



NBP FUNDS

Managing Your Savings

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**NAFA GOVERNMENT SECURITIES
SAVINGS FUND**



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

Allied Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
Khushali Microfinance Bank Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
Telenor Microfinance Bank Limited
The First Microfinance Bank Limited
United Bank Limited
U Microfinance Bank Limited
Zarai Taraqiyati Bank Limited



Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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 Fifth Annual Report of **NAFA Government Securities Savings Fund (NGSSF)** for the year ended June 30, 2019.

Fund's Performance

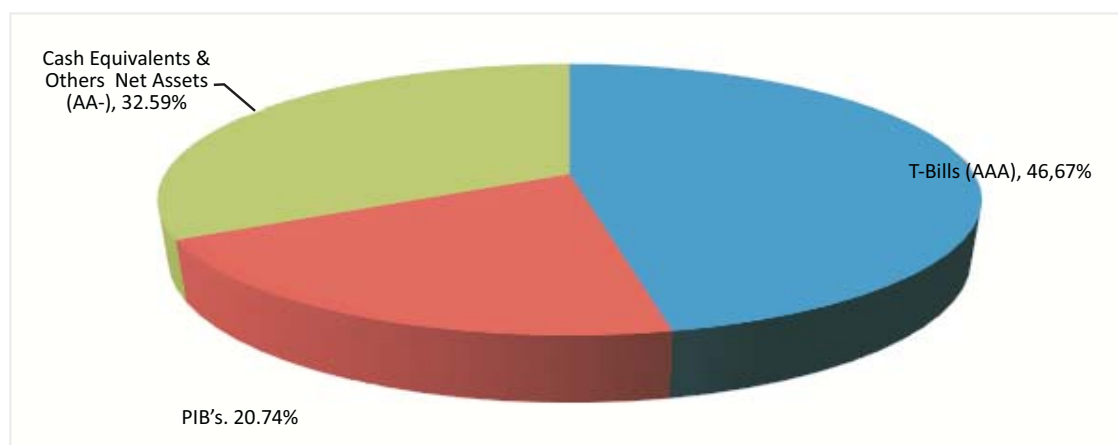
The size of NAFA Government Securities Savings Fund has increased from Rs. 144 million to Rs. 1,092 million during the period, i.e. a significant increase of 658%. During the said period, the unit price of the Fund has increased from Rs. 9.5704 (Ex-Div) on June 30, 2018 to Rs. 10.3196 on June 30, 2019 thus posting a return of 7.8% as compared to its Benchmark return of 9.9% 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 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. 66.22 million during the year. After deducting total expenses of Rs. 8.86 million, the net income is Rs. 57.36 million.

The asset allocation of NAFA Government Securities Savings Fund as on June 30, 2019 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 7.671% of the opening ex-NAV (7.905% 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 auditor Messrs KPMG Taseer Hadi & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs A.F. Ferguson & Co., Chartered Accountant, 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 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 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.

DIRECTORS' REPORT

این بی بی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA گورنمنٹ سیکورٹیز سیونگ فنڈ (NGSSF) کی پانچویں سالانہ رپورٹ برائے مختتمہ سال 30 جون 2019ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

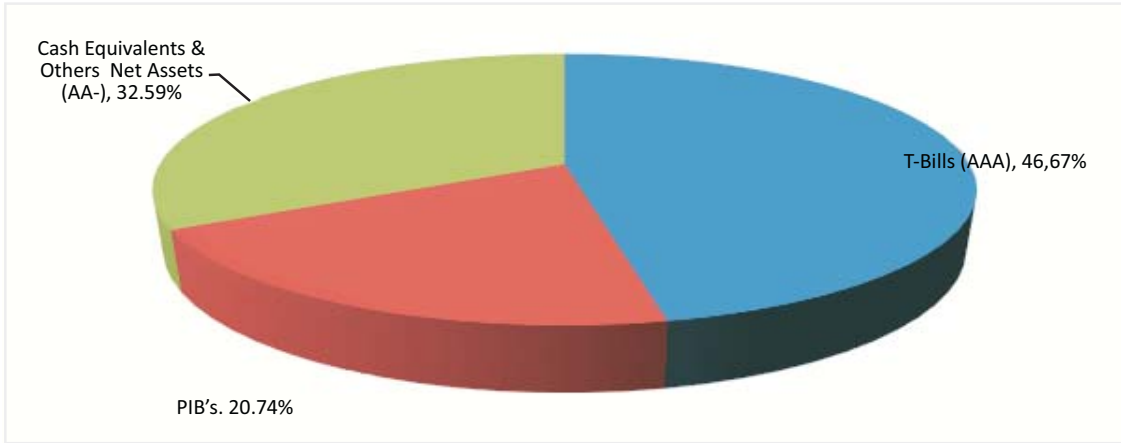
موجودہ مدت کے دوران NAFA گورنمنٹ سیکورٹیز سیونگ فنڈ (NGSSF) کا سائز 144 ملین روپے سے بڑھ کر 1,092 ملین روپے ہو گیا یعنی 658% کا غیر خواہ اضافہ ہوا۔ زیر جائزہ مدت کے دوران، فنڈ کے پوزٹ کی قیمت 30 جون 2018 کو 9.5704 روپے (Ex-Div) سے بڑھ کر 30 جون 2019 کو 10.3196 روپے ہوئی، لہذا اسی مدت کے دوران فنڈ نے اپنے بیچ مارک 9.9% کے مقابلے میں 7.8% کا منافع درج کیا۔ فنڈ کی یہ کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

NAFA گورنمنٹ سیکورٹیز سیونگ فنڈ (NGSSF) گورنمنٹ سیکورٹیز میں کم از کم 70% انویسٹ کرتا ہے۔ فنڈ میٹنگوں کے ہاں سیونگ اکاؤنٹ میں اپنے لیبیٹ کام از کم 10% یا T-Bills میں 90 دن تک انویسٹ کرتا ہے، جو فنڈ کی لیکویڈیٹی پروفائل 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 رجسٹرڈ 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 بائٹیف سہ کارگی قرضہ لینے کے رجحان کے باعث CPI سے پیکس 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 لیبیٹ کے نرخوں میں متوقع اضافی ایڈجسٹمنٹ، بیکسوں کا بڑھنا اور کرنسی کی قدر میں کمی کے دوسرے دور میں 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، 6، 12 ماہ کے T-Bills 597bps، 595bps اور 593bps تک بڑھ گئے۔

فنڈ نے سال کے دوران 66.22 ملین روپے کی مجموعی آمدنی کمائی۔ 8.86 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 57.36 ملین روپے ہے۔

NAFA گورنمنٹ سیکورٹیز سیونگ فنڈ کی ایبٹ ایلوکیشن بمطابق 30 جون 2019 حسب ذیل ہے:



آمدنی کی تقسیم

منجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2019 کے اختتام کے بعد اوپننگ ex-NAV کا 7.671% (بنیادی قدر کا 7.905%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

نیکسیشن

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 منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر آگے نیکس آرڈیننس 2001 کے سیکشن 1 کی شق 99 کے تحت نیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز KPMG تاخیر بادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹ کی کسپٹی میں اپنے پانچ سالوں کی مدت پوری کر لی ہے۔ نان بینکنگ فنانس کمپنی کی ریگولیشنز (i) 38 اور نوٹیفکیشن ریگولیشنز، 2008 کی ضروریات کے مطابق، ان کی تبدیلی ضروری ہے۔ بورڈ نے، میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو 30 جون 2020 کو ختم ہونے والے سال کے لئے تقرری کی منظوری دی ہے۔



لسٹ کمیٹیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1 میٹجمنٹ کمیٹی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور پونٹ 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، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو توڑی نہیں کی گئی۔
- 8 پرفارمنس ٹیمبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، 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 میٹجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 23 میں کی گئی ہے۔
- 11 پونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 22 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز ہی ای او، ای ایف او، کمیٹی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13 میٹجمنٹ کمیٹی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ میٹجمنٹ کمیٹی ایک غیر فہرست شدہ کمیٹی ہونے کے ناطہ کوئی منارٹی اکثریٹس نہیں رکھتی۔

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

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



اظہار شکر
بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمیٹی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکر یہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کی سرپرستی اور رہنمائی کے لئے ان کے مجلس رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فونڈ مینجمنٹ 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 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, 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

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 Fifth Annual report since the launch of the Fund on July 10, 2014. The Fund size stands at Rs. 1,092 million as on June 30, 2019. Since its inception, the Fund posted a return of 7.8% p.a versus the benchmark return of 7.5% p.a. This translates into an outperformance of 0.3% p.a. During FY19, the Fund posted 7.8% return versus the benchmark return of 9.9%. 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.

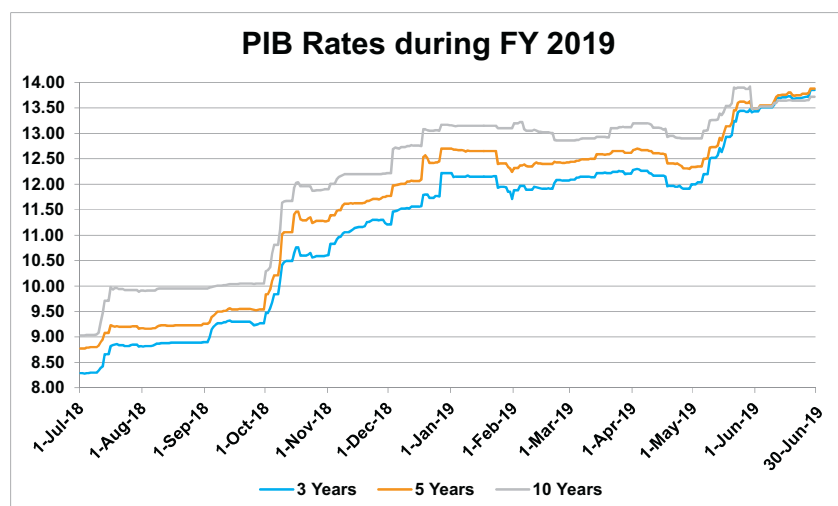
During FY2019, the State Bank of Pakistan (SBP) held six bi-monthly monetary policy reviews. Aiming to curb the surging demand pressures to address the external account woes and addressing the underlying inflationary pressures, the SBP increased the policy rate from 6.50% to 12.25%. Inflation as measured 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	30-Jun-18
T-Bills	46.67%	74.80%
PIBs	20.74%	-
Placements with DFIs	-	-
Money Market Placements	-	-
Cash, Bank Placements & Other Assets	32.59%	25.20%
Total	100%	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	7.905%	11.0951	10.3046

Unit Holding Pattern of NAFA Government Securities Savings Fund as on June 30, 2019

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	36
1-1000	65
1001-5000	20
5001-10000	12
10001-50000	29
50001-100000	15
100001-500000	47
500001-1000000	9
1000001-5000000	9
5000001-10000000	5
10000001-100000000	2
Total	249

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 (WWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 1.72 million. If the same were not made the NAV per unit/FY19 return of scheme would be higher by Re.0.0163/0.17%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2019.



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit Holders of the NAFA Government Securities Savings Fund

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 2019, 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 2019, 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. 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	2019 (Rupees in '000)	2018
Assets			
Bank balances	7	861,816	103,911
Investments	8	736,275	107,623
Profit receivables		12,356	27
Deposit, prepayment and other receivables	9	994	828
Total assets		1,611,441	212,389
Liabilities			
Payable to NBP Fund Management Limited - Management Company	10	1,569	360
Payable to Central Depository Company of Pakistan Limited - Trustee	11	155	23
Payable to Securities and Exchange Commission of Pakistan	12	536	114
Payable against purchase of investments		509,729	64,813
Accrued expenses and other liabilities	13	7,155	3,190
Total liabilities		519,144	68,500
Net assets		1,092,297	143,889
Unit holders' fund (as per statement attached)		1,092,297	143,889
Contingency and commitment	14		
		(Number of units)	
Number of units in issue	15	105,846,683	13,297,449
		(Rupees)	
Net assets value per unit		10.3196	10.8208

The annexed notes 1 to 29 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 YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in '000)	2018
Income			
Income from Market Treasury Bills		42,648	6,436
Income from Pakistan Investment Bonds		9,679	-
Profit on bank deposits		27,560	3,319
Loss on sale of investments at fair value through profit or loss (FVTPL) - net		(7,214)	(18)
Net unrealised diminution on re-measurement of investments at FVTPL		(6,445)	(59)
Total income		66,228	9,678
Expenses			
Remuneration to NBP Fund Management Limited - Management Company	10.1	3,798	880
Sindh Sales Tax on remuneration to Management Company	10.2	494	114
Remuneration to Central Depository Company of Pakistan Limited - Trustee	11.1	914	257
Sindh Sales Tax on remuneration to Trustee	11.2	119	33
Annual fee - Securities and Exchange Commission of Pakistan	12	536	114
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	714	151
Selling and marketing	10.4	115	-
Auditors' remuneration	16	342	300
Mutual fund rating fee		334	204
Annual listing fee		22	22
Settlement and bank charges		148	22
Securities transaction cost		25	1
Legal and professional charges		87	19
Printing charges		45	26
Total expenses		7,693	2,143
Net income from operating activities		58,535	7,535
Provision for Sindh Workers' Welfare Fund	13.1	(1,171)	(151)
Net income for the year before taxation		57,364	7,384
Taxation	17	-	-
Net income for the year		57,364	7,384
Allocation of net income for the year			
Net income for the year		57,364	7,384
Income already paid on units redeemed		(31,820)	(1,015)
		25,544	6,369
Accounting income available for distribution:			
-Relating to capital gains		-	-
-Excluding capital gains		25,544	6,369
		25,544	6,369

The annexed notes 1 to 29 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 YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in '000)	
Net income for the year	57,364	7,384
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>57,364</u></u>	<u><u>7,384</u></u>

The annexed notes 1 to 29 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 YEAR ENDED JUNE 30, 2019

Note	2019			2018		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	98,668	45,221	143,889	68,909	38,852	107,761
Issuance of 220,509,415 units (2018: 7,706,619 units)						
- Capital value	2,272,261	-	2,272,261	79,411	-	79,411
- Element of income	109,689	-	109,689	729	-	729
Total proceeds on issuance of units	2,381,950	-	2,381,950	80,140	-	80,140
Redemption of 127,960,181 units (2018: 4,867,149 units)						
- Capital value	(1,318,578)	-	(1,318,578)	(50,152)	-	(50,152)
- Element of loss	(49,926)	(31,820)	(81,746)	(229)	(1,015)	(1,244)
Total payments on redemption of units	(1,368,504)	(31,820)	(1,400,324)	(50,381)	(1,015)	(51,396)
Final distribution for the year ended 30 June 2018	15.2					
- Cash distribution	-	(6,364)	(6,364)	-	-	-
- Refund of Capital	(500)	-	(500)	-	-	-
	(500)	(6,364)	(6,864)	-	-	-
Interim distribution for the year ended 30 June 2019	15.3					
- Cash distribution	-	(23,978)	(23,978)	-	-	-
- Refund of Capital	(59,740)	-	(59,740)	-	-	-
	(59,740)	(23,978)	(83,718)	-	-	-
Total comprehensive income for the year	-	57,364	57,364	-	7,384	7,384
Net assets at end of the year	1,051,874	40,423	1,092,297	98,668	45,221	143,889
Undistributed income brought forward						
- Realised		45,280			38,911	
- Unrealised		(59)			(59)	
		45,221			38,852	
Accounting income available for distribution:						
- Relating to capital gains		-			-	
- Excluding capital gains		25,544			6,369	
		25,544			6,369	
Final distribution for the year ended 30 June 2018	15.2					
- Cash distribution		(6,364)			-	
Interim distribution for the year ended 30 June 2019	15.3					
- Cash distribution		(23,978)			-	
Undistributed income carried forward		40,423			45,221	
Undistributed income carried forward						
- Realised		46,868			45,280	
- Unrealised		(6,445)			(59)	
		40,423			45,221	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			10.8208			10.3042
Net assets value per unit at end of the year			10.3196			10.8208

The annexed notes 1 to 29 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 YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in '000)	
CASH FLOWS FOR THE YEAR FROM OPERATING ACTIVITIES			
Net income for the year		57,364	7,384
Adjustments:			
Net unrealised diminution on re-measurement of investments at FVTPL		6,445	59
		<u>63,809</u>	<u>7,443</u>
(Increase) in assets			
Investments		(635,097)	(17,770)
Profit receivables		(12,329)	14
Deposit, prepayment and other receivables		(166)	68
		<u>(647,592)</u>	<u>(17,688)</u>
Increase / (decrease) in liabilities			
Payable to NBP Fund Management Limited - Management Company		1,209	(78)
Payable to Central Depository Company of Pakistan Limited - Trustee		132	(5)
Payable to Securities and Exchange Commission of Pakistan		422	(12)
Payable against purchase of investments		444,916	(25,158)
Accrued expenses and other liabilities		3,965	(3,588)
		<u>450,644</u>	<u>(28,841)</u>
Net cash (used in) from operating activities		<u>(133,139)</u>	<u>(39,086)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
	18		
Amounts received against issuance of units		2,291,429	80,140
Payment against redemption of units		(1,400,324)	(51,396)
Distribution during the period		(61)	-
Net cash from financing activities		<u>891,044</u>	<u>28,744</u>
Net increase / (decrease) in cash and cash equivalents		<u>757,905</u>	<u>(10,342)</u>
Cash and cash equivalents at beginning of the year		103,911	114,253
Cash and cash equivalents at end of the year	7	<u><u>861,816</u></u>	<u><u>103,911</u></u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 VIII A 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 VIII A 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 VIII A 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 5.3)
- (b) Element of income (Note 5.6)

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:

- 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 Fund's financial statements.
- 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 application of amendment is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on 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 companies 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 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, a company 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 Fund's financial statements.
- 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.

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 an entity increases its interest in a joint operation that meets the definition of a business. An entity remeasures its previously held interest in a joint operation when it obtains control of the business. An entity 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 an entity 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 CHANGES IN 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:

The Fund has adopted IFRS 9 'Financial instruments' from 1 July 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, mark-up and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 6.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 5.1.2, 5.1.6 and 5.1.8

ii. Impairment of financial assets

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

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated 24 October 2012.



iii. Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. As the Fund presents the movement in Unitholders Fund on net assets basis, there is no impact of the changes on net assets of the Fund. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 6.

5 Summary of significant accounting policies

5.1 Financial assets

5.1.1 Classification (Policies applicable before 1 July 2018)

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 and (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 needs for liquidity or changes in prices.

5.1.2 Classification (Policies applicable after 1 July 2018)

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 includes cash and cash equivalents and receivables, if any. These financial assets are held to collect contractual cash flow.



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

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.

5.1.3 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.

5.1.4 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.

5.1.5 Subsequent measurement (Policies applicable before 1 July 2018)

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'.

c) Loans and receivables

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

5.1.6 Subsequent measurement (Policies applicable after 1 July 2018)

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:

a) 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 October 24, 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) Government securities

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

5.1.7 Impairment of financial assets (Policies applicable before 1 July 2018)

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 4 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.

5.1.8 Impairment of financial assets (Policies applicable after 1 July 2018)

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.

5.1.9 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.

5.1.10 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.

5.1.11 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.

5.1.12 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.

5.2 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.

5.3 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.

5.4 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.



5.5 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.

5.6 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.

5.7 Earnings per unit

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

5.8 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.

5.9 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.

5.10 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.

6 Financial assets and financial liabilities

6.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at 1 July 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 (Rupees in '000)	New carrying amount under IFRS 9
Financial assets					
Market Treasury Bills	(a)	Held for trading	Mandatorily at FVTPL	107,623	107,623
Bank balances	(b)	Loans and receivables	Amortised cost	103,911	103,911
Profit and other receivables	(b)	Loans and receivables	Amortised cost	27	103,911
Deposit	(b)	Loans and receivables	Amortised cost	102	102
				<u>211,663</u>	<u>211,663</u>
Financial liabilities					
Payable to NBP Fund Management Limited - Management Company		Amortised cost	Amortised cost	360	360
Payable to Central Depository Company of Pakistan - Trustee		Amortised cost	Amortised cost	23	23
Payable against purchase of investments		Amortised cost	Amortised cost	64,813	64,813
Accrued expenses and other liabilities		Amortised cost	Amortised cost	401	401
				<u>65,597</u>	<u>65,597</u>

(a) Market Treasury Bills classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.

(b) The financial assets classified as 'loans and receivables' have been classified as amortised cost.

7 BANK BALANCES

		2019 (Rupees in '000)	2018
In current accounts		1,059	241
In savings accounts	7.1 & 7.2	<u>860,757</u>	<u>103,670</u>
		<u>861,816</u>	<u>103,911</u>

7.1 These carry a rate of return ranging from 3.75% to 14.50% (2018: 3.75% to 7.85%) per annum.

7.2 This includes cheques amounting to Rs. Nil (2018: Rs. 0.099 million) issued on account of redemption of units and cheques amounting to Rs. 37.885 million (2018: Rs. Nil) received on account of issuance of units as at year end.

8 INVESTMENTS

2019 2018
(Rupees in '000)

Financial assets 'at fair value through profit or loss'

Market Treasury Bills	8.1	509,729	107,623
Pakistan Investment Bonds	8.2	226,546	-
		<u>736,275</u>	<u>107,623</u>

8.1 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
		As at 01 July 2018	Purchases during the year	Sales / matured during the year	As at 30 June 2019			
		----- (Rupees in '000) -----						----- (%) -----
26 April 2018	03 Months	108,000	-	108,000	-	-	-	-
26 April 2018	03 Months	-	10,000	10,000	-	-	-	-
10 May 2018	03 Months	-	10,000	10,000	-	-	-	-
07 June 2018	06 Months	-	20,000	20,000	-	-	-	-
19 July 2018	03 Months	-	105,000	105,000	-	-	-	-
11 October 2018	03 Months	-	75,000	75,000	-	-	-	-
11 October 2018	03 Months	-	102,000	102,000	-	-	-	-
11 October 2018	03 Months	-	179,000	179,000	-	-	-	-
06 December 2018	03 Months	-	1,416,000	1,416,000	-	-	-	-
14 February 2019	03 Months	-	2,640,000	2,640,000	-	-	-	-
25 April 2019	03 Months	-	50,000	50,000	-	-	-	-
09 May 2019	03 Months	-	1,269,000	754,000	515,000	509,729	0.47	0.69
23 May 2019	03 Months	-	50,000	50,000	-	-	-	-
Total		<u>108,000</u>	<u>5,926,000</u>	<u>5,519,000</u>	<u>515,000</u>	<u>509,729</u>	<u>0.47</u>	<u>0.69</u>

8.1.1 This carries a rate of return of 12.58% (2018: 5.83% to 6.9%) per annum.

8.2 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
		As at 01 July 2018	Purchases during the year	Sales / matured during the year	As at 30 June 2019			
		----- (Rupees in '000) -----						----- (%) -----
12 July 2018	03 years	-	590,000	335,000	255,000	226,546	0.21	0.31
Total		<u>-</u>	<u>590,000</u>	<u>335,000</u>	<u>255,000</u>	<u>226,546</u>	<u>0.21</u>	<u>0.31</u>

8.2.1 This carries a rate of return of 7.25% (2018: nil) per annum.



9	DEPOSIT, PREPAYMENT AND OTHER RECEIVABLES	Note	2019	2018
			(Rupees in '000)	
	Security deposit with Central Depository Company of Pakistan Limited		102	102
	Prepaid annual rating fee		166	-
	Withholding tax		639	639
	Other receivable		87	87
			<u>994</u>	<u>828</u>
10	PAYABLE TO NBP Fund MANAGEMENT Limited - MANAGEMENT COMPANY			
	Management remuneration	10.1	555	72
	Sindh Sales Tax on management remuneration	10.2	72	9
	Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	650	76
	Sindh Sales Tax on sales load		46	36
	Sales and transfer load		201	122
	Other payable		45	45
			<u>1,569</u>	<u>360</u>
10.1	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 charged its remuneration at the rate of 10% of net income subject to minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets of the Fund till 09 September 2018. Effective from 10 September 2018, the Management Company has revised its remuneration to the rate of 5% of net income subject to minimum of 0.3% of average annual net assets and maximum of 1.0% of average annual net assets.			
10.2	The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2018: 13%) was charged on management remuneration and sales load.			
10.3	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.			
10.4	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 effective from 10 September 2018 at the rate of 0.4% per annum of net assets of the Fund.			
11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		2019	2018
			(Rupees in '000)	
	Trustee remuneration	11.1	137	20
	Sindh Sales Tax on Trustee remuneration	11.2	18	3
			<u>155</u>	<u>23</u>

- 11.1** 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.

Upto 31 January 2019, trustee fee is charged as per the following tariff:

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.

Effective from 1 February 2019, due to change in trustee, fee is charged as per following revised tariff:

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.15% p.a. of net assets
On an amount Rs.1 billion to 10 billion	Rs. 1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1 billion.
Over 10 billion	Rs. 8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10 billion.

- 11.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2018: 13%) was charged on trustee remuneration.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as 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.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2019	2018
	(Rupees in '000)	
Provision for Sindh Workers' Welfare Fund	13.1	1,720
Federal Excise Duty on management remuneration	13.2	1,864
Federal Excise Duty on sales load		371
Auditors' remuneration		269
Brokerage fee		25
Dividend payable		25
Bank charges		70
Printing charges		46
Withholding tax		535
Capital gains tax		2,199
Legal fee		31
Rating fee payable		-
	<u>7,155</u>	<u>3,190</u>



- 13.1** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 01 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 1.619 million and a provision for SWWF of Rs. 0.384 million upto 12 January 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0163 per unit (30 June 2018: Rs 0.0414).

- 13.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 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 inter alia 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 Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued 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 1.864 (30 June 2018: Rs. 1.864 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0176 (30 June 2018: Rs. 0.1402 per unit).

14 CONTINGENCY AND COMMITMENT

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

15 NUMBER OF UNITS IN ISSUE

		2019	2018
		(Number of units)	
Total units in issue at beginning of the year		13,297,449	10,457,979
Add: units issued against			
- Sale	15.1	214,663,464	7,706,619
- Refund of capital at zero value	15.2 & 15.3	5,845,951	-
		220,509,415	7,706,619
Less: units redeemed		(127,960,181)	(4,867,149)
Total units in issue at end of the year		105,846,683	13,297,449

15.1 This includes 2,797,386 units (2018: Nil units) issued against Dividend Reinvestment Plan amounting to Rs. 28,838,080 (2018: Rs. Nil) net of taxation.

15.2 The Management Company on 04 July 2018 declared final distribution of Rs. 0.5162 per unit (for full year) for the year ended 30 June 2018. The aggregate cash distribution amounted to Rs. 6.864 million was in addition to refund of capital / element of income by issuing 48,511 additional units to eligible unit holders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.

15.3 The Management Company on 26 June 2018 declared final distribution of Rs. 0.7905 per unit (for full year) for the year ended 30 June 2018. The aggregate cash distribution amounted to Rs. 23.978 million was in addition to refund of capital / element of income by issuing 5,797,440 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.

16 AUDITORS' REMUNERATION

	2019	2018
	(Rupees in '000)	
Audit fee	150	170
Half yearly review	60	68
Out of pocket expenses and others including government levy	132	62
	342	300

17 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 5.10), no provision for taxation has been made in these financial statements.



18 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES	Receivable against sale of units	Payable against redemption of units	Dividend Payable	Total
	----- (Rupees in '000) -----			
Opening balance as at 1 July 2018	-	-	-	-
Receivable against issuance of units	2,291,429	-	-	2,291,429
Payable against redemption of units	-	1,400,324	-	1,400,324
Dividend Payable	-	-	61	61
	2,291,429	1,400,324	61	3,691,814
Amount received on issuance of units	(2,291,429)	-	-	(2,291,429)
Amount paid on redemption of units	-	(1,400,324)	-	(1,400,324)
Dividend paid	-	-	(61)	(61)
	(2,291,429)	(1,400,324)	(61)	(3,691,814)
Closing balance as at 30 June 2019	-	-	-	-

19 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 1.24% per annum. Total expense ratio (excluding government levies) is 0.92% per annum.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2019		
	At amortized cost	Mandatorily at fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Assets			
Bank balances	861,816	-	861,816
Investments	-	736,275	736,275
Profit receivables	12,356	-	12,356
Deposit	102	-	102
	874,274	736,275	1,610,549
	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	-	1,569	1,569
Payable to Central Depository Company of Pakistan Limited - Trustee	-	155	155
Payable against purchase of investments	-	509,729	509,729
Accrued expenses and other liabilities	-	466	466
	-	511,919	511,919



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

21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

21.1 Connected persons include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Baltoro Growth Fund being the sponsors, 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.

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

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

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

21.5 Transactions during the year:

	2019	2018
	(Rupees in '000)	
NBP Fund Management Limited Management Company		
Units issued: 18,399,781 units (2018: 4,832,899 units)	195,020	50,039
Units redeemed: 17,142,830 (2018: Nil units)	187,748	-
Dividend Reinvestment plan units issued: 340,761 (2018: Nil units)	3,514	-
Management remuneration	3,798	880
Sindh Sales Tax on remuneration to Management Company	494	114
Allocation of expenses related to registrar services, accounting, operation and valuation services	714	151
Selling and marketing	115	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration to the Trustee	914	257
Sindh Sales Tax on remuneration to Trustee	119	33
Employees of the Management Company		
Units issued: 967 units (2018: 28 units)	10	-
Units redeemed: 965 units (2018: Nil units)	10	-
Dividend Reinvestment plan units issued: 3,547 (2018: Nil units)	37	-

	2019	2018
	(Rupees in '000)	
Management Association of Pakistan		
Units issued: 276,469 units (2018: Nil units)	2,970	-
Units redeemed: 276,469 units (2018: Nil units)	3,067	-
United Energy Pakistan Employees Gratuity Fund		
Units issued: 16,983,022 units (2018: Nil units)	175,000	-
Dividend Reinvestment: 489,431 units (2018: Nil units)	5,045	-
Getz Pharma (Pvt) Limited - Employees Gratuity Fund		
Units issued: 1,734,837 units (2018: Nil units)	17,876	-
Dividend reinvestment: 56,122 units (2018: Nil Units)	579	-
National Management Foundation		
Units issued: 14,256,548 units (2018: Nil units)	147,165	-
Units redeemed: 590,622 units (2018: Nil units)	6,509	-
Dividnr reinvestment: 445,768 units (2018: Nil Units)	4,595	-
Bai Virbaiji Soparivala (BVS) Parsi High School		
Units issued: 4,170,632 units (2018: Nil units)	44,438	-
Units redeemed: 2,008,876 units (2018: Nil units)	22,289	-
National Bank of Pakistan - NBP		
Market Treasury Bills purchased	-	236,111
Market Treasury Bills sold	-	29,986
Profit on bank deposits	5	6
Pakistan Telecommunication employees trust		
Market Treasury bills sold	-	34,589
BankIslami Pakistan Limited		
Profit on bank deposits	2	2
21.6 Amounts outstanding as at year end:		
NBP Fund Management Limited - Management Company		
Units held: 9,842,418 (2018: 8,244,705 units)	101,570	89,214
Management remuneration payable	555	72
Sindh Sales Tax payable	72	9
Allocation of expenses related to registrar services, accounting, operation and valuation services	650	76
Sales load and transfer load payable	201	122
Sindh Sales Tax on sales load	46	36
Other payable	45	45
Employees of the Management Company		
Units held: 34,717 (2018: 31,169 units)	358	337
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	137	20
Sindh Sales Tax payable	18	3
Security deposit	102	102

	2019	2018
	(Rupees in '000)	
National Management Foundation		
Units held: 14,111,693 units (2018: Nil units)	145,627	-
United Energy Pakistan Employees Gratuity Fund		
Units held: 17,472,453 units (2018: Nil units)	180,309	-
Getz Pharma (Pvt) Limited - Employees Gratuity Fund		
Units held: 1,790,959 units (2018: Nil units)	18,482	-
Bai Virbaiji Soparivala (BVS) Parsi High School		
Units held: 2,161,756 units (2018: Nil units)	22,308	-
National Bank of Pakistan		
Bank Balance in savings account	449	145
Profit receivable	-	2
Summit Bank		
Bank balance in current account	1,059	241
Bank Islami Pakistan Limited		
Balance in saving account	49	45
Profit receivable	-	1

22 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), NBP Islamic Mahana Amdani Fund (Formerly; NBP Aitemaad Mahana Amdani Fund) and NBP Government Securities Fund - I.

23 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 2019:

S. No	Particulars	Percentage (%)
1	Invest One Markets Limited	60.00
2	Bright Capital (Private) Limited	40.00
		100.00



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

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

24 PATTERN OF UNIT HOLDING

Category	As at 30 June 2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment ---- (%) ----
Individuals	202	147,866	13.54
Associated Company	1	101,570	9.30
Retirement Funds	23	476,059	43.58
Others	23	366,802	33.58
	249	1,092,297	100.00

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
	153	143,889	100.00

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 68th, 69th, 70th, 71st Board meetings were held on 5 September 2018, 30 October 2018, 25 February 2019, 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	
Mudassir H. Khan (note 25.4)	2	1	1	69th Meeting
Tariq Jamali (note 25.5)	2	-	2	68th and 69th Meeting
Abdul Hadi Palekar	4	3	1	70th Meeting
Foo Chiah Chinug (Dr. Kelvin Foo) [note 25.2]	2	1	1	69th Meeting
Kamal Amir Chinoy	4	3	1	70th Meeting
Shehryar Faruque	4	3	1	68th Meeting
Hamayun Bashir	4	4	-	-
Wajahat Rasul Khan (note 25.3)	2	2	-	-
Dr. Amjad Waheed	4	4	-	-
Mr. Shaikh Muhammad Abdul Wahid Sethi (note 25.1)	2	2	-	-
Mr. Nasir Husain	2	2	-	-
Mr. Ali Saigol	2	2	-	-
Mr. Imran Zaffar	2	2	-	-



- 25.1 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 December 17, 2018.
- 25.2 Mr. Foo Chiah Chiung (Dr. Kelvin Foo) resigned from the Board October 08, 2018
- 25.3 Mr. Wajahat Rasul Khan resigned from the Board October 08, 2018
- 25.4 Mr. Mudassir H. Khan resigned from the Board October 12, 2018
- 25.5 Mr. Tariq Jamali resigned from the Board October 12, 2018

26 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.

26.1 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.

26.1.1 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.

26.1.2 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 2019, 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 2019, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 4.005 million (2018: Rs 0.056 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 year and net assets would have been higher by Rs. 3.253 million (2018: Rs 0.056 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.

	Yield / interest rate	30 June 2019				Total
		Exposed to yield / interest rate risk				
		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) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75% - 12.85%	860,757	-	-	1,059	861,816
Investments	5.83% - 6.9%	509,729	-	226,546	-	736,275
Profit receivables		9,829	-	-	2,527	12,356
Deposit		-	-	-	102	102
		<u>1,380,315</u>	<u>-</u>	<u>226,546</u>	<u>3,688</u>	<u>1,610,549</u>
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company		-	-	-	1,569	1,569
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	155	155
Payable against purchase of investments		-	-	-	509,729	509,729
Accrued expenses and other liabilities		-	-	-	466	466
		<u>-</u>	<u>-</u>	<u>-</u>	<u>511,919</u>	<u>511,919</u>
On-balance sheet gap		<u>1,380,315</u>	<u>-</u>	<u>226,546</u>	<u>(508,231)</u>	<u>1,098,630</u>
Off-balance sheet financial instruments						
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>1,380,315</u>	<u>-</u>	<u>226,546</u>	<u>(508,231)</u>	<u>1,098,630</u>
Cumulative interest rate sensitivity gap		<u>1,380,315</u>	<u>1,380,315</u>	<u>1,606,861</u>		



30 June 2018

	Yield / interest rate	Exposed to yield / interest rate risk			Not exposed to Yield / Interest risk	Total
		Upto three months	More than three months and up to one year	More than one year		
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75% - 12.85%	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
Financial liabilities						
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
On-balance sheet gap		211,293	-	-	(65,227)	146,066
Off-balance sheet financial instruments						
		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		211,293	-	-	(65,227)	146,066
Cumulative interest rate sensitivity gap		211,293	211,293	211,293		

26.1.3 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.

26.2 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 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 2019 and 30 June 2018.

Bank Balances	2019	2018
	(Rupees in '000)	
AAA	4,962	1,313
AA+	852	293
AA-	595,056	68,606
AA	-	6
A+	118,042	33,447
A-	141,845	241
A	1,059	5
	861,816	103,911

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.

26.3 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.

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			
	Upto three months	Over three months and upto one year	Over one year	Total
	----- (Rupees in '000) -----			
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	1,569	-	-	1,569
Payable to Central Depository Company of Pakistan Limited - Trustee	155	-	-	155
Payable against purchase of investment	509,729	-	-	509,729
Accrued expenses and other liabilities	466	-	-	466
	<u>511,919</u>	<u>-</u>	<u>-</u>	<u>511,919</u>
Unit holders' fund	<u>1,092,297</u>	<u>-</u>	<u>-</u>	<u>1,092,297</u>
	30 June 2018			
	Upto three months	Over three months and upto one year	Over one year	Total
	----- (Rupees in '000) -----			
Financial Liabilities				
Payable to NBP Fund Management Limited - Management Company	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>

27 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	Amortized cost	Other financial liabilities	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		509,729	-	-	509,729	-	509,729	-	509,729
- Pakistan Investment Bond		226,546	-	-	226,546	-	226,546	-	226,546
		736,275	-	-	736,275	-	736,275	-	736,275
Financial assets not measured at fair value 25.1									
Bank balances		-	861,816	-	861,816	-	-	-	-
Profit receivables		-	12,356	-	12,356	-	-	-	-
Deposit		-	102	-	102	-	-	-	-
		-	874,274	-	874,274	-	-	-	-
Financial liabilities not measured at fair value 25.1									
Payable to NBP Fund Management Limited - Management company		-	-	1,569	1,569	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	155	155	-	-	-	-
Payable against purchase of investments		-	-	509,729	509,729	-	-	-	-
Accrued expenses and other liabilities		-	-	466	466	-	-	-	-
		-	-	511,919	511,919	-	-	-	-



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)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Market Treasury Bills	107,623	-	-	107,623	-	107,623	-	107,623
Financial assets not measured at fair value								
Bank balances	-	103,911	-	103,911	-	-	-	-
Profit receivables	-	27	-	27	-	-	-	-
Deposit	-	102	-	102	-	-	-	-
	-	104,040	-	104,040	-	-	-	-
Financial liabilities not measured at fair value								
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 units	-	-	64,813	64,813	-	-	-	-
Accrued expenses and other liabilities	-	-	401	401	-	-	-	-
	-	-	65,597	65,597	-	-	-	-

27.1 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.

27.2 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.

28 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 26, 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.

29 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 ended June 30, 2019	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')	1,092,297	143,889	107,761	303,909	545,763
Net Income / (loss) (Rs. '000')	57,364	7,384	5,983	13,852	79,310
Net Asset Value per units (Rs.)	10.3196	10.8208	10.3042	10.2882	11.3972
Offer price per unit	10.4362	10.9431	10.4206	10.4243	11.5492
Redemption price per unit	10.3196	10.8208	10.3042	10.2882	11.3972
Ex - Highest offer price per unit (Rs.)	10.4362	10.9431	10.4230	10.4243	10.4859
Ex - Lowest offer price per unit (Rs.)	9.6886	10.4234	9.8660	9.7948	9.1493
Ex - Highest redemption price per unit (Rs.)	10.3196	10.8208	10.3065	10.2882	10.3479
Ex - Lowest redemption price per unit (Rs.)	9.577	10.3069	9.7451	9.6645	9.0289
Opening Nav of Fiscal Year	9.5704	10.3042	9.7438	9.6627	9.0276
Total return of the fund	7.830%	5.01%	5.75%	6.47%	13.97%
Capital growth	0.16%	0.00%	-0.15%	-0.01%	1.67%
Income distribution as a % of ex nav	7.67%	5.01%	5.90%	6.48%	12.30%
Income distribution as a % of par value	7.91%	5.16%	5.75%	6.67%	11.10%
Interim distribution per unit			0.5748	0.6667	-
Final distribution per unit	0.7905	0.5162	-	-	1.1104
Distribution dates					
Interim			21-Jun-17	30-Jun-16	-
Final	26-Jun-19	4-Jul-18	-	-	14-Jul-15
Average annual return (launch date 10-07-14)					
(Since inception to June 30, 2019)	7.80%				
(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	146 Days	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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