Net assets value per unit		<u>10.0024</u>

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

INCOME STATEMENT

FOR THE PERIOD FROM 18 MARCH 2019 TO 30 JUNE 2019

	NGSP-I
	Note (Rupees in '000)
Income	
Income from Market Treasury Bills	2,424
Income from Pakistan Investment Bonds	2,662
Mark up income on Pakistan Investment Bonds	4,530
Profit on bank deposits	1,857
Income from contingent load	261
Loss on sale of investments at fair value through profit or loss (FVTPL) - net	(968)
Net unrealised diminution on re-measurement of investments at FVTPL	(6,660)
Total income	<u>4,106</u>
Expenses	
Remuneration to NBP Fund Management Limited - Management Company	9.1 575
Sindh Sales Tax on remuneration to Management Company	9.2 75
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1 96
Sindh Sales Tax on remuneration to Trustee	10.2 12
Selling and marketing	9.3 96
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4 96
Annual fee - Securities and Exchange Commission of Pakistan	11 72
Amortisation of preliminary expenses and floatation costs	152
Auditors' remuneration	15 151
Mutual fund rating fee	61
Annual listing fee	25
Settlement and bank charges	22
Printing charges	21
Legal and professional charges	20
Securities transaction cost	10
Total expenses	<u>1,484</u>
Net income from operating activities	<u>2,622</u>
Provision for Sindh Workers' Welfare Fund	12.1 (52)
Net income for the period before taxation	<u>2,570</u>
Taxation	16 -
Net income for the period	<u>2,570</u>
Allocation of net income for the period	
Net income for the period	2,570
Income already paid on units redeemed	(1,002)
	<u>1,568</u>
Accounting income available for distribution:	
-Relating to capital gains	-
-Excluding capital gains	1,568
	<u>1,568</u>

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



STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 18 MARCH 2019 TO 30 JUNE 2019

	NGSP-I (Rupees in '000)
Net income for the period	2,570
Other comprehensive income for the period	-
Total comprehensive income for the period	<u>2,570</u>

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

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE PERIOD FROM 18 MARCH 2019 TO 30 JUNE 2019

	Note	Value	NGSP-I Undistributed income (Rupees in '000)	Total
		-----	-----	-----
Issuance of 37,913,389 units				
- Capital value		379,134	-	379,134
- Element of income		-	-	-
Total proceeds on issuance of units		379,134	-	379,134
Redemption of 10,321,358 units				
- Capital value		(103,214)	-	(103,214)
-Element of loss		-	(1,002)	(1,002)
Total payments on redemption of units		(103,214)	(1,002)	(104,216)
Interim distribution for the period ended 30 June 2019	14.2			
- Cash distribution		-	(1,503)	(1,503)
Total comprehensive income for the period		-	2,570	2,570
Net assets at end of the period		275,920	65	275,985
Accounting income available for distribution:				
- Relating to capital gains			-	
- Excluding capital gains			1,568	
			1,568	
Interim distribution for the period ended 30 June 2019	14.2			
- Cash distribution			(1,503)	
Undistributed income carried forward			65	
Undistributed income carried forward				
- Realised			6,725	
- Unrealised			(6,660)	
			65	
				(Rupees)
Net assets value per unit at end of the period				<u>10.0024</u>

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



CASH FLOW STATEMENT

FOR THE PERIOD FROM 18 MARCH 2019 TO 30 JUNE 2019

	Note	NGSP-I (Rupees in '000)
CASH FLOWS FOR THE PERIOD FROM OPERATING ACTIVITIES		
Net income for the period		2,570
Adjustments:		
Provision for Sindh Workers' Welfare Fund		52
Amortisation of preliminary expenses and floatation costs		152
Net unrealised diminution on re-measurement of investments at FVTPL		6,660
		9,434
(Increase) in assets		
Investments		(257,820)
Profit receivables		(9,029)
Prepayment and other receivables		(212)
Preliminary expenses and floatation costs		(1,237)
		(268,298)
Increase in liabilities		
Payable to NBP Fund Management Limited - Management Company		2,336
Payable to Central Depository Company of Pakistan Limited - Trustee		27
Payable to Securities and Exchange Commission of Pakistan		72
Accrued expenses and other liabilities		378
		2,813
Net cash used in operating activities		(256,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
	17	
Amounts received against issuance of units		377,645
Payment against redemption of units		(104,216)
Distribution during the period		(14)
Net cash generated from financing activities		273,415
Net increase in cash and cash equivalents		17,364
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	5	17,364

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

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

Chief Financial Officer

Chief Executive Officer

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 18 MARCH 2019 TO 30 JUNE 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** NBP Government Securities Fund – I ("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 07 December 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 04 January 2019 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 has been categorised as an open ended 'Income sheme' and is listed on Pakistan Stock Exchange. The units are transferable and can be redeemed by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at initial price of Rs. 10 on 18 March 2019 and received Rs. 379.926 million against initial public offer from various investors and accordingly the Fund commenced its business activities on the same date. Accordingly, these first set of financial statements have been prepared for the period from 18 March 2019 to 30 June 2019. The maturity of NBP Government Securities Plan - I will be 12 July 2021.
- 1.4** The Fund has initially offered NBP Government Securities Plan - I (NGSP - I) and may offer upto a total of five allocation plans. The objective of the NBP Government Securities Fund – I is to provide attractive return with capital preservation at maturity of the plan, by investing primarily in Government Securities not exceeding maturity of the plan.
- 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.



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 Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements 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;

- (a) Provisions (Note 4.4)
- (b) Element of income (Note 4.7)

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 2019:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The Fund may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, the Fund should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of these financial statements.

4.1 Financial Assets

4.1.1 Classification

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

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

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

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

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and



- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

The Fund has determined that it has two business models.

- Held-to-collect business model: this include cash and cash equivalents and receivables, if any.

These financial assets are held to collect contractual cash flow.

- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

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

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

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

Government securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

4.1.5 Impairment of financial assets

Financial assets at amortised cost

The Fund applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund Manager.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the income statement. The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

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.

4.1.8 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.



4.1.9 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.

4.2 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.

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs (formation cost) represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over the maturity period of the Fund starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

4.4 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.

4.5 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.

4.6 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 contingent load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.7 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.

4.8 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.

4.9 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 period end.

4.10 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.
- 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.

4.11 Distributions

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

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



5	BANK BALANCES		2019
		Note	(Rupees in '000)
	In savings accounts	5.1	<u><u>17,364</u></u>

5.1 These carry a rate of return ranging from 11% to 13% per annum.

5.2 These includes cheques amounting to Rs. 0.298 million issued on account of redemption of units at close of financial period.

6	INVESTMENTS		2019
			(Rupees in '000)
	Financial assets 'at fair value through profit or loss'		
	Market Treasury Bills	6.1	14,841
	Pakistan Investment Bonds	6.2	<u><u>236,319</u></u>
			<u><u>251,160</u></u>

6.1 Market Treasury Bills

Issue date	Tenor	Face value			Market value / Carrying value as at 30 June 2019	Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Sales / matured during the period	As at 30 June 2019			
		----- (Rupees in '000) -----			----- (%) -----		
14 February 2019	03 Months	350,000	350,000	-	-	-	-
09 May 2019	03 Months	15,000	-	15,000	14,841	0.05	0.06
Total		<u>365,000</u>	<u>350,000</u>	<u>15,000</u>	<u>14,841</u>	<u>0.05</u>	<u>0.06</u>

6.1.1 This carries a rate of return of 11.00% per annum.

6.2 Pakistan Investment Bonds

Issue date	Tenor	Face value			Market value / Carrying value as at 30 June 2019	Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Sales / matured during the period	As at 30 June 2019			
		----- (Rupees in '000) -----			----- (%) -----		
12 July 2018	03 years	360,000	94,000	266,000	236,319	0.86	0.94
Total		<u>360,000</u>	<u>94,000</u>	<u>266,000</u>	<u>236,319</u>	<u>0.86</u>	<u>0.94</u>

6.2.1 This carries a rate of return of 7.25% per annum.

7	PRELIMINARY EXPENSES AND FLOTATION COSTS	2019
		(Rupees in '000)
	Opening Balance	-
	Incurred during the period	1,237
	Less: Amortisation for the period	<u>(152)</u>
	Balance at end of the period	<u><u>1,085</u></u>

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund and are being amortised over the maturity period of the Fund as per the requirements set out in the Trust Deed.

8	PREPAYMENT AND OTHER RECEIVABLES	2019
		(Rupees in '000)
	Note	
		108
		<u>104</u>
		<u><u>212</u></u>

**9 PAYABLE TO NBP Fund MANAGEMENT Limited -
MANAGEMENT COMPANY**

Management remuneration	9.1	142
Sindh Sales Tax on management remuneration	9.2	18
Sales and transfer load		626
Sindh Sales Tax on sales load		81
Selling and Marketing Expense	9.3	96
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	96
Formation Cost Payable to Management Company		1,237
Other payable		<u>40</u>
		<u><u>2,336</u></u>

9.1 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. The Management Company has charged its remuneration at the rate of 0.6% of the average net assets of the Fund.

9.2 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 period, Sindh Sales Tax at the rate of 13% was charged on management remuneration and sales load.

9.3 As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company is entitled to charge selling and marketing expense to Collective Investment Scheme at the rate of 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Accordingly, such expense has been charged at the rate of 0.1% per annum of the net assets of the Fund.

9.4 In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed 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 netassets 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% per annum of average net assets of the Fund.



10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	2019 (Rupees in '000)
Trustee remuneration	10.1	24
Sindh Sales Tax on Trustee remuneration	10.2	3
		<u>27</u>

- 10.1 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	0.10% p.a. of net assets
Over Rs. 1,000 million	Rs.1 million plus 0.06% p.a. of Net Assets exceeding Rs. 1,000 million.

- 10.2 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 period, Sindh Sales Tax at the rate of 13% was charged on trustee remuneration.

11 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% per annum of the average net assets of the Fund. The fee is paid annually in arrears.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

		2019 (Rupees in '000)
Provision for Sindh Workers' Welfare Fund	12.1	52
Auditors' remuneration		103
Brokerage fee		10
Bank charges		1
Printing charges		17
Withholding tax		224
Legal fee		20
Settlement Charges		3
		<u>430</u>

- 12.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act.

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. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014. Accordingly provision for SWWF since inception of the Fund has been made.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the current period the net asset value of the Fund as at 30 June 2019 would higher by Rs. 0.0019 per unit.

13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 30 June 2019.

14 NUMBER OF UNITS IN ISSUE

	Note	2019 (Number of units)
Units issued	14.1	37,913,389
Less: units redeemed		<u>(10,321,358)</u>
Total units in issue at end of the period		<u><u>27,592,030</u></u>

14.1 This includes 126,795 units issued against Dividend Reinvestment Plan amounting to Rs. 1.268 million net of taxation.

14.2 The Management Company on 26 June 2019 declared interim distribution amounted to Rs. 0.0524 per unit (for full period) for the period from 18 March 2019 to 30 June 2019 . The aggregate cash distribution is Rs. 1.503 million.

15 AUDITORS' REMUNERATION

	2019 (Rupees in '000)
Audit fee	112
Out of pocket expenses and others including government levy	<u>39</u>
	<u><u>151</u></u>

16 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 period to the unit holders as per distribution policy (refer note 4.11), no provision for taxation has been made in these financial statements.



17 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend Payable	Total
----- (Rupees in '000) -----				
Receivable against issuance of units	377,645	-	-	377,645
Payable against redemption of units	-	104,216	-	104,216
Dividend Payable	-	-	14	14
	377,645	104,216	14	481,875
Amount received on issuance of units	(377,645)	-	-	(377,645)
Amount paid on redemption of units	-	(104,216)	-	(104,216)
Dividend paid	-	-	(14)	(14)
	(377,645)	(104,216)	(14)	(481,875)
Closing balance as at 30 June 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

18 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the period divided by average net asset value for the period) is 1.61% per annum. Total expense ratio (excluding government levies) is 1.39% per annum.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2019		
	At Amortised Cost	Mandatorily at fair value through profit or loss	Total
----- (Rupees in '000) -----			
Assets			
Bank balances	17,364	-	17,364
Investments	-	251,160	251,160
Profit receivables	9,029	-	9,029
	<u>26,393</u>	<u>251,160</u>	<u>277,553</u>
	30 June 2019		
	Mandatorily at fair value through profit or loss	At Amortised Cost	Total
----- (Rupees in '000) -----			
Liabilities			
Payable to NBP Fund Management Limited - Management Company	-	2,336	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee	-	27	27
Accrued expenses and other liabilities	-	154	154
	<u>-</u>	<u>2,517</u>	<u>2,517</u>

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

20.1 Connected persons include NBP Fund Management Limited (NBP Funds) being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Baltoro Growth Fund being the sponsors, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, entities under common management or directorships, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company and unit holders holding 10 percent or more units of the Fund.

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

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

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

20.5 Transactions during the period:	For the period from 18 March 2019 to 30 June 2019 (Rupees in '000)
NBP Fund Management Limited Management Company	
Management remuneration	575
Sindh Sales Tax on remuneration to Management Company	75
Allocation of expenses related to registrar services, accounting, operation and valuation services	96
Selling and marketing	96
Sales Load and Sales Tax on sales Load	707
Central Depository Company of Pakistan Limited - Trustee	
Remuneration to the Trustee	96
Sindh Sales Tax on remuneration to Trustee	12
Settlement Charges	4
Fauji Akbar Portia Marine Terminals Limited	
Dividend reinvestment: 44,534 units	445
Barret Hudgson Pakistan (Private) Limited	
Dividend reinvestment: 36,371 units	364
GIA Export Marketing Service (Private) Limited	
Dividend reinvestment: 14,160 units	142
20.6 Amounts outstanding as at period end:	
NBP Fund Management Limited - Management Company	
Management remuneration payable	142
Sindh Sales Tax payable	18
Allocation of expenses related to registrar services, accounting, operation and valuation services	96



For the period
from 18 March
2019 to 30 June
2019
(Rupees in '000)

Selling and Marketing Expense	96
Formation Cost Payable	1,237
Sales load and transfer load payable	626
Sindh Sales Tax on sales load	81
Other payable	40
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	24
Sindh Sales Tax payable	3
Fauji Akbar Portia Marine Terminals Limited	
Units held: 10,044,534 units	100,469
Barret Hudgson Pakistan (Private) Limited	
Units held: 8,203,541 units	82,055
GIA Export Marketing Service (Private) Limited	
Units held: 3,193,652 units	31,944

21 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 year
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	31
2	Mr. Sajjad Anwar	CFA / MBA Finance	19
3	Mr. Muhammad Ali Bhabha*	MBA / MS (CS) / CFA / FRM	24
4	Mr. Hassan Raza	ACCA / CFA / BSC	8
5	Mr. Taha Khan Javed	MBA / CFA	13

*Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NBP Government Securities Liquid Fund (Formerly; NAFA Government Securities Liquid Fund), NBP Mahana Amdani Fund (Formerly; NAFA Saving Plus Fund), NBP Money Market Fund (Formerly; NAFA Money Market Fund), NBP Riba Free Saving Fund (Formerly; NAFA Riba Free Savings Fund), NBP Financial Sector Income Fund (Formerly; NAFA Financial Sector Income Fund), NBP Savings Fund (Formerly; NAFA Income Fund), NBP Active Allocation Riba Free Savings Fund (Formerly; NAFA Active Allocation Riba Free Savings Fund), NBP Islamic Money Market Fund (Formerly; NAFA Islamic Money Market Fund), NBP Islamic Savings Fund (Formerly; NAFA Islamic Income Fund), NBP Income Opportunity Fund (Formerly; NAFA Income Opportunity Fund), NAFA Government Securities Savings Fund and NBP Islamic Mahana Amdani Fund (Formerly; NBP Aitemaad Mahana Amdani Fund).

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

List of brokers / dealers by percentage of commission paid / payable during the period ended 30 June 2019:

S. No	Particulars	Percentage (%)
1	ICON Securities Private Limited	44
2	Bright Capital Private Limited	56

23 PATTERN OF UNIT HOLDING

Category	As at 30 June 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ----
Individuals	66	51,069	18.50
Others	5	224,916	81.50
	71	275,985	100.00

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 68th, 69th, 70th and 71th Board meetings were held on 5 September 2018, 30 October 2018, 25 February 2019 and 26 April 2019, 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 Husain Khan [note 24.4]	2*	1	1	69th
Mr. Tariq Jamali [note 24.5]	2*	-	2	68th & 69th
Mr. Abdul Hadi Palekar	4	3	1	70th
Mr. FOO Chiah Shiung (Kelvin Foo) [note 24.2]	2*	1	1	69th
Mr. Kamal Amir Chinoy	4	3	1	70th
Mr. Shehryar Faruque	4	3	1	68th
Mr. Humayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan [note 24.3]	2*	2	-	-
Dr. Amjad Waheed	4	4	-	-
Mr. Shaikh Muhammad Abdul Wahid Sethi [note 24.1]	2*	2	-	-
Mr. Nasir Husain [note 24.1]	2*	2	-	-
Mr. Ali Saigol [note 24.1]	2*	2	-	-
Mr. Imran Zaffar [note 24.1]	2*	2	-	-

24.1 Mr. Shaikh Muhammad Abdul Wahid Sethi, Mr. Nasir Husain, Mr. Ali Saigol and Mr. Imran Zaffar were appointed as directors on Board with effect from 17 December 2018.

24.2 Mr. Foo Chiah Chiung (Dr. Kelvin Foo) resigned from the Board 08 October 2018.

24.3 Mr. Wajahat Rasul Khan resigned from the Board 08 October 2018.

24.4 Mr. Mudassir Husain Khan resigned from the Board 12 October 2018.

24.5 Mr. Tariq Jamali resigned from the Board 12 October 2018.

*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.

25 FINANCIAL RISK MANAGEMENT

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



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

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

The Fund primarily 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.

25.1 Market risk

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

Management of market risk

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

25.1.1 Currency risk

Currency risk is 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.

25.1.2 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

Presently, the Fund 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, 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 2019, the Fund holds Market Treasury Bills and Pakistan Investment Bonds 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 2019, with all other variables held constant, the net income for the period and net assets would have been lower by Rs. 4.229 million. In case of 100 basis points decrease in rates announced

by the Financial Markets Association of Pakistan on 30 June 2019, with all other variables held constant, the net income for the period and net assets would have been higher by Rs. 4.288 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 2019 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.

30 June 2019					
Exposed to yield / interest rate risk					
Yield / interest rate	Upto three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest risk	Total
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	11.00% - 13.00%	17,364	-	-	17,364
Investments	7.25% - 11.00%	14,841	-	236,319	251,160
Profit receivables		9,029	-	-	9,029
		41,234	-	236,319	277,553
Financial liabilities					
Payable to NBP Fund Management Limited - Management Company		-	-	2,336	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	27	27
Accrued expenses and other liabilities		-	-	154	154
		-	-	2,517	2,517
On-balance sheet gap		41,234	-	236,319	(2,517)
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		41,234	-	236,319	(2,517)
Cumulative interest rate sensitivity gap		41,234	41,234	277,553	

25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as at 30 June 2019.



25.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment and bank balances. Risks attributable to investments in Market Treasury Bills is limited as Market Treasury Bills 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 2019 and 30 June 2018.

Bank Balances	2019 (Rupees in '000)
AA+	4
AA-	17,360
	<u>17,364</u>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2019 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.

25.3 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 period.

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 2019			Total
	Upto three months	Over three months and upto one year	Over one year	
----- (Rupees in '000) -----				
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	2,336	-	-	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee	27	-	-	27
Accrued expenses and other liabilities	154	-	-	154
	2,517	-	-	2,517
Unit holders' fund	275,985	-	-	275,985

26 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.



30 June 2019

	Carrying value			Fair value			
	At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Market Treasury Bills	14,841	-	14,841	-	14,841	-	14,841
- Pakistan Investment Bond	236,319	-	236,319	-	236,319	-	236,319
	<u>251,160</u>	<u>-</u>	<u>251,160</u>	<u>-</u>	<u>251,160</u>	<u>-</u>	<u>251,160</u>
Financial assets not measured at fair value 26.1							
Bank balances	-	17,364	17,364	-	-	-	-
Profit receivables	-	9,029	9,029	-	-	-	-
	<u>-</u>	<u>26,393</u>	<u>26,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value 26.1							
Payable to NBP Fund Management Limited - Management company	-	2,336	2,336	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	27	27	-	-	-	-
Accrued expenses and other liabilities	-	154	154	-	-	-	-
	<u>-</u>	<u>2,517</u>	<u>2,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

26.2 Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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 25, 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.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 30 , 2019.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	For the period from March 18, 2019 to June 30, 2019
	(Rs. In '000')
Net assets at the year / period ended (Rs. '000')	275,985
Net Income at the year / period ended (Rs. '000')	2,570
Net Asset Value per unit at the year / period ended (Rs.)	10.0024
Offer price per unit	N/A
Redemption price per unit	10.0024
Ex - Highest offer price per unit (Rs.)	N/A
Ex - Lowest offer price per unit (Rs.)	N/A
Ex - Highest redemption price per unit (Rs.)	10.1338
Ex - Lowest redemption price per unit (Rs.)	9.9479
Opening NAV at Since Inception (March 18, 2019)	10.0000
Total return of the fund	0.52%
Capital growth	-
Income distribution as a % of ex nav	0.52%
Income distribution as a % of par value	0.52%
Distribution	
Interim distribution per unit	0.0524
Final distribution per unit	
Distribution date	
Interim	26-Jun-19
Interim	
Final	
Average annual return of the Fund (launch date March 18' 2019) (Since inception to June 30, 2019)	1.92%
Weighted average portfolio duration	1.5 years

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

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Head Office

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

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: INVEST to 9995

Fax: 021-35825335

Email: info@nbpfunds.com

Website: www.nbpfunds.com

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