



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

## NAFA GOVERNMENT SECURITIES SAVINGS FUND

# QUARTERLY REPORT SEPTEMBER 30

# 2014




*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



To rank in the top quartile  
in performance of  
**NAFA FUNDS**  
relative to the competition,  
and to consistently offer  
Superior risk-adjusted returns to investors.

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# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

Mr. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Wah Geok Sum	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

### Human Resource Committee

Mr. Nausherwan Adil	Chairman
Mr. Wah Geok Sum	Member
Mr. Kamal Amir Chinoy	Member

### Trustee

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

### Bankers to the Fund

Bank Alfalah Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
NIB Bank Limited  
Summit Bank Limited

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

7<sup>th</sup> Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111-NFA (111-111-632)  
Helpline (Toll Free): 0800-20001  
Fax: (021) 35825329

## **Lahore Office:**

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

## **Islamabad Office:**

Plot No. 395, 396  
Industrial Area, I-9/3 Islamabad.  
UAN: 051-111-111-632  
Phone: 051-2514987  
Fax: 051-4859031

## **Peshawar Office:**

1st Floor, Haji Tehmas Centre,  
Near KFC, Tehkal Payan  
University Road, Peshawar.  
Phone: 92-91-5711784, 5711782  
Fax: 92-91-5211780

## **Multan Office:**

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the unaudited financial statements of **NAFA Government Securities Savings Fund** for the quarter ended September 30, 2014.

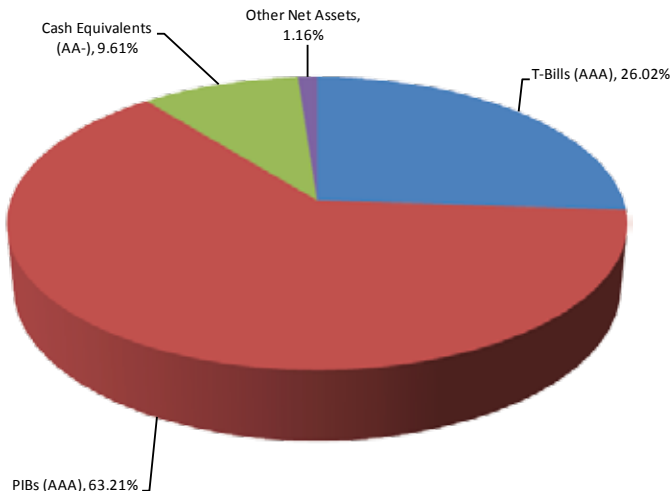
### Fund's Performance

The size of NAFA Government Securities Savings Fund is Rs. 1,087 million as at September 30, 2014. The Fund has earned an annualized return of 9.85% since its inception (July 10, 2014) as compared to its Benchmark (70% average 6-Month PKRV & 30% average 3-Month deposit rates A+ & above rated banks) annualized return of 9.16% for the same period.

NAFA Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities (primarily PIBs). The Fund invests 25% of its assets in less than 90 days T-Bills or saving accounts with banks, which enhances liquidity profile of the Fund.

During the quarter under review, The State Bank of Pakistan kept the Policy Rate unchanged at 10% despite abatement in inflationary pressures. This coupled with relatively easy liquidity conditions kept the T-Bill yields stable. The Government continued its stance of borrowing through long-term PIBs as corroborated by surge in outstanding stock of PIBs from 3,223.5 billion on June 30, 2014 to Rs. 3,457.6 billion on 30th September 2014.

The Fund has earned total income of Rs.24.60 million during the period. After deducting expenses of Rs.4.13 million, the net income is Rs.20.47 million. The below chart presents the asset allocation and the weighted average credit rating of each of the sub-asset classes of NGSSF.



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 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 Fullerton Asset Management Limited

Chief Executive

Director

Date: October 30, 2014  
Place: Karachi.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2014

	Note	Un-Audited September 30, 2014 (Rupees in '000)
<b>ASSETS</b>		
Balances with banks		104,400
Investments	4	969,853
Profit receivable	5	16,602
Preliminary expenses and floatation costs		1,254
<b>Total assets</b>		<b>1,092,109</b>
<b>LIABILITIES</b>		
Payable to the Management Company		3,075
Payable to Central Depository Company of Pakistan Limited - Trustee		149
Payable to Securities and Exchange Commission of Pakistan		158
Payable against redemption of units		924
Accrued expenses and other liabilities	6	991
<b>Total liabilities</b>		<b>5,297</b>
<b>NET ASSETS</b>		<b>1,086,812</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>1,086,812</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7	
<b>Number of units in issue</b>		<b>106,329,388</b>
<b>NET ASSET VALUE PER UNIT</b>		<b>10.2212</b>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## CONDENSED INTERIM INCOME STATEMENT FOR THE PERIOD FROM JULY 10, 2014 TO SEPTEMBER 30, 2014

	Note	Quarter Ended For the period from July 10, 2014 to September 30, 2014 (Rupees in '000)
<b>INCOME</b>		
Income from treasury bills		2,766
Income from Pakistan Investment Bonds		14,270
Income from term finance certificates		304
Profit on bank deposits		5,584
Capital loss on sale of investments - net		(436)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		2,116
<b>Total income</b>		<b>24,604</b>
<b>EXPENSES</b>		
Remuneration of the Management Company		2,110
Sindh sales tax on remuneration of the Management Company		392
FED on remuneration of the Management Company		338
Remuneration of the Trustee		350
Annual fee - Securities and Exchange Commission of Pakistan		158
Securities transaction cost		58
Settlement and bank charges		42
Annual listing fee		11
Auditors' remuneration		112
Fund rating fee		56
Amortisation of preliminary expenses and floatation costs		59
Printing charges		22
Other charges		11
<b>Total Expenses</b>		<b>3,719</b>
<b>Net Income from operating activities</b>		<b>20,885</b>
Provision for Workers' Welfare Fund	8	(418)
<b>Net Income for the period before taxation</b>		<b>20,467</b>
Taxation	9	-
<b>Net income for the period after taxation</b>		<b>20,467</b>
<b>Earnings per unit</b>	<b>10</b>	

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JULY 10, 2014 TO SEPTEMBER 30, 2014

	Quarter Ended For the period from July 10, 2014 to September 30, 2014 (Rupees in '000)
Net income for the period after taxation	20,467
Other Comprehensive Income	-
<b>Total comprehensive income for the period</b>	<u><u>20,467</u></u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE PERIOD FROM JULY 10, 2014 TO SEPTEMBER 30, 2014

	Quarter Ended For the period from July 10, 2014 to September 30, 2014 (Rupees in '000)
Net income	20,467
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	3,051
Undistributed income carried forward	<u>23,518</u>
<b>Undistributed income carried forward</b>	
Undistributed income comprising of:	
Realised income	21,402
Unrealised income	2,116
	<u>23,518</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE PERIOD FROM JULY 10, 2014 TO SEPTEMBER 30, 2014

	Quarter Ended For the period from July 10, 2014 to September 30, 2014 (Rupees in '000)
Issue of 137,310,786 units	1,382,086
Redemption of 30,981,398 units	(315,741)
	1,066,345
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	3,051
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	2,116
Capital loss on sale of investments - net	(436)
Other income (net of expenses) for period	18,787
	20,467
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	(3,051)
Net assets at the end of the period	1,086,812

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE PERIOD FROM JULY 10, 2014 TO SEPTEMBER 30, 2014

	Quarter Ended For the period from July 10, 2014 to September 30, 2014 (Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net Income for the period before taxation	20,467
<b>Adjustments</b>	
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(2,116)
Amortisation of preliminary expenses and floatation costs	59
	<u>18,410</u>
<b>(Increase) / decrease in assets</b>	
Investments	(967,737)
Profit receivable	(16,602)
Preliminary expenses and floatation costs	(1,313)
	(985,652)
<b>Increase / (decrease) in liabilities</b>	
Payable to the Management Company	3,075
Payable to the Trustee	149
Payable to the Securities and Exchange Commission of Pakistan	158
Accrued expenses and other liabilities	991
	<u>4,373</u>
Net cash generated from / (used in) operating activities	(962,869)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Net receipts from issue of units	1,382,086
Net payments on redemption of units	(314,817)
Net cash used in financing activities	1,067,269
Cash and cash equivalents at the end of the period	<u><u>104,400</u></u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Un-Audited) FOR THE PERIOD FROM JULY 10, 2014 TO SEPTEMBER 30, 2014

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Government Securities Savings Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 05, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 30, 2014, under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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 principal 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 a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Lahore Stock Exchange. The Fund is categorized as an Open-End "Income Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

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

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2 to the Management Company.

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

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at September 30, 2014.

#### 2.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are effective in the current period:

There are certain new standards, amendments to approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

Amendment to IFRS 7, 'Financial Instruments': The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRSs' financial statements to those that prepare financial statements in accordance with US GAAP. The adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain other new standards, amendments and interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

#### 2.3 Standards, interpretations and amendments to published approved accounting standards as adopted in Pakistan that are not effective:

There are certain new standards, amendments to approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or are not expected to have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 3.1 Financial assets

### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate Standard (IAS)39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

#### a) Loans and receivables

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

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

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

#### c) Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold maturity are classified as held to maturity.

#### d) Available for sale

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

### 3.1.2 Regular way contracts

All regular purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recognised on the trade date - the date on which the Fund commits to purchase or sell the assets.

### 3.1.3 Initial recognition and measurement

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

### 3.1.4 Subsequent measurement

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

#### a) Basis of valuation of debt securities

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

#### b) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

#### c) Basis of valuation of Government Securities

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

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

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement.

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

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 3.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

## 3.1.6 Derecognition

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

## 3.2

### Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

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

## 3.3

### Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only 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 the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 3.4

### Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured at initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

## 3.5

### Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

## 3.6

### Provision

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

## 3.7

### 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 among the unit holders. The Fund is 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 if any to the extent that it is 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 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.

## 3.8

### Proposed distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders.



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 3.9 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 during business hours of that day. The offer price represents the Net Asset 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 Management Company, Investment facilitators or distributors. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

## 3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created. The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net assets value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' during the year is included in the amount available for distribution to the unit holders.

## 3.11 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.

## 3.12 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.

## 3.13 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 gains / (losses) arising on revaluation of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on revaluation of investments classified as ' Available for sale investments' are included in the Other Comprehensive Income in the period in which they arise.
- Profit on bank deposits, investments in debt securities and income from government securities is recognised using the effective interest method.

## 3.14 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an in significant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

## 3.15 Foreign currency translation

Transactions in foreign currencies are translated into Rupees at rates of exchange on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange ruling on the balance sheet date. All other exchange differences are charged to income statement.

Note	As at September 30, 2014 (Rupees in '000)
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## 4 Investments

### At fair Value through profit and loss

Treasury Bills	4.1	282,841
Pakistan Investment Bonds	4.2	687,012
Term Finance Certificates	4.3	-
		969,853

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 4.1 Investment in Treasury Bills

Issue Date	Tenor	Face value			Market Value (Rs. In '000')	Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Disposed / matured during the period	As at September 30, 2014			
-----Rupees in ' 000----- %-----							
<b>Treasury Bills</b>							
24-Jul-14	3 Months	233,000	233,000	-	-	-	-
7-Aug-14	3 Months	50,000	50,000	-	-	-	-
26-Jun-14	3 Months	236,000	236,000	-	-	-	-
12-Jul-14	3 Months	52,050	52,050	-	-	-	-
4-Sep-14	3 Months	50,000	50,000	-	-	-	-
10-Jul-14	3 Months	533,000	250,000	283,000	282,841	26.02	29.16
					<u>282,841</u>	<u>26.02</u>	<u>29.16</u>
Carrying value before fair value adjustment as at September 30, 2014					<u>282,921</u>		

## 4.2 Pakistan Investment Bonds

Issue Date	Tenor	Face value			Market Value (Rs. In '000')	Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Disposed / matured during the period	As at September 30, 2014			
-----Rupees in ' 000----- %-----							
17-Jul-14	3 Years	600,500	261,600	338,900	330,014	30.37	34.03
18-Jul-13	3 Years	196,600	30,000	166,600	165,877	15.26	17.10
17-Jul-14	10 Years	75,000	50,000	25,000	23,071	2.12	2.38
17-Jul-14	5 Years	125,000	50,000	75,000	71,450	6.57	7.37
18-Jul-13	5 Years	100,000	-	100,000	96,600	8.89	9.96
					<u>687,012</u>	<u>63.21</u>	<u>70.84</u>
Carrying value before fair value adjustment as at September 30, 2014					<u>684,816</u>		

## 4.3 Term Finance Certificates

Name of investee company	Holding	Holding			Market Value (Rs. In '000')	Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchases during the period	Disposed / matured during the period	As at September 30, 2014			
-----Rupees in ' 000----- %-----							
Hascol Petroleum Limited	28-AUG-14	9,000	9,000	-	-	-	-

As at September  
30, 2014  
(Rupees in '000)

## 5 PROFIT RECEIVABLE

Income accrued on savings deposits	29
Income accrued on Pakistan Investment Bonds	<u>16,573</u>
	<u>16,602</u>

## 6 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	112
Brokerage	58
Bank charges	22
Provision for Workers' Welfare Fund	418
Rating fee	57
Printing charges	22
Others	302
	<u>991</u>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 7 CONTINGENCIES AND COMMITMENTS

There were no contingencies outstanding as at September 30, 2014 and June 30, 2014.

## 8 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this connection, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. In a recent judgment, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs. 0.418 million in these financial statements. Had the same not been made the net asset value per unit of the Fund as at September 30, 2014 would have been higher by Rs. 0.0039 per unit.

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## 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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current year as the Management company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 10 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.

## 11 TRANSACTIONS WITH CONNECTED PERSON

- 11.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, NAFA provident Trust Fund being the employee contribution plan of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.
- 11.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 11.3 Remuneration and front-end load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 11.4 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC regulation and the Trust Deed.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

Un-audited  
For the period from July  
10, 2014 to September  
30, 2014  
(Rupees in '000)

## 11.5 Details of the transactions with connected persons are as follows:

NBP Fullerton Asset Management Limited - Management Company	
Remuneration of the Management Company	2,110
Sindh sales tax on remuneration of the Management Company	392
FED on remuneration of the Management Company	338
Sales load	220
Expenses incurred on behalf of Fund	1,296
Thal Limited - Employees Provident Fund	
Treasury Bills purchased from	5,000
Internation Steel Limited - Employees Provident Fund	
PIBs purchased from	1,600
National Bank of Pakistan	
Treasury Bills purchased from	150,000
Employees of the Management Company	
Units issued / transferred In (717,624 units)	7,232
Units redeemed / transferred out (507,009 units)	5,139
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	350
Cyan Limited	
Units issued / transferred In (14,105,199 units)	144,172
EFU General Insurance Limited	
Units issued / transferred In (15,064,770 units)	153,980
Pakistan Gum Industries (Pvt.) Limited	
Units issued / transferred In (23,809,524 units)	243,362

Un-audited  
As at  
September 30,  
2014  
(Rupees in '000)

## Amounts outstanding as at period end

NBP Fullerton Asset Management Limited - Management Company	
Management remuneration payable	950
Sindh sales tax payable	223
F.E.D on Management Fee	375
Sales load and transfer load to management company	231
Other Payable	1,296
Employees of the Management Company	
Units held: 210,615 units	2,153
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	149

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 12 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 30, 2014 .

## 13 GENERAL

13.1 Figures have been rounded off to the nearest thousand rupees.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of

National Bank of Pakistan

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