



NBP FUNDS

Managing Your Savings

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NBP GOVERNMENT SECURITIES FUND-I



HALF YEARLY REPORT
DECEMBER 31, 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 Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Humayun Bashir	Director
Mr. Saad Amanullah Khan	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

Human Resource Committee

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

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	Member

Trustee

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

Bankers to the Fund

JS Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank Limited



Auditors

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

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the reviewed financial statements of NBP Government Securities Fund-I (NGSF-I) for the half year ended December 31, 2019.

Fund's Performance

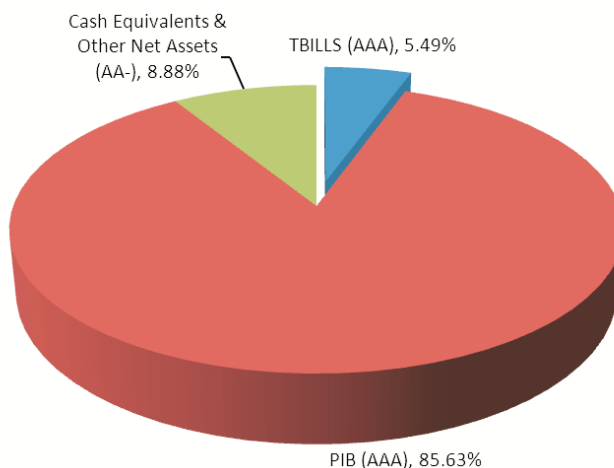
The size of NBP Government Securities Plan-I has decreased from Rs. 276 million to Rs. 272 million during the period, a decline of 1%. During the period, the unit price of the Fund has increased from Rs. 10.0024 on June 30, 2019 to Rs. 10.7549 on December 31, 2019, thus showing return of 14.9% p.a. as compared to the benchmark return of 13.5% p.a. for the same period. The performance of the Fund is net of management fee and all other expenses.

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

During 1HFY20, the State Bank of Pakistan (SBP) held three bi-monthly Monetary Policy Committee (MPC) meetings. To contain inflationary pressures, the SBP in its Monetary Policy Meeting in July 2019, increased the policy rate by 100bps to 13.25%. In the later two Monetary Policy Statements, the SBP left the Policy Rate unchanged despite uptick in inflation. The SBP held fourteen (14) T-Bill auctions during the period, realizing a total of Rs. 9,934 billion. T-Bills also started reflecting the market's expectation of peaking interest rate cycle and beginning of monetary easing cycle down the road as the cut-off yields in the last auction during the period under review for 3-month, 6-month and 12-month tenures were noted at 13.49%, 13.29%, and 13.13%, respectively.

Six (6) PIB auctions were also held where SBP realized a total of Rs. 1,375 billion. The (last) cut-off yields for 3, 5 and 10 years were 11.75%, 11.19% and 11.00% respectively. Owing to the decreasing interest rate expectations, the sovereign yields witnessed a decline in longer term securities whereas investors' preference remained tilted towards medium-to-short term government securities.

The Fund has earned a total income of Rs. 22.322 million during the period. After deducting total expenses of Rs. 2.402 million, the net income is Rs. 19.920 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NGSP-I.





Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: **February 27, 2020**
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بصد مسرت 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے NBP گورنمنٹ سیکورٹیز فنڈ-I (NGSF-I) کے جائزہ شدہ مالیاتی گوشوارے پیش کرتے ہیں۔

فنڈ کی کارکردگی

موجودہ سہ ماہی کے دوران NBP گورنمنٹ سیکورٹیز پلان-I کا سائز 276 ملین روپے سے کم ہو کر 272 ملین روپے ہو گیا، یعنی 1% کمی ہوئی۔ 30 جون 2019 کو فنڈ کی یونٹ قیمت 10.0024 روپے سے بڑھ کر 31 دسمبر 2019 کو 10.7549 روپے ہو گئی لہذا اسی مدت میں اپنے بیچ مارک منافع 13.5% کے مقابلے میں 14.9% کا سالانہ منافع دیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

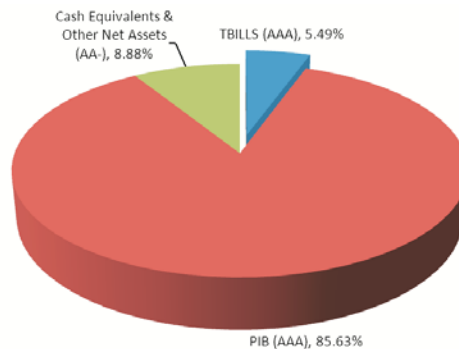
NGSP-I کی انکم فنڈ کے طور پر درجہ بندی کی گئی ہے۔ فنڈ کا مقصد پلان کی میچورٹی سے قبل تک گورنمنٹ سیکورٹیز میں سرمایہ کاری کر کے پلان کی میچورٹی پر ریٹرنیشن کے ساتھ متاثر کن منافع فراہم کرنا ہے۔ NBP گورنمنٹ سیکورٹیز پلان-I کی فلسفہ میچورٹی 12 جولائی 2021 کی ہے۔ فنڈ گورنمنٹ سیکورٹیز میں کم از کم 90% اور بیٹیکوں کے ساتھ سیونگ اکاؤنٹ میں اپنے ایسیٹ کا کم از کم 10% یا T-Bills میں 90 دن تک انویسٹ کرنے کی اجازت دیتا ہے، جو فنڈ کی لیکویڈیٹی پرو فائل کو بڑھاتا ہے۔

مالی سال 2020 کی پہلی ششماہی میں اسٹیٹ بینک آف پاکستان نے تین دو ماہی معاشی پالیسی کمیٹی (MPC) کے اجلاس طلب کئے۔ افراط زر کو قابو کرنے کے لئے SBP نے جولائی 2019ء میں منعقدہ ماٹیری پالیسی کے اجلاس میں پالیسی ریٹ کو 100bps کے اضافہ کے ساتھ 13.25 فی صد تک بڑھا دیا۔ دیگر دو ماٹیری پالیسی بیانات میں افراط زر میں اضافہ کے باوجود SBP نے پالیسی ریٹ کو مستحکم رکھا۔ اس مدت میں SBP نے چودہ (14) ٹی بل نیلامیوں سے 9,934 ملین روپے حاصل کئے۔ ٹی بلز کی وجہ سے شرح سود میں اضافہ کی متدی کی توقعات پر اثر پڑا اور زیر جائزہ سہ ماہی، ششماہی اور سالانہ مدتوں کے دوران آخری نیلامی میں کٹ آف ییلڈ بالترتیب 13.49 فی صد، 13.29 فی صد اور 13.13 فی صد رہی۔

PIB کی چھ (6) نیلامیوں کا بھی اہتمام کیا گیا جہاں SBP نے 1,375 ملین روپے حاصل کئے۔ 3، 5 اور 10 سالوں کے لئے (آخری) کٹ آف ییلڈ بالترتیب 11.75 فی صد، 11.19 فی صد اور 11.00 فی صد تھی۔ شرح سود میں کمی کی توقعات کے پیش نظر طویل مدتی سیکورٹیز میں غیر ملکی ییلڈز میں کمی دیکھی گئی۔ جب کہ سرمایہ کاروں کی ترجیح اوسط یا قلیل مدتی حکومتی سیکورٹیز میں رہی۔

فنڈ نے موجودہ مدت کے دوران 22.322 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 2.402 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 19.920 ملین روپے ہے۔

درج ذیل چارٹ NGSP-I کی ایسٹ ایلوکییشن اور اس کے ذیلی اثاثوں کے تمام درجوں کی پیمائش شدہ اوسط کریڈٹ ریٹنگ پیش کرتا ہے:





اظہار شکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا 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 مخلص رویہ کا بھی اعتراف کرتا ہے۔
بورڈ اپنے اسٹاف اور ٹرسٹی کی طرف سے سخت محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 27 فروری 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Government Securities Fund - I (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund for the period ended December 31, 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, February 26, 2020

INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **NBP Government Securities Fund I** ("the Fund") as at 31 December 2019 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matter

The figures for the three months period ended 31 December 2019 in the interim financial information have not been reviewed and we do not express a conclusion on them.

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

Date: February 28, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2019

		NGSP-I	
		Unaudited	Audited
		31 December	30 June
		2019	2019
	Note	(Rupees in '000)	
Assets			
Bank balances	6	15,078	17,364
Investments	7	247,797	251,160
Profit receivables		8,645	9,029
Preliminary expenses and floatation costs	8	816	1,085
Advance and prepayment		<u>1,563</u>	<u>212</u>
Total assets		273,899	278,850
Liabilities			
Payable to NBP Fund Management Limited - Management Company	9	1,041	2,336
Payable to Central Depository Company of Pakistan Limited - Trustee	10	16	27
Payable to Securities and Exchange Commission of Pakistan	11	28	72
Accrued expenses and other liabilities	12	859	430
Total liabilities		1,944	2,865
Net assets		<u>271,955</u>	<u>275,985</u>
Unit holders' fund (as per statement attached)		<u>271,955</u>	<u>275,985</u>
Contingency and commitment	13		
		(Number of units)	
Number of units in issue		<u>25,286,665</u>	<u>27,592,030</u>
		(Rupees)	
Net assets value per unit		<u>10.7549</u>	<u>10.0024</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2019

	Note	NGSP-I	
		Six months period ended	Three months period ended
(Rupees in '000)			
Income			
Income from Market Treasury Bills		919	449
Income from Pakistan Investment Bonds		7,203	3,523
Mark up income on Pakistan Investment Bonds		9,513	4,652
Profit on bank deposits		1,315	588
Income from contingent load		60	35
Gain on sale of investments at fair value through profit or loss (FVTPL) - net		373	378
Net unrealised appreciation on re-measurement of investments at FVTPL		2,939	905
Total income		22,322	10,530
Expenses			
Remuneration to NBP Fund Management Limited - Management Company	9.1	826	411
Sindh Sales Tax on remuneration to Management Company	9.2	107	53
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1	83	42
Sindh Sales Tax on remuneration to Trustee	10.2	11	6
Selling and marketing	9.3	138	69
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	138	69
Annual fee - Securities and Exchange Commission of Pakistan		28	14
Amortisation of preliminary expenses and floatation costs		269	134
Auditors' remuneration		191	118
Mutual fund rating fee		108	65
Annual listing fee		14	7
Settlement and bank charges		53	5
Printing charges		9	4
Legal and professional charges		20	10
Total expenses		1,995	1,007
Net income from operating activities		20,327	9,523
Provision for Sindh Workers' Welfare Fund	12.1	(407)	(191)
Net income for the period before taxation		19,920	9,332
Taxation	14	-	-
Net income for the period		19,920	9,332
Allocation of net income for the period			
Net income for the period		19,920	9,332
Income already paid on units redeemed		(891)	(788)
		19,029	8,544
Accounting income available for distribution:			
- Relating to capital gains		3,065	1,036
- Excluding capital gains		15,964	7,508
		19,029	8,544

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

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

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2019

	NGSP-I	
	Six months period ended	Three months period ended
	(Rupees in '000)	
Net income for the period	19,920	9,332
Other comprehensive income for the period	-	-
Total comprehensive income for the period	19,920	9,332

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019

	NGSP- I		
	Six months period ended		
	Value	Undistributed	Total
	income		
	----- (Rupees in '000) -----		
Net assets at beginning of the period	275,920	65	275,985
Issuance of nil units			
- Capital value	-	-	-
- Element of income	-	-	-
Total proceeds on issuance of units	-	-	-
Redemption of 2,305,365 units			
- Capital value	(23,059)	-	(23,059)
-Element of loss	-	(891)	(891)
Total payments on redemption of units	(23,059)	(891)	(23,950)
Total comprehensive income for the period	-	19,920	19,920
Net assets at end of the period	252,861	19,094	271,955
Undistributed income brought forward			
- Realised		6,725	
- Unrealised		(6,660)	
		<u>65</u>	
Accounting income available for distribution:			
- Relating to capital gains		3,065	
- Excluding capital gains		15,964	
		<u>19,029</u>	
Undistributed income carried forward		<u><u>19,094</u></u>	
Undistributed income carried forward			
- Realised		16,155	
- Unrealised		2,939	
		<u><u>19,094</u></u>	
			(Rupees)
Net assets value per unit at beginning of the period			<u><u>10.0024</u></u>
Net assets value per unit at end of the period			<u><u>10.7549</u></u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019

	Note	NGSP-I (Rupees in '000)
CASH FLOWS FOR THE PERIOD FROM OPERATING ACTIVITIES		
Net income for the period		19,920
Adjustments for:		
Net unrealised appreciation on re-measurement of investments at FVTPL		<u>(2,939)</u>
		16,981
Decrease in assets		
Investments		6,302
Profit receivables		384
Advance and prepayment		(1,351)
Preliminary expenses and floatation costs		<u>269</u>
		5,604
(Decrease) in liabilities		
Payable to NBP Fund Management Limited - Management Company		(1,295)
Payable to Central Depository Company of Pakistan Limited - Trustee		(11)
Payable to Securities and Exchange Commission of Pakistan		(44)
Accrued expenses and other liabilities		<u>429</u>
		(921)
Net cash generated from operating activities		<u>21,664</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issuance of units		-
Payment against redemption of units		(23,950)
Distribution during the period		-
Net cash (used in) financing activities		<u>(23,950)</u>
Net decrease in cash and cash equivalents		<u>(2,286)</u>
Cash and cash equivalents at beginning of the period		17,364
Cash and cash equivalents at end of the period	6	<u><u>15,078</u></u>

The annexed notes 1 to 18 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 THESE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED 31 DECEMBER 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** NBP Government Securities Fund – I ("the Fund") was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 07 December 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 04 January 2019 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3** The Fund has been categorised as an open ended 'Income scheme' and is listed on Pakistan Stock Exchange. The units are transferable and can be redeemed by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at initial price of Rs. 10 on 18 March 2019 and received Rs. 379.926 million against initial public offer from various investors and accordingly the Fund commenced its business activities on the same date. Subsequent to the Public Offering, the offer of Units of the Fund has discontinued. The Management Company with the approval of the commission may issue Units of the Fund. The maturity of NBP Government Securities Plan - I will be 12 July 2021.
- 1.4** The Fund has initially offered NBP Government Securities Plan - I (NGSP - I) and may offer upto a total of five allocation plans. The objective of the NBP Government Securities Fund – I is to provide attractive return with capital preservation at maturity of the plan, by investing primarily in Government Securities not exceeding maturity of the plan.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned and maintained an asset manager rating of 'AM1' of Management Company and has assigned 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

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

In case where requirements differ, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, and the NBFC Regulations have been followed.

- 2.1.1** This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund as at and for the period ended 30 June 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last annual financial statements.

2.1.2 This condensed interim financial information is being submitted to the unit holders as required under Regulation 38 (2) (f) of the Non-Banking Finance Companies and notified Entities Regulations, 2008 (NBFC Regulations).

2.2 New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are certain amendments which are effective from annual period beginning on or after 1 July 2019. These amendments are not likely to have an impact on the Fund's financial position. Therefore these are not stated in this condensed interim financial information.

2.3 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 January 2020:

- 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 companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. The Fund shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the condensed interim financial information of the Fund.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its

customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Fund's condensed interim financial information.

2.4 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund as at and for the period ended 30 June 2019.

4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed interim financial information, 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 condensed interim financial information to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment are the same as those that applied to annual financial statements as at and for the period ended 30 June 2019.

5 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the period ended 30 June 2019.

6 BANK BALANCES

31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
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In savings accounts	6.1 & 6.2	<u>15,078</u>	<u>17,364</u>
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6.1 These carry a rate of return ranging from 12% to 14.65% per annum.

6.2 These includes cheques amounting to Rs. Nil (30 June 2019: Rs. 0.298 million) issued on account of redemption of units as at period end.

7 INVESTMENTS

31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
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Investments by category

Financial assets 'at fair value through profit or loss'

Market Treasury Bills	7.1	14,918	14,841
Pakistan Investment Bonds	7.2	<u>232,879</u>	<u>236,319</u>
		<u>247,797</u>	<u>251,160</u>



7.1 Market Treasury Bills

Issue date	Tenor	Face value				Market value / Carrying value as at 31 Dec 2019	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 01 July 2019	Purchases during the period	Sales / matured during the period	As at 31 Dec 2019			
----- (Rupees in '000) -----								
09 May 2019	03 Months	15,000	-	15,000	-	-	-	-
18 July 2019	03 Months	-	14,000	14,000	-	-	-	-
01 August 2019	03 Months	-	10,335	10,335	-	-	-	-
24 October 2019	03 Months	-	15,000	-	15,000	14,918	5%	6%
Total		15,000	39,335	39,335	15,000	14,918	5%	6%

7.1.1 This carries a rate of return of 13.25% per annum.

7.2 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 2019	Purchases during the period	Sales / matured during the period	As at 31 Dec 2019			
----- (Rupees in '000) -----								
12 July 2018	03 years	266,000	-	15,000	251,000	232,879	86%	94%
Total		266,000	-	15,000	251,000	232,879	86%	94%

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

8 PRELIMINARY EXPENSES AND FLOTATION COSTS

	31 December 2019	30 June 2019
	Unaudited	Audited
	(Rupees in '000)	
Opening Balance	1,085	-
Incurred during the period	-	1,237
Less: Amortisation for the period	(269)	(152)
Balance at end of the period	816	1,085

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

9 PAYABLE TO NBP Fund MANAGEMENT Limited - MANAGEMENT COMPANY

Management remuneration	9.1	138	142
Sindh Sales Tax on management remuneration	9.2	18	18
Sales and transfer load		626	626
Sindh Sales Tax on sales load		81	81
Selling and Marketing Expense	9.3	69	96
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	69	96
Formation Cost Payable to Management Company		-	1,237
Other payable		40	40
		1,041	2,336

- 9.1** Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 1.5 percent of average annual net assets . The Management Company has charged its remuneration at the rate of 0.6% of the average net assets of the Fund.
- 9.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the period, Sindh Sales Tax at the rate of 13% was charged on management remuneration and sales load.
- 9.3** As per Circular 5 of 2018 dated 4 June 2018 issued by SECP, the Asset Management Company was entitled to charge selling and marketing expense to Collective Investment Scheme upto 0.4% per annum of net assets of Fund or actual expenses whichever is lower for initial three years. Circular 11 of 2019 dated 5 July 2019, issued by SECP superseded the above stated Circular and has revised the conditions and waived caping for charging selling and marketing expense. However, the management company has continued to charge selling and marketing expenses at the rate of 0.1 % per annum of average net assets of the Fund or actual expenses whichever is lower.
- 9.4** In accordance with clause 60(s) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 the management company is allowed to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual 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% per annum of average net assets of the Fund.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
Trustee remuneration	10.1	14	24
Sindh Sales Tax on Trustee remuneration	10.2	2	3
		<u>16</u>	<u>27</u>

- 10.1** Upto 30 June 2019, the Trustee was entitled to a monthly remuneration for services rendered to the Fund as stated below under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund.

Net assets	Tariff per annum
Upto Rs. 1,000 million	0.10% p.a. of net assets
Over Rs. 1,000 million	Rs.1 million plus 0.06% p.a. of Net Assets exceeding Rs. 1,000 million.

However, with effective from 1 July 2019 the Trustee has revised its remuneration and charged remuneration at the rate of 0.06% per annum of net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the period, Sindh Sales Tax at the rate of 13% (30 June 2019: 13%) was charged on trustee remuneration.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.075% per annum of the average net assets of the Fund till 30 June 2019 and with effective from 1 July 2019 SECP has revised its fee rate to 0.02 percent per annum of the average net assets of the Fund. The fee is paid annually in arrears.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

		31 December 2019 Unaudited (Rupees in '000)	30 June 2019 Audited
Provision for Sindh Workers' Welfare Fund	12.1	459	52
Auditors' remuneration		294	103
Brokerage fee		-	10
Bank charges		37	1
Printing charges		7	17
Withholding tax		15	224
Legal fee		40	20
Settlement Charges		7	3
		859	430

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

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of financial institutions. The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014. Accordingly provision for SWWF since inception of the Fund has been made.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the current period the net asset value of the Fund as at 31 December 2019 would higher by Rs. 0.0182 per unit (30 June 2019: 0.0019 per unit).

13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 31 December 2019 (30 June 2019: Nil).

14 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. The Management Company intends to distribute its accounting income as per its distribution policy for the year ending 30 June 2020 if require to ensure the compliance of this clause. Accordingly, no provision for taxation has been made in these condensed interim financial information.

15 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the period divided by average net asset value for the period) is 1.74% per annum. Total expense ratio (excluding government levies) is 1.34% per annum.

16 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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

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

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

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

16.5 Transactions during the period:

**Unaudited
Six months
period ended
2019
(Rupees in '000)**

NBP Fund Management Limited Management Company

Management remuneration	826
Sindh Sales Tax on remuneration to Management Company	107
Allocation of expenses related to registrar services, accounting, operation and valuation services	138
Selling and marketing	138
Sales Load and Sales Tax on sales Load	-
Preliminary expenses and floatation costs	269

Central Depository Company of Pakistan Limited - Trustee

Remuneration to the Trustee	83
Sindh Sales Tax on remuneration to Trustee	11
Settlement Charges	4

16.6 Amounts outstanding as at period end:	31 December 2019 Unaudited	30 June 2019 Audited
	(Rupees in '000)	
NBP Fund Management Limited - Management Company		
Management remuneration payable	138	142
Sindh Sales Tax payable	18	18
Allocation of expenses related to registrar services, accounting, operation and valuation services	69	96
Selling and Marketing Expense	69	96
Formation Cost Payable	-	1,237
Sales load and transfer load payable	626	626
Sindh Sales Tax on sales load	81	81
Other payable	40	40
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	14	24
Sindh Sales Tax payable	2	3
Settlement charges payable	7	3
Fauji Akbar Portia Marine Terminals Limited		
Units held 10,044,534 units (30 June 2019: 10,044,534 units)	108,028	100,469
Barret Hudgson Pakistan (Private) Limited		
Units held 8,203,541 units (30 June 2019: 8,203,541 units)	88,228	82,055
GIA Export Marketing Service (Private) Limited		
Units held 3,193,652 units (30 June 2019: 3,193,652 units)	34,347	31,944

17 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 the fair value hierarchy.

		31 Dec 2019					
		Carrying value			Fair value		
	At fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Market Treasury Bills	14,918	-	14,918	-	14,918	-	14,918
- Pakistan Investment Bond	232,879	-	232,879	-	232,879	-	232,879
	247,797	-	247,797	-	247,797	-	247,797
Financial assets not measured at fair value							
	17.1						
Bank balances	-	15,078	15,078	-	-	-	-
Profit receivables	-	8,645	8,645	-	-	-	-
		23,723	23,723	-	-	-	-
Financial liabilities not measured at fair value							
	17.1						
Payable to NBP Fund Management Limited - Management company	-	1,041	1,041	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	16	16	-	-	-	-
Accrued expenses and other liabilities	-	385	385	-	-	-	-
		1,442	1,442	-	-	-	-
----- (Rupees in '000) -----							
		30 June 2019					
		Carrying value			Fair value		
	At fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial assets measured at fair value							
Investments							
- Market Treasury Bills	14,841	-	14,841	-	14,841	-	14,841
- Pakistan Investment Bond	236,319	-	236,319	-	236,319	-	236,319
	251,160	-	251,160	-	251,160	-	251,160
Financial assets not measured at fair value							
Bank balances	-	17,364	17,364	-	-	-	-
Profit receivables	-	9,029	9,029	-	-	-	-
		26,393	26,393	-	-	-	-
Financial liabilities not measured at fair value							
Payable to NBP Fund Management Limited - Management company	-	2,336	2,336	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	27	27	-	-	-	-
Accrued expenses and other liabilities	-	154	154	-	-	-	-
		2,517	2,517	-	-	-	-

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

18 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **February 27, 2020**.

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

Chief Financial Officer

Chief Executive Officer

Director

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