



NBP FUNDS

Managing Your Savings

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NBP GOVERNMENT SECURITIES FUND I



ANNUAL REPORT
JUNE 2020



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.**



Contents

| | |
|--|-----------|
| FUND'S INFORMATION | 03 |
| DIRECTORS' REPORT | 07 |
| TRUSTEE REPORT TO THE UNIT HOLDERS | 13 |
| FUND MANAGER REPORT | 14 |
| INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS | 17 |
| STATEMENT OF ASSETS AND LIABILITIES | 20 |
| INCOME STATEMENT | 21 |
| STATEMENT OF COMPREHENSIVE INCOME | 22 |
| STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND | 23 |
| CASH FLOW STATEMENT | 24 |
| NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS | 25 |
| PERFORMANCE TABLE | 50 |



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

Khan Center, 1st Floor, Abdali Road, Multan.
Phone No. : 061-4540301-6, 061-4588661-2 & 4

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
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. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



Mr. Saadat Saeed, ACA, CFA
Head Of Investment Risk.



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Second Annual Report of **NBP Government Securities Fund-I (NGSF-I)** for the year ended June 30, 2020.

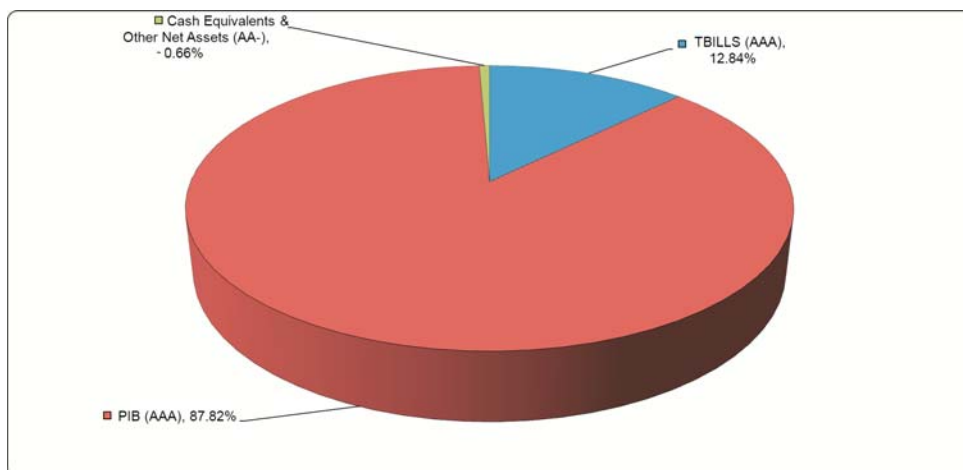
Fund's Performance

The size of NBP Government Securities Plan-I has increased from Rs. 276 million to Rs. 286 million during the period, i.e. a growth of 4%. During the period, the unit price of the Fund has increased from Rs. 8.4756 (Ex-Div) on June 30, 2019 to Rs. 10.0391 on June 30, 2020 thus posting a return of 18.4% as compared to its Benchmark return of 12.1% for the same period. The return 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.

Building on the ongoing economic stabilization policies and to counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

The Fund has earned a total income of Rs. 52.224 million during the year. After deducting total expenses of Rs. 4.860 million, the net income is Rs. 47.364 million. The asset allocation of NGSP-I as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 18.01% of the opening ex-NAV (18.02% of the par value) for the period ended June 30, 2020.

Taxation

As the above cash dividend is more than 90% of the income earned during the year, excluding realized and unrealized capital gains on investments, the Fund is not subject to tax under Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.



Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2021.

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, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

| Category | Names |
|--------------------------------|---|
| Independent Directors | <ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 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. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 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: **September 17, 2020**

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP گورنمنٹ سیکورٹیز فنڈ (NGSP-I) کی دوسری سالانہ رپورٹ برائے تختہ سال 30 جون 2020ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

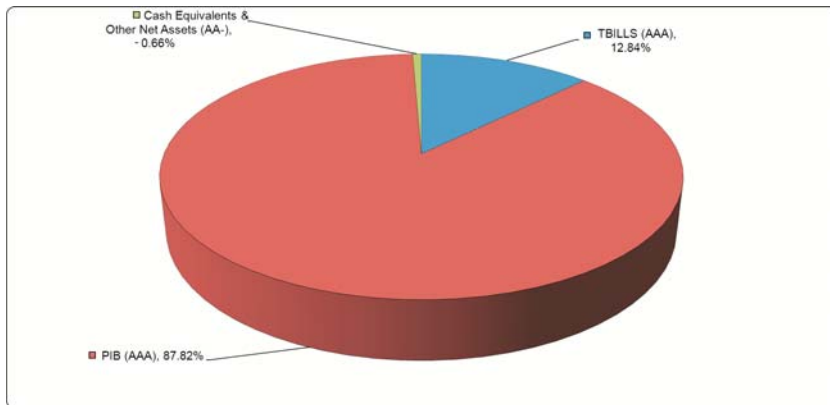
زیر جائزہ مدت کے دوران NBP گورنمنٹ سیکورٹیز پلان-1 کا سائز 276 ملین روپے سے بڑھ کر 286 ملین روپے ہو گیا یعنی 4 فیصد کا اضافہ ہوا۔ زیر جائزہ مدت کے دوران، فنڈ کی پونٹ قیمت 30 جون 2019 کو 8.4756 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 10.0391 روپے ہو چکی ہے، لہذا فنڈ نے گزشتہ اسی مدت کے دوران 12.1% نیچ مارک منافع کے مقابلے میں 18.4% کا منافع دیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد حاصل ہے۔

NGSP-I آئٹم فنڈ کے طور پر درجہ بندی کیا جاتا ہے۔ فنڈ کا مقصد پلان کی میچورٹی سے قبل تک گورنمنٹ سیکورٹیز میں سرمایہ کاری کر کے پلان کی میچورٹی پر کیپٹل پریزرویشن کے ساتھ متاثر کن منافع فراہم کرنا ہے۔ NBP گورنمنٹ سیکورٹیز پلان-1 کی فکسڈ میچورٹی 12 جولائی 2021 کی ہے۔ فنڈ گورنمنٹ سیکورٹیز میں کم از کم 90% اور ٹیکوں 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 پروفائل کو بڑھاتا ہے۔

اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لیسٹی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح کو 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے MPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کم کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب 566bps، 580bps اور 608bps کی کمی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹائیکس (27) T-Bills بنایا میں منعقد کیں اور کل 14,317 ملین روپے جمع کئے۔

فنڈ نے موجودہ مدت کے دوران 52,224 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 4,860 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 47,364 ملین روپے ہے۔

درج ذیل NGSP-I کی ایسٹ بلوکیشن برمطابق 30 جون 2020ء حسب ذیل ہے:



آمدنی کی تقسیم

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام کے بعد اوپننگ ex-NAV کا 18.01% (بنیادی قدر کا 18.02%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ 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 فیصد ہے، اس لئے فنڈ پر آگم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شرح 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔



آڈیٹرز

موجودہ آڈیٹرز، میسرز KPMG تا شیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2021 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔

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

1. مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور 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۔ شاریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
4. ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
5. انٹرنل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
6. فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
7. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیوٹیوں، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں کی گئی ہے۔
11. پونٹ ہولڈنگ کا تفصیلی پیرین مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے پونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔
13. کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فرسٹ شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

| نام | کیٹگری |
|---|------------------------|
| 1. جناب خالد منصور 2. جناب سعد امان اللہ خان 3. جناب ہمایوں بشیر | غیر جانبدار ڈائریکٹرز |
| ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر) | ایگزیکٹو ڈائریکٹر |
| 1. شیخ محمد عبدالواحد سیٹھی (چیئرمین) 2. جناب سعد الرحمان خان 3. سید حسن الرضی کاظمی 4. جناب علی سیگل 5. جناب عمران ظفر | نان ایگزیکٹو ڈائریکٹرز |



اظہار تشکر

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 شکریہ 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 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 فنانس مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Government Securities Fund - I (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Abdul Samad

Chief Operating Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NBP Government Securities Plan-I

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

Investment Objective of the Fund

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

Benchmark

Average 6-Month PKRV.

Fund Performance Review

This is the Second Annual report since the launch of the Fund on March 18, 2019. The Fund size stands at Rs. 286 million as of June 30, 2020. Since its inception, the Fund posted a return of 14.5% p.a. versus the benchmark return of 12.0% p.a. This translates into outperformance of 2.5% p.a. During FY20, the Fund posted a 18.4% return versus the benchmark return of 12.1%. The return of the Fund is net of the management fee.

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

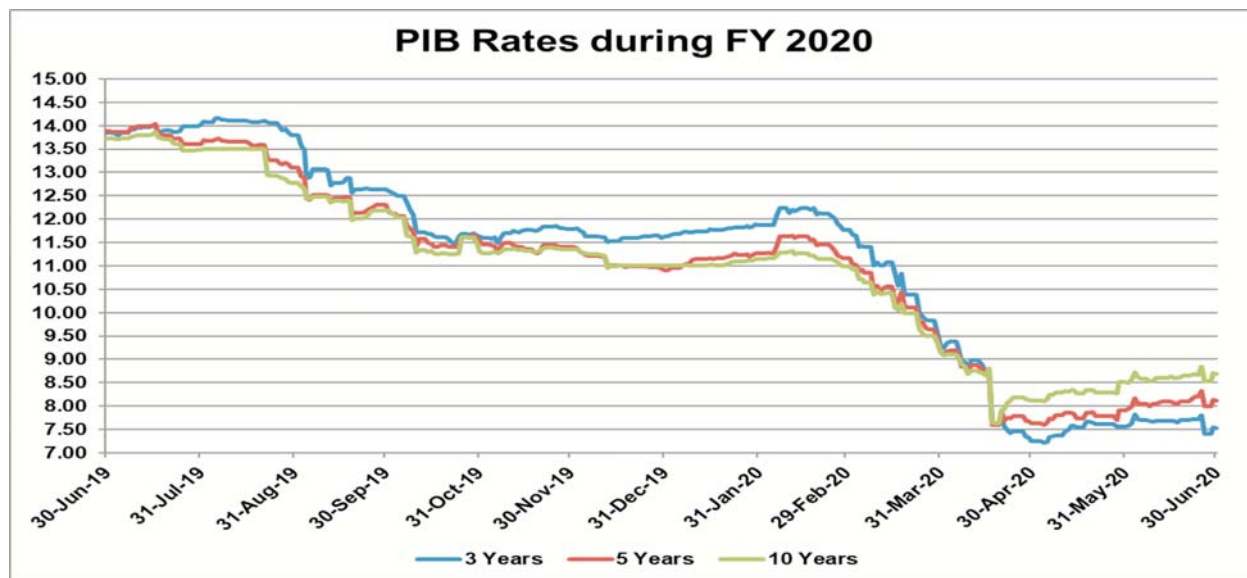
Building on the ongoing economic stabilization policies and to counter the upside risks to inflation from the exchange rate depreciation, increase in utility prices, and other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.

Asset Allocation of Fund (% of NAV)

| Particulars | 30-Jun-20 | 30-Jun-19 |
|--|-----------|-----------|
| PIBs | 87.82% | 85.63% |
| T-Bills | 12.84% | 5.38% |
| Cash (Cash Equivalents) & Other Assets | -0.66% | 8.99% |
| 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 -20 | 18.019% | 11.8043 | 10.0024 |

Unit Holding Pattern of NBP Government Securities Plan-I as on June 30, 2020

| Size of Unit Holding (Units) | # of Unit Holders |
|------------------------------|-------------------|
| 1-1000 | - |
| 1001-5000 | 4 |
| 5001-10000 | 4 |
| 10001-50000 | 22 |
| 50001-100000 | 4 |
| 100001-500000 | 9 |
| 500001-1000000 | 2 |
| 1000001-5000000 | 1 |
| 10000001-100000000 | 1 |
| Total | 47 |



During the period under question

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

Sindh Workers' Welfare Fund (WWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 1.019 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. Rs. 0.0357 / 0.43%. For details, investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2020.



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit Holders of the NBP Government Securities Fund I

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the NBP Government Securities Fund I ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement 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 2020, 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 2020, 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 30, 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

| | Note | NGSP-I | |
|--|------|-------------------|-------------------|
| | | 2020 | 2019 |
| | | (Rupees in '000) | |
| Assets | | | |
| Bank balances | 5 | 626 | 17,364 |
| Investments | 6 | 288,231 | 251,160 |
| Profit receivables | | 8,564 | 9,029 |
| Preliminary expenses and floatation costs | 7 | 550 | 1,085 |
| Advance and prepayment | 8 | 1,654 | 212 |
| Total assets | | 299,625 | 278,850 |
| Liabilities | | | |
| Payable to NBP Fund Management Limited - Management Company | 9 | 1,056 | 2,336 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 10 | 16 | 27 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 56 | 72 |
| Payable against redemption of units | | 3,455 | - |
| Accrued expenses and other liabilities | 12 | 8,706 | 430 |
| Total liabilities | | 13,289 | 2,865 |
| Net assets | | 286,336 | 275,985 |
| Unit holders' fund (as per statement attached) | | 286,336 | 275,985 |
| Contingency and commitment | 13 | | |
| | | (Number of units) | |
| Number of units in issue | 14 | 28,522,003 | 27,592,030 |
| | | (Rupees) | |
| Net assets value per unit | | 10.0391 | 10.0024 |

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, 2020

| | Note | NGSP-I | |
|--|------|---------------------------------|---|
| | | For the year ended 30 June 2020 | For the period from 18 March 2019 to 30 June 2019 |
| | | (Rupees in '000) | |
| Income | | | |
| Income from Market Treasury Bills | | 2,687 | 2,424 |
| Income from Pakistan Investment Bonds | | 14,072 | 2,662 |
| Mark up income on Pakistan Investment Bonds | | 18,587 | 4,530 |
| Profit on bank deposits | | 1,761 | 1,857 |
| Income from contingent load | | 64 | 261 |
| Gain / (loss) on sale of investments at fair value through profit or loss (FVTPL) - net | | 372 | (968) |
| Net unrealised appreciation / (diminution) on re-measurement of investments at FVTPL | | 14,681 | (6,660) |
| Total income | | 52,224 | 4,106 |
| Expenses | | | |
| Remuneration to NBP Fund Management Limited - Management Company | 9.1 | 1,673 | 575 |
| Sindh Sales Tax on remuneration to Management Company | 9.2 | 217 | 75 |
| Remuneration to Central Depository Company of Pakistan Limited - Trustee | 10.1 | 167 | 96 |
| Sindh Sales Tax on remuneration to Trustee | 10.2 | 22 | 12 |
| Selling and marketing expenses | 9.3 | 279 | 96 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.4 | 279 | 96 |
| Annual fee - Securities and Exchange Commission of Pakistan | 11 | 56 | 72 |
| Amortisation of preliminary expenses and floatation costs | | 535 | 152 |
| Auditors' remuneration | 15 | 291 | 151 |
| Mutual fund rating fee | | 193 | 61 |
| Annual listing fee | | 27 | 25 |
| Settlement and bank charges | | 30 | 22 |
| Printing charges | | 84 | 21 |
| Legal and professional charges | | 40 | 20 |
| Securities transaction cost | | - | 10 |
| Total expenses | | 3,893 | 1,484 |
| Net income from operating activities | | 48,331 | 2,622 |
| Provision for Sindh Workers' Welfare Fund | 12.1 | (967) | (52) |
| Net income for the year / period before taxation | | 47,364 | 2,570 |
| Taxation | 16 | - | - |
| Net income for the year / period | | 47,364 | 2,570 |
| Allocation of net income for the year / period | | | |
| Net income for the year / period | | 47,364 | 2,570 |
| Income already paid on units redeemed | | (1,062) | (1,002) |
| | | 46,302 | 1,568 |
| Accounting income available for distribution: | | | |
| -Relating to capital gains | | 14,655 | - |
| -Excluding capital gains | | 31,647 | 1,568 |
| | | 46,302 | 1,568 |

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, 2020

| | NGSP-I | |
|---|--|--|
| | For the year ended 30 June 2020 | For the period from 18 March 2019 to 30 June 2019 |
| | (Rupees in '000) | |
| Net income for the year / period | 47,364 | 2,570 |
| Other comprehensive income for the year / period | - | - |
| Total comprehensive income for the year / period | 47,364 | 2,570 |

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, 2020

| | NGSP-I | | | | | | |
|---|---------------------------------|----------------------|----------------|---|----------------------|----------------|---------|
| | For the year ended 30 June 2020 | | | For the period from 18 March 2019 to 30 June 2019 | | | |
| | Value | Undistributed income | Total | Value | Undistributed income | Total | |
| Note | ----- (Rupees in '000) ----- | | | | | | |
| Net assets at beginning of the year / period | 275,920 | 65 | 275,985 | - | - | - | |
| Issuance of 3,747,278 (2019 : 37,913,388) units | | | | | | | |
| - Capital value | 37,482 | - | 37,482 | 379,134 | - | 379,134 | |
| - Element of income | 7 | - | 7 | - | - | - | |
| Total proceeds on issuance of units | 37,489 | - | 37,489 | 379,134 | - | 379,134 | |
| Redemption of 2,817,305 (2019 : 10,321,358) units | | | | | | | |
| - Capital value | (28,178) | - | (28,178) | (103,214) | - | (103,214) | |
| -Element of loss | - | (1,062) | (1,062) | - | (1,002) | (1,002) | |
| Total payments on redemption of units | (28,178) | (1,062) | (29,240) | (103,214) | (1,002) | (104,216) | |
| Interim distribution for the year ended 30 June 2020 | | | | | | | |
| - Cash distribution | 14.2 | - | (45,262) | (45,262) | - | (1,503) | (1,503) |
| Total comprehensive income for the year / period | | - | 47,364 | 47,364 | - | 2,570 | 2,570 |
| Net assets at end of the year / period | 285,231 | 1,105 | 286,336 | 275,920 | 65 | 275,985 | |
| Undistributed income brought forward | | | | | | | |
| - Realised | | 6,725 | | | - | | |
| - Unrealised | | (6,660) | | | - | | |
| | | 65 | | | - | | |
| Accounting income available for distribution: | | | | | | | |
| - Relating to capital gains | | 14,655 | | | - | | |
| - Excluding capital gains | | 31,647 | | | 1,568 | | |
| | | 46,302 | | | 1,568 | | |
| Interim distribution for the year ended 30 June 2020 | | | | | | | |
| - Cash distribution | 14.2 | | (45,262) | | (1,503) | | |
| Undistributed income carried forward | | | 1,105 | | | 65 | |
| Undistributed income carried forward | | | | | | | |
| - Realised | | (13,576) | | | 6,725 | | |
| - Unrealised | | 14,681 | | | (6,660) | | |
| | | 1,105 | | | 65 | | |
| | | | (Rupees) | | | (Rupees) | |
| Net assets value per unit at beginning of the year | | | 10.0024 | | | - | |
| Net assets value per unit at end of the year / period | | | 10.0391 | | | 10.0024 | |

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, 2020

| | NGSP-I | |
|--|---------------------------------------|---|
| | For the year ended 30 June 2020 | For the period from 18 March 2019 to 30 June 2019 |
| Note | (Rupees in '000) | |
| CASH FLOWS FOR THE YEAR / PERIOD FROM OPERATING ACTIVITIES | | |
| Net income for the year / period | 47,364 | 2,570 |
| Adjustments: | | |
| Provision for Sindh Workers' Welfare Fund | 967 | 52 |
| Amortisation of preliminary expenses and floatation costs | 535 | 152 |
| Net unrealised (appreciation) / diminution on re-measurement of investments at FVTPL | (14,681) | 6,660 |
| | <u>34,185</u> | <u>9,434</u> |
| (Increase) / decrease in assets | | |
| Investments | (22,390) | (257,820) |
| Profit receivables | 465 | (9,029) |
| Advance and prepayment | (1,442) | (212) |
| Preliminary expenses and floatation costs | - | (1,237) |
| | <u>(23,367)</u> | <u>(268,298)</u> |
| Increase / (decrease) in liabilities | | |
| Payable to NBP Fund Management Limited - Management Company | (1,280) | 2,336 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | (11) | 27 |
| Payable to Securities and Exchange Commission of Pakistan | (16) | 72 |
| Accrued expenses and other liabilities | 7,309 | 378 |
| | <u>6,002</u> | <u>2,813</u> |
| Net cash generated from / (used in) operating activities | <u>16,820</u> | <u>(256,051)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| | 17 | |
| Amounts received against issuance of units | 37,489 | 377,645 |
| Payment against redemption of units | (25,785) | (104,216) |
| Distribution during the year / period | (45,262) | (14) |
| Net cash (used in) / generated from financing activities | <u>(33,558)</u> | <u>273,415</u> |
| Net (decrease) / increase in cash and cash equivalents | <u>(16,738)</u> | <u>17,364</u> |
| Cash and cash equivalents at beginning of the year / period | 17,364 | - |
| Cash and cash equivalents at end of the year / period | <u>5</u> <u>626</u> | <u>17,364</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 30 JUNE 2020

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 05 December 2018 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. The duration of the Fund is perpetual. The initial maturity of NBP Government Securities Plan - I will be on 12 July 2021.
- 1.4 The Fund has initially offered NBP Government Securities Plan - I (NGSP - I) and may offer upto a total of five allocation plans. The objective of the NBP Government Securities Fund – I is to provide attractive return with capital preservation at maturity of the plan, by investing primarily in Government Securities not exceeding maturity of the plan.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and stability rating of 'AA-(f)' to the Fund.
- 1.6 Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.



2.2 Accounting convention

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

- (a) Valuation of Investment (Note 4.2.4)
- (b) Provisions (Note 4.5)
- (c) Element of income (Note 4.8)
- (d) Classification and impairment of financial assets (Note 4.2.1 and 4.2.5)

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 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. The application of amendments are not likely to have an impact on the Fund's 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. The application of amendments are not likely to have an impact on the Fund's financial statements.
- 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 company may use the Framework



as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, the Companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific outs. The application of amendments are not likely to have an impact on the Fund's financial statements.

- 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. A Company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The application of amendments are not likely to have an impact on the Fund's financial statements.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of



comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The application of amendments are not likely to have an impact on the Fund's financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The application of amendments are not likely to have an impact on the Fund's financial statements.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 a funding IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The application of amendments are not likely to have an impact on the Fund's financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

4.1 New, Amended and Revised Standards and Interpretations of IFRSs

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

4.2 Financial Assets

4.2.1 Classification

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

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



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

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

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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



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

The Fund has determined that it has two business models.

- Held-to-collect business model: this include cash and cash equivalents and receivables, if any. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

Reclassifications

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

4.2.2 Regular way contracts

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

4.2.3 Initial recognition and measurement

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

4.2.4 Subsequent measurement

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

Financial assets at FVTPL

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

Financial assets at amortised cost

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

The fair value of financial assets are determined as follows:

Government securities

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



4.2.5 Impairment of financial assets

Financial assets at amortised cost

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

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

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

4.2.6 Derecognition

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

4.2.7 Offsetting of financial assets and liabilities

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

4.2.8 Cash and cash equivalents

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

4.2.9 Derivatives

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

4.3 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 mortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.4 Preliminary expenses and floatation costs

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



4.5 Provisions

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

4.6 Taxation

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

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

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

4.7 Issue and redemption of units

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

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

4.8 Element of income

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

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



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

4.9 Earnings per unit

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

4.10 Net assets value per unit

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

4.11 Revenue recognition

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

4.12 Distributions

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

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

5 BANK BALANCES

2020 **2019**
(Rupees in '000)

| | | | |
|---------------------|-----|------------|--------|
| In savings accounts | 5.1 | 626 | 17,364 |
|---------------------|-----|------------|--------|

5.1 These carry a rate of return ranging from 5.5% to 14.25% (2019: 11% to 13%) per annum.

6 INVESTMENTS

Financial assets 'at fair value through profit or loss'

| | | | |
|---------------------------|-----|----------------|---------|
| Market Treasury Bills | 6.1 | 36,774 | 14,841 |
| Pakistan Investment Bonds | 6.2 | 251,457 | 236,319 |
| | | 288,231 | 251,160 |



6.1 Market Treasury Bills

| Issue date | Tenor | Face value | | | | Market value / Carrying value as at 30 June 2020 | Market value as a percentage of net assets | Market value as a percentage of total investments |
|------------------|-----------|-------------------|---------------------------|---------------------------------|--------------------|--|--|---|
| | | As At 1 July 2019 | Purchases during the year | Sales / matured during the year | As at 30 June 2020 | | | |
| | | (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 | - | - | - | - |
| 07 November 2019 | 03 Months | - | 15,000 | 15,000 | - | - | - | - |
| 05 December 2019 | 03 Months | - | 22,000 | 22,000 | - | - | - | - |
| 30 January 2020 | 03 Months | - | 15,000 | 15,000 | - | - | - | - |
| 27 February 2020 | 03 Months | - | 22,000 | 22,000 | - | - | - | - |
| 23 April 2020 | 03 Months | - | 15,000 | - | 15,000 | 14,956 | 0.05 | 0.05 |
| 21 May 2020 | 03 Months | - | 22,000 | - | 22,000 | 21,818 | 0.08 | 0.08 |
| Total | | | 150,335 | 128,335 | 37,000 | 36,774 | 0.13 | 0.13 |

6.1.1 These carries a rate of return of 7.09% and 7.10% per annum.

6.2 Pakistan Investment Bonds

| Issue date | Tenor | Face value | | | | Market value / Carrying value as at 30 June 2020 | Market value as a percentage of net assets | Market value as a percentage of total investments |
|--------------|----------|-------------------|---------------------------|---------------------------------|--------------------|--|--|---|
| | | As At 1 July 2019 | Purchases during the year | Sales / matured during the year | As at 30 June 2020 | | | |
| | | (Rupees in '000) | | | | (%) | | |
| 12 July 2018 | 03 years | 266,000 | - | 15,000 | 251,000 | 251,457 | 0.88 | 0.87 |
| Total | | 266,000 | - | 15,000 | 251,000 | 251,457 | 0.88 | 0.87 |

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

7 PRELIMINARY EXPENSES AND FLOTATION COSTS

| | 2020 (Rupees in '000) | 2019 |
|--|--------------------------|--------------|
| Opening Balance | 1,085 | - |
| Incurred during the year / period | - | 1,237 |
| Less: Amortisation for the year / period | (535) | (152) |
| Balance at end of the year / period | 550 | 1,085 |

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

8 ADVANCE AND PREPAYMENT

| | | 2020 (Rupees in '000) | 2019 |
|--------------------------------|-----|--------------------------|------------|
| Advance tax | 8.1 | 1,550 | 104 |
| Prepaid Mutual Fund Rating fee | | 104 | 108 |
| | | 1,654 | 212 |



- 8.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on bank deposit and investment paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008- VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on dividends and profit on bank deposits as at 30 June 2020 amounts to Rs. 1.550 million (2019: Rs. 0.104 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by HCS in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court (HSC) through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the HSC by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the HSC granted the petitioners leave to appeal from the initial judgement of HCS. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as Advance tax as at 30 June 2020 as in the opinion of the management, the amount of tax deducted at source will be refunded.

9 PAYABLE TO NBP FUND MANAGEMENT Limited - MANAGEMENT COMPANY

| | Note | 2020 (Rupees in '000) | 2019 |
|---|------|--------------------------|--------------|
| Management remuneration | 9.1 | 144 | 142 |
| Sindh Sales Tax on management remuneration | 9.2 | 19 | 18 |
| Sales and transfer load | | 626 | 626 |
| Sindh Sales Tax on sales load | | 81 | 81 |
| Selling and Marketing Expense | 9.3 | 73 | 96 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.4 | 73 | 96 |
| Formation Cost Payable to Management Company | | - | 1,237 |
| Other payable | | 40 | 40 |
| | | 1,056 | 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 year, 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 capping 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. On 20 June 2019 SECP vide S.R.O. 639 (I)/2019, has substituted clause (s) of sub regulation 3 of regulation 60 and accordingly has removed cap of charging 0.1% per annum of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services. However, the Management Company is charging 0.1% of average daily net assets on account of fee and expenses related to registrar services, accounting, operation and valuation services.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

| | Note | 2020 (Rupees in '000) | 2019 |
|---|------|--------------------------|-----------|
| 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. |

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

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan, An amount equal to 0.075% per annum of the average net assets of the Fund has been charged 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 | 2020 | 2019 |
|---|------------------|------------|
| | (Rupees in '000) | |
| Provision for Sindh Workers' Welfare Fund | 12.1 | 1,019 |
| Withholding tax | | 52 |
| Auditors' remuneration | | 7,400 |
| Brokerage fee | | 190 |
| Bank charges | | 103 |
| Printing charges | | - |
| Legal fee | | 10 |
| Settlement Charges | | 1 |
| | | 17 |
| | | 20 |
| | | 3 |
| | <u>8,706</u> | <u>430</u> |

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

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the current period the net asset value of the Fund as at 30 June 2020 would higher by Rs. 0.0357 (June 2019: Rs. 0.0019) per unit.

13 CONTINGENCY AND COMMITMENT

There was no contingency and commitment as at 30 June 2020 (30 June 2019: Nil).

| 14 NUMBER OF UNITS IN ISSUE | 2020 | 2019 |
|--|--------------------|---------------------|
| | (Number of units) | |
| Opening units | 27,592,030 | - |
| Units issued | 14.1 | 3,747,278 |
| Less: units redeemed | | 37,913,388 |
| Total units in issue at end of the year / period | <u>(2,817,305)</u> | <u>(10,321,358)</u> |
| | <u>28,522,003</u> | <u>27,592,030</u> |

14.1 This includes 3,747,278 units (2019: 126,975 units) issued against Dividend Reinvestment Plan amounting to Rs. 37.489 million (2019: 1.268 million) net of taxation.

14.2 The Management Company on 24 June 2020 (2019: 26 June 2019) declared interim distribution amounted to Rs. 1.8019 per unit (2019: Rs. 0.0524 per unit) (for full period) for the year ended 30 June 2020 . The aggregate cash distribution is Rs. 45.262 million (2019: Rs. 1.503 million)



15 AUDITORS' REMUNERATION

2020 2019
(Rupees in '000)

| | | |
|---|------------|------------|
| Statutory audit fee | 150 | 112 |
| Half yearly review fee | 65 | - |
| Out of pocket expenses and others including government levy | 76 | 39 |
| | <u>291</u> | <u>151</u> |

16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders as per distribution policy (refer note 4.12 and 14.2), no provision for taxation has been made in these financial statements.

17 RECONCILIATION OF RECEIVABLE AND LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

| | Receivable against sale of units | Payable against redemption of units | Dividend Payable | Total |
|--------------------------------------|--|---|---------------------|--------------|
| | ------(Rupees in '000) ----- | | | |
| Balance as at 1 July 2019 | - | - | - | - |
| Receivable against issuance of units | 37,489 | - | - | 37,489.00 |
| Payable against redemption of units | - | 29,240 | - | 29,240 |
| Dividend Payable | - | - | 45,262 | 45,262 |
| | 37,489 | 29,240 | 45,262 | 111,991 |
| Dividend reinvestment | (37,489) | - | (44,802) | (82,291) |
| Amount paid on redemption of units | - | (25,785) | - | (25,785) |
| Dividend paid | - | - | (460) | (460) |
| | (37,489) | (25,785) | (45,262) | (108,536) |
| Balance as at 30 June 2020 | <u>-</u> | <u>3,455</u> | <u>-</u> | <u>3,455</u> |

18 TOTAL EXPENSE RATIO

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

Total expense ratio (excluding government levies) is 1.29% per annum.



19 FINANCIAL INSTRUMENTS BY CATEGORY

| | 30 June 2020 | | |
|--------------------|------------------------------|--------------------------------------|----------------|
| | At Amortised Cost | At fair value through profit or loss | Total |
| | ----- (Rupees in '000) ----- | | |
| Assets | | | |
| Bank balances | 626 | - | 626 |
| Investments | - | 288,231 | 288,231 |
| Profit receivables | 8,564 | - | 8,564 |
| | <u>9,190</u> | <u>288,231</u> | <u>297,421</u> |

| | 30 June 2020 | | |
|---|--------------------------------------|-------------------|--------------|
| | At fair value through profit or loss | At Amortised Cost | Total |
| | ----- (Rupees in '000) ----- | | |
| Liabilities | | | |
| Payable to NBP Fund Management Limited - Management Company | - | 1,056 | 1,056 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 16 | 16 |
| Payable against redemption of units | - | 3,455 | 3,455 |
| Accrued expenses and other liabilities | - | 287 | 287 |
| | <u>-</u> | <u>4,814</u> | <u>4,814</u> |

| | 30 June 2019 | | |
|--------------------|------------------------------|--|----------------|
| | At Amortised Cost | Mandatorily at fair value through profit or loss | Total |
| | ----- (Rupees in '000) ----- | | |
| Assets | | | |
| Bank balances | 17,364 | - | 17,364 |
| Investments | - | 251,160 | 251,160 |
| Profit receivables | 9,029 | - | 9,029 |
| | <u>26,393</u> | <u>251,160</u> | <u>277,553</u> |

| | 30 June 2019 | | |
|---|--|-------------------|--------------|
| | Mandatorily at fair value through profit or loss | At Amortised Cost | Total |
| | ----- (Rupees in '000) ----- | | |
| Liabilities | | | |
| Payable to NBP Fund Management Limited - Management Company | - | 2,336 | 2,336 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 27 | 27 |
| Accrued expenses and other liabilities | - | 154 | 154 |
| | <u>-</u> | <u>2,517</u> | <u>2,517</u> |

20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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



- 20.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 20.3** Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 20.4** The details of significant transactions and balances with connected persons at year / period end except those disclosed elsewhere in these financial statements are as follows:

| 20.5 Transactions during the year / period: | For the year ended 30 June 2020 | For the period from 18 March 2019 to 30 June 2019 |
|--|--|--|
| | (Rupees in '000) | |
| NBP Fund Management Limited Management Company | | |
| Management remuneration | 1,673 | 575 |
| Sindh Sales Tax on remuneration to Management Company | 217 | 75 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 279 | 96 |
| Selling and marketing expenses | 279 | 96 |
| Sales Load and Sales Tax on sales Load | - | 707 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration to the Trustee | 167 | 96 |
| Sindh Sales Tax on remuneration to Trustee | 22 | 12 |
| Settlement Charges | 7 | 4 |
| Fauji Akbar Portia Marine Terminals Limited | | |
| Dividend reinvestment: 1,537,775 (June 2019 : 44,534) units | 15,384 | 445 |
| Pakistan Stock Exchange | | |
| Listing Fee | 25 | - |
| Barret Hudgson Pakistan (Private) Limited | | |
| Dividend reinvestment: 1,255,927 (June 2019 : 36,371) units | 12,565 | 364 |
| GIA Export Marketing Service (Private) Limited | | |
| Dividend reinvestment: 488,934 (June 2019 : 14,160) units | 4,891 | 142 |
| | 2020 | 2019 |
| | (Rupees in '000) | |
| 20.6 Amounts outstanding as at year / period end: | | |
| NBP Fund Management Limited - Management Company | | |
| Management remuneration payable | 144 | 142 |
| Sindh Sales Tax payable | 19 | 18 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 73 | 96 |
| Selling and Marketing Expense | 73 | 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 |



| | 2020 | 2019 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 14 | 24 |
| Sindh Sales Tax payable | 2 | 3 |
| Fauji Akbar Portia Marine Terminals Limited | | |
| Units held: 11,582,308 (June 2019 : 10,044,534) units | 116,276 | 100,469 |
| Barret Hudgson Pakistan (Private) Limited | | |
| Units held: 9,459,467 (June 2019 : 8,203,541) units | 94,965 | 82,055 |
| GIA Export Marketing Service (Private) Limited | | |
| Units held: 3,682,586 (June 2019 : 3,193,652) units | 36,970 | 31,944 |

21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S. No | Name | Qualifications | Experience in year |
|-------|--------------------------|---|-----------------------|
| 1 | Dr. Amjad Waheed | MBA, Doctorate in Business Administration and CFA | 32 |
| 2 | Mr. Sajjad Anwar | CFA and MBA Finance | 20 |
| 3 | Mr. Asim Wahab Khan | CFA | 25 |
| 4 | Mr. Muhammad Ali Bhabha* | MBA, MS (CS), CFA, FRM | 9 |
| 5 | Mr. Hassan Raza | ACCA, CFA, BSC | 14 |

*Mr. Muhammad Ali Bhabha is the Fund manager. He is also managing NBP Government Securities Liquid Fund, NBP Mahana Amdani Fund, NBP Money Market Fund, NBP Riba Free Saving Fund, NBP Financial Sector Income Fund, NBP Active Allocation Riba Free Savings Fund, NBP Islamic Money Market Fund, NBP Islamic Savings Fund, NBP Income Opportunity Fund, NBP Government Securities Savings Fund, NBP Islamic Mahana Amdani Fund, NBP Savings Fund and NBP Islamic Daily Dividend Fund.

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

No commission paid / payable to brokers / dealers during the year ended 30 June 2020:

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

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

23 PATTERN OF UNIT HOLDING

| | As at 30 June 2020 | | |
|-------------|---------------------------|--|--|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of investment ---- (%) ---- |
| Category | | | |
| Individuals | 43 | 37,719 | 13.17 |
| Others | 4 | 248,617 | 86.83 |
| | 47 | 286,336 | 100.00 |



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

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th, 75th Board meetings were held on 30 August 2019, 24 October 2019, 27 February 2020, 27 April 2020, 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 tenure of | Attended | Leave granted | |
| Shaikh Muhammad Abdul Wahid Sethi | 4 | 4 | - | - |
| Mr. Saad ur Rahman Khan [Note 24.2] | 3 | 2 | 1 | 74th meeting |
| Syed Hasan Irtiza Kazmi [Note 24.2] | 3 | 3 | - | - |
| Mr. Nasir Husain [Note 24.1] | 1 | - | 1 | 72nd meeting |
| Mr. Abdul Hadi Palekar [Note 24.1] | 1 | - | 1 | 72nd meeting |
| Mr. Ali Saigol | 4 | 4 | - | - |
| Mr. Imran Zaffar | 4 | 4 | - | - |
| Mr. Kamal Amir Chinoy [Note 24.1] | 1 | 1 | - | - |
| Mr. Khalid Mansoor [Note 24.2] | 3 | 3 | - | - |
| Mr. Humayun Bashir | 4 | 4 | - | - |
| Mr. Shehryar Faruque [Note 24.1] | 1 | 1 | - | - |
| Mr. Saad Amanullah Khan [Note 24.2] | 3 | 3 | - | - |
| Dr. Amjad Waheed | 4 | 4 | - | - |

24.1 Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque retired from the Board with effect from 04 October 2019.

24.2 Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Khan, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan opted as director on the Board with effect from 04 October 2019.

25 FINANCIAL RISK MANAGEMENT

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

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

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



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

25.1 Market risk

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

Management of market risk

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

25.1.1 Currency risk

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

25.1.2 Interest rate risk

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

(a) Sensitivity analysis for variable rate instruments

Presently, the fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.0063 million (2019: 0.1736 million)

(b) Sensitivity analysis for fixed rate instruments

Fixed rate instruments comprise Market Treasury Bills and Pakistan Investment Bonds. 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 2020, the Fund holds Market Treasury Bills and Pakistan Investment Bonds which are classified as 'at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan on 30 June 2020, with all other variables held constant, the net income for the period and net assets would have been lower by Rs. 2.4726 million. In case of 100 basis points decrease in rates announced by the Financial Markets Association of Pakistan on 30 June 2020, with all other variables held constant, the net income for the period and net assets would have been higher by Rs. 2.5138 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 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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



| 30 June 2020 | | | | | |
|---|---------------------------------------|---|--------------------|--------------------------------------|----------------|
| Yield / interest rate | Exposed to yield / interest rate risk | | | | Total |
| | Upto three months | More than three months and up to one year | More than one year | Not exposed to Yield / Interest risk | |
| ----- (Rupees in '000) ----- | | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Bank balances | 5.50% - 14.25% | 626 | - | - | 626 |
| Investments | 7.09% - 7.25% | 36,774 | - | 251,457 | 288,231 |
| Profit receivables | | - | - | 8,564 | 8,564 |
| | | <u>37,400</u> | <u>-</u> | <u>251,457</u> | <u>297,421</u> |
| Financial liabilities | | | | | |
| Payable to NBP Fund Management Limited - Management Company | | - | - | 1,056 | 1,056 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | 16 | 16 |
| Payable against redemption of units | | - | - | 3,455 | 3,455 |
| Accrued expenses and other liabilities | | - | - | 287 | 287 |
| | | <u>-</u> | <u>-</u> | <u>4,814</u> | <u>4,814</u> |
| On-balance sheet gap | | <u>37,400</u> | <u>-</u> | <u>251,457</u> | <u>292,607</u> |
| Off-balance sheet financial instruments | | | | | |
| Off-balance sheet gap | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total interest rate sensitivity gap | | <u>37,400</u> | <u>-</u> | <u>251,457</u> | <u>292,607</u> |
| Cumulative interest rate sensitivity gap | | <u>37,400</u> | <u>37,400</u> | <u>288,857</u> | |
| 30 June 2019 | | | | | |
| Yield / interest rate | Exposed to yield / interest rate risk | | | | Total |
| | Upto three months | More than three months and up to one year | More than one year | Not exposed to Yield / Interest risk | |
| ----- (Rupees in '000) ----- | | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Bank balances | 11.00% - 13.00% | 17,364 | - | - | 17,364 |
| Investments | 7.25% - 11.00% | 14,841 | - | 236,319 | 251,160 |
| Profit receivables | | - | - | 9,029 | 9,029 |
| | | <u>32,205</u> | <u>-</u> | <u>236,319</u> | <u>277,553</u> |
| Financial liabilities | | | | | |
| Payable to NBP Fund Management Limited - Management Company | | - | - | 2,336 | 2,336 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | 27 | 27 |
| Accrued expenses and other liabilities | | - | - | 154 | 154 |
| | | <u>-</u> | <u>-</u> | <u>2,517</u> | <u>2,517</u> |
| On-balance sheet gap | | <u>32,205</u> | <u>-</u> | <u>236,319</u> | <u>275,036</u> |
| Off-balance sheet financial instruments | | | | | |
| Off-balance sheet gap | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total interest rate sensitivity gap | | <u>32,205</u> | <u>-</u> | <u>236,319</u> | <u>275,036</u> |
| Cumulative interest rate sensitivity gap | | <u>32,205</u> | <u>32,205</u> | <u>268,524</u> | |



25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from yield / interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as at 30 June 2020.

25.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment and bank balances. Risks attributable to investments in Market Treasury Bills and Pakistan Investment Bonds is limited as Market Treasury Bills and Pakistan Investment Bonds 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. The bank ratings are based on The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited as at 30 June 2020 and 30 June 2019.

| Bank Balances | 2020 | 2019 |
|----------------------|-------------------------|----------------------|
| | (Rupees in '000) | |
| AA+ | 195 | 4 |
| AA- | 431 | 17,360 |
| | <u>626</u> | <u>17,364</u> |

The maximum exposure to credit risk before any credit enhancement as at 30 June 2020 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 assets is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

25.3 Liquidity risk

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

Management of liquidity risk

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

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



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

Maturity analysis for financial liabilities

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

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

| | 30 June 2020 | | | |
|---|-------------------|-------------------------------------|---------------|----------------|
| | 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 | 1,056 | - | - | 1,056 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 16 | - | - | 16 |
| Payable against redemption of units | 3,455 | - | - | 3,455 |
| Accrued expenses and other liabilities | 287 | - | - | 287 |
| | 4,814 | - | - | 4,814 |
| Unit holders' fund | 286,336 | - | - | 286,336 |
| ----- (Rupees in '000) ----- | | | | |
| | 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 | 2,336 | - | - | 2,336 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 27 | - | - | 27 |
| Accrued expenses and other liabilities | 154 | - | - | 154 |
| | 2,517 | - | - | 2,517 |
| Unit holders' fund | 275,985 | - | - | 275,985 |



26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Quoted prices (unadjusted) in active markets for identical assets or Liabilities (level 1).

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

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

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

| | | 30 June 2020 | | | | | | |
|---|------|--------------------------------------|-------------------|----------------|------------|----------------|----------|----------------|
| | | 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 | | 36,774 | - | 36,774 | - | 36,774 | - | 36,774 |
| - Pakistan Investment Bond | | 251,457 | - | 251,457 | - | 251,457 | - | 251,457 |
| | | 288,231 | - | 288,231 | - | 288,231 | - | 288,231 |
| Financial assets not measured at fair value | | | | | | | | |
| | 26.1 | | | | | | | |
| Bank balances | | - | 626 | 626 | | | | |
| Profit receivables | | - | 8,564 | 8,564 | | | | |
| | | - | 9,190 | 9,190 | | | | |
| Financial liabilities not measured at fair value | | | | | | | | |
| | 26.1 | | | | | | | |
| Payable to NBP Fund Management Limited - Management company | | - | 1,056 | 1,056 | | | | |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | 16 | 16 | | | | |
| Payable against redemption of units | | - | 3,455 | 3,455 | | | | |
| Accrued expenses and other liabilities | | - | 287 | 287 | | | | |
| | | - | 4,814 | 4,814 | | | | |



30 June 2019

| | Carrying value | | | Fair value | | | |
|---|--------------------------------------|-------------------|----------------|------------|----------------|----------|----------------|
| | At fair value through profit or loss | At Amortised Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) ----- | | | | | | | |
| On-balance sheet financial instruments | | | | | | | |
| Financial assets measured at fair value | | | | | | | |
| Investments | | | | | | | |
| - Market Treasury Bills | 14,841 | - | 14,841 | - | 14,841 | - | 14,841 |
| - Pakistan Investment Bond | 236,319 | - | 236,319 | - | 236,319 | - | 236,319 |
| | <u>251,160</u> | <u>-</u> | <u>251,160</u> | <u>-</u> | <u>251,160</u> | <u>-</u> | <u>251,160</u> |
| Financial assets not measured at fair value | | | | | | | |
| Bank balances | - | 17,364 | 17,364 | | | | |
| Profit receivables | - | 9,029 | 9,029 | | | | |
| | <u>-</u> | <u>26,393</u> | <u>26,393</u> | | | | |
| 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 | | | | |
| | <u>-</u> | <u>2,517</u> | <u>2,517</u> | | | | |

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

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

27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

As at 30 June 2020, The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Fund shall be one hundred million rupees at all time during the life of the fund.

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

In accordance with the risk management policies stated in note 25, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.



28 Impact of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerges as a contagion risk around the globe, including Pakistan. To reduce the impact on the businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- c) Time for announcement of daily NAV as per the regulatory requirements is extended from 18:30 pm to the start of the next working day.

Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and securities of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made assessment for Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 17, 2020.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



Performance Table

| Particulars | NGSP-I | |
|--|-------------------------------------|--|
| | For the year ended June 30, 2020 | For the year ended June 30, 2019 |
| | (Rs. In '000') | (Rs. In '000') |
| Net assets at the year / period ended (Rs. '000') | 286,336 | 275,985 |
| Net Income at the year / period ended (Rs. '000') | 47,364 | 2,570 |
| Net Asset Value per unit at the year / period ended (Rs.) | 10.0391 | 10.0024 |
| Offer price per unit | N/A | N/A |
| Redemption price per unit | 10.0391 | 10.0024 |
| Ex - Highest offer price per unit (Rs.) | N/A | N/A |
| Ex - Lowest offer price per unit (Rs.) | N/A | N/A |
| Ex - Highest redemption price per unit (Rs.) | 10.0396 | 10.1338 |
| Ex - Lowest redemption price per unit (Rs.) | 8.4782 | 9.9479 |
| Opening NAV at Since Inception (March 18, 2019) | 10.0000 | 10.0000 |
| Total return of the fund | 18.39% | 0.52% |
| Capital growth | 0.38% | - |
| Income distribution as a % of ex nav | 18.01% | 0.52% |
| Income distribution as a % of par value | 18.02% | 0.52% |
| Distribution | | |
| Interim distribution per unit | 1.8019 | 0.0524 |
| Final distribution per unit | | |
| Distribution date | | |
| Interim | 24-Jun-20 | 24-Jun-19 |
| Interim | | |
| Final | | |
| Average annual return of the Fund (launch date March 18' 2019) (Since inception to June 30, 2020) | 14.54% | 1.92% |
| Weighted average portfolio duration | 308 Days | 1.5 years |

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

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