

**AM2+**  
Rated by PACRA



NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## ANNUAL REPORT 2015



*Your investments & "NAFA" grow together*



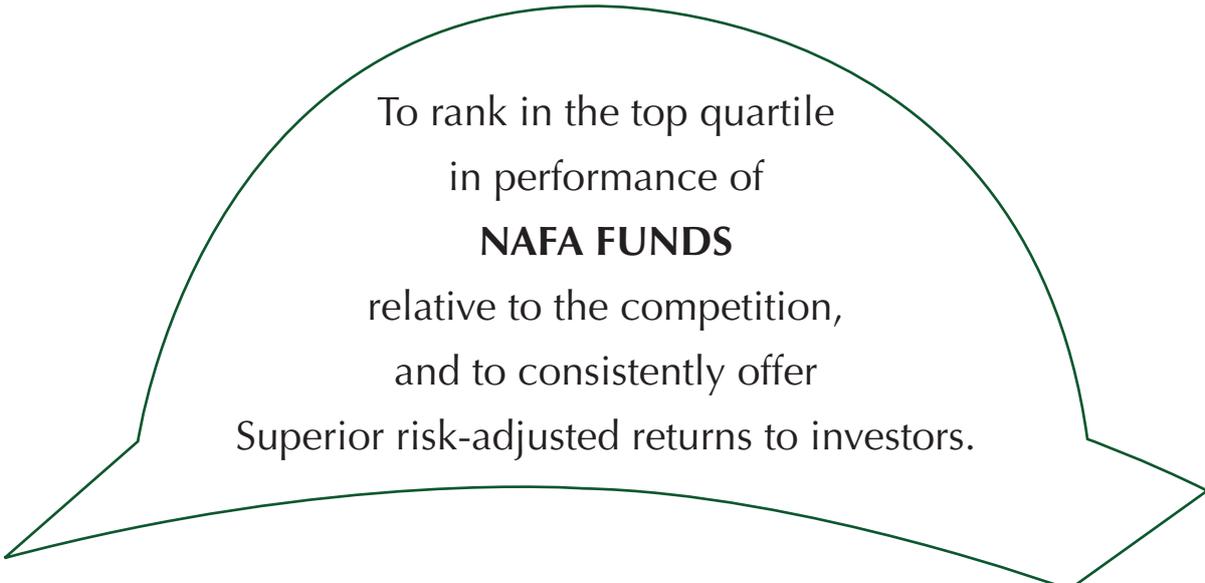
**NBP**

National Bank of Pakistan

**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.

# 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. Nigel Poh Cheng	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 and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	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 Shahr-e-Faisal, Karachi.

### Bankers to the Fund

Allied Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
NIB Bank Limited  
United Bank Limited  
National Bank of Pakistan  
Summit Bank Limited  
JS Bank Limited  
Khushhali Bank Limited  
Sindh 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

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# Board of Directors



Mr. Nausherwan Adil  
Chairman



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Kamal Amir Chinoy  
Director



Mr. Koh Boon San  
Director



Mr. Aamir Sattar  
Director



Mr. Shehryar Faruque  
Director



Mr. Nigel Poh Cheng  
Director



Mr. Abdul Hadi Palekar  
Director

# Senior Management\*



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. M. Murtaza Ali  
Chief Operating Officer  
& Company Secretary



Mr. Sajjad Anwar, CFA  
Chief Investment Officer



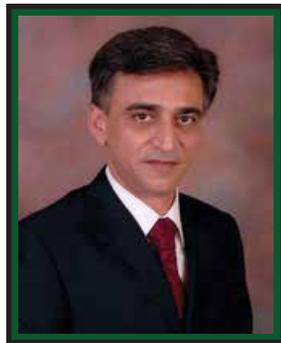
Mr. Zeeshan  
Chief - Strategy &  
Business Development



Mr. Khalid Mehmood  
Chief Financial Officer



Mr. Samiuddin Ahmed  
Country Head Corporate  
Marketing



Mr. Ozair Khan  
Chief Technology Officer



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



Syed Suleman Akhtar CFA  
Head of Research



Mr. Tahir Lateef  
Head of Internal Audit



Mr. Ahmad Nouman CFA, PRM  
Head of Risk Management



Mr. Asim Wahab Khan, CFA  
Head of Equity

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the First Annual Report of **NAFA Government Securities Savings Fund** for the period ended from July 10, 2014 to June 30, 2015.

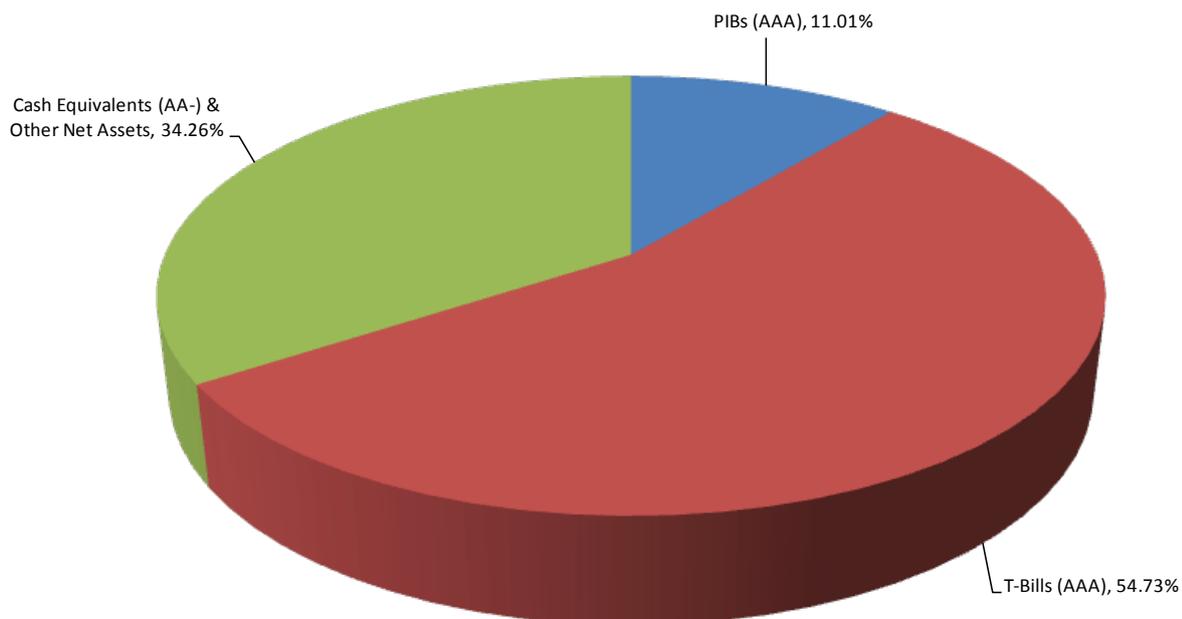
### Fund's Performance

The size of NAFA Government Securities Savings Fund is Rs. 546 million as at June 30, 2015. Since inception, the unit price of the Fund has increased from Rs. 9.0276 (Ex-Div) on July 10, 2014 to Rs. 10.2889 (Ex-Div) on June 30, 2015, thus posting a return of 14.37% as compared to its Benchmark (70% average 6-Month PKRV & 30% average 3-Month deposit rates A+ & above rated banks) return of 9.19% for the same period. The return of the Fund is net of management fee and all other expenses.

NAFA Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities. The Fund invests minimum 10% of its assets in less than 90 days T-Bills or saving accounts with banks, which enhances liquidity profile of the Fund.

During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored inflation outlook; and iii) continued increase in foreign exchange reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy period with yields on the PIBs and T-bills declining sharply.

The Fund has earned a total income of Rs.95.89 million during the period. After deducting total expenses of Rs.16.58 million, the net income is Rs.79.31 million. The asset allocation of NAFA Government Securities Savings Fund as on June 30, 2015 is as follows:



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 11.10% of the par value for the year.

## 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, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2016.

## Directors' Statement in Compliance with Code of Corporate Governance

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 six meetings during the period. The attendance of all directors is disclosed in the note 23 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 22 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.

# 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: September 30, 2015

Place: Karachi.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS NAFA GOVERNMENT SECURITIES SAVINGS FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Government Securities Savings Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from July 10, 2014 to June 30, 2015 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.

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: October 13, 2015

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM JULY 10, 2014 TO JUNE 30, 2015

This statement is being presented by the Board of Directors of NBP Fullerton Asset Management Limited (Company), the Management Company of **NAFA Government Securities Savings Fund** (the Fund) to comply with the Best Practices of Code of Corporate Governance (CCG) contained in Regulation No. 35, Chapter XI of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Lahore Stock Exchange.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2015, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
Executive Directors	Dr. Amjad Waheed (Chief Executive Officer)
Non- Executive Directors	1. Mr. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred on the board on February 17, 2015 which was filled up on the same date.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive-director of the Company besides CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities the Code requires every listed company to conduct formal orientation for directors. As per the Code, by June 30, 2015 a minimum of three directors should have attended director training program. As at year end, three of the directors have attended the director's training program offered by Pakistan Institute of Corporate Governance. Other directors are also conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. There was no new appointment of the Chief Financial Officer (CFO), Company Secretary, or Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 19 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors including an independent director and the chairman of the committee is a non-independent director.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim/final results.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the CCG have been complied with. While the Code of Corporate Governance requires that a mechanism shall be put in place for the annual evaluation of the Board's own performance by April 2014, the Management Company has prepared a framework for this purpose and eventual approval by the Board of Directors of the Management Company will be obtained in forthcoming Board of Directors meeting, subsequent to year end.

For and behalf of the board

Karachi  
September 30, 2015

Dr. Amjad Waheed  
Chief Executive Officer

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## FUND MANAGER REPORT

### NAFA Government Securities Savings Fund

NAFA Government Securities Savings Fund (NGSSF) is an open-end Income Scheme.

### Investment Objective of the Fund

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

### Benchmark

70% average 6-Month PKRV & 30% average 3-Month deposit rates (A+ & above rated banks)

### Fund Performance Review

This is the first Annual report since the launch of the Fund on July 10, 2014. The Fund size stands at Rs 546 million as on June 30, 2015. Since its inception, the Fund posted an annualized return of 14.37% versus the benchmark return of 9.19%. This translates into an out-performance of 5.18% p.a. This out-performance is net of management fee and all other expenses. Thus, the Fund has achieved its investment objectives.

NAFA Government Securities Savings Fund (NGSSF) invests a minimum of 70% in Government Securities. The Fund invests at least 10% of its assets in less than 90 days T-Bills or saving accounts with banks, which enhances liquidity profile of the Fund.

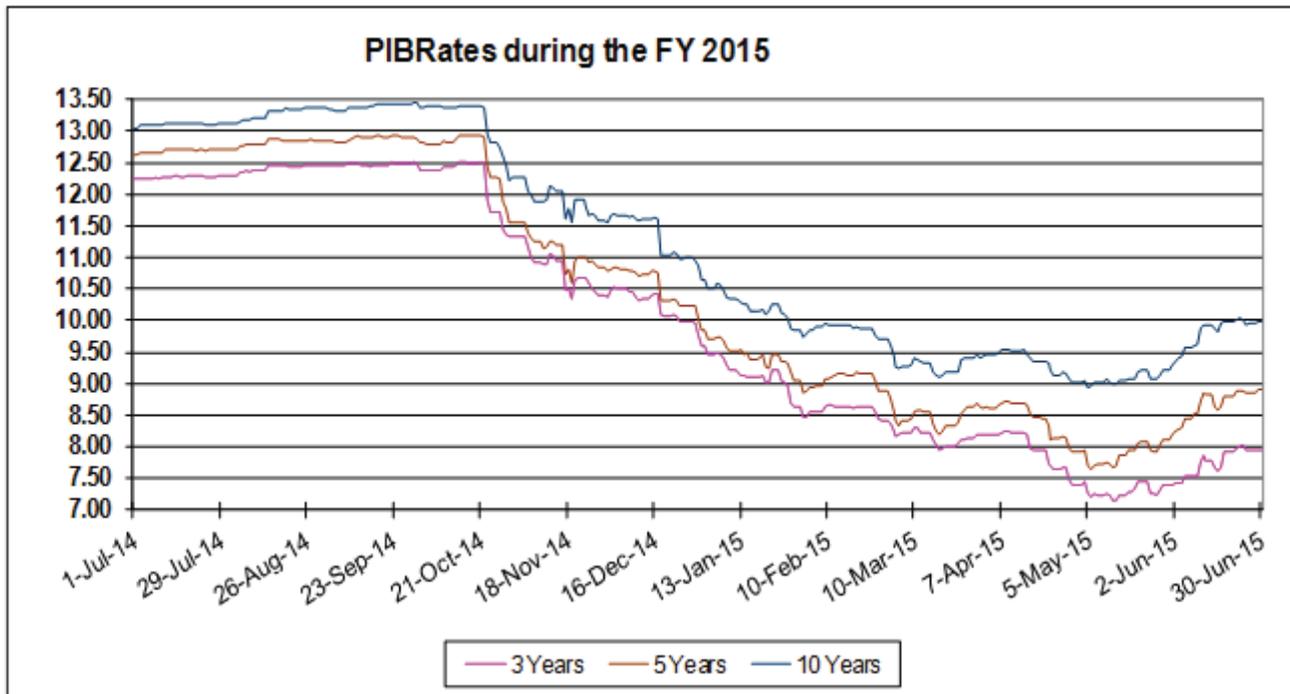
During the period under review, the State Bank of Pakistan reduced the discount rate by 300 bps bringing it to a 42 year low of 7.0%. SBP highlighted i) improving external account position; ii) benign inflation reading and anchored near-term inflation expectation; and iii) continued increase in FX reserves as the key drivers for the expansionary monetary policy decision during the year. Sovereign securities responded to the loose monetary policy stance with yields on the PIBs and T-bills declining sharply.

### Asset Allocation of Fund (% of NAV)

Particulars	30-Jun-15
PIBs	11.01%
T-Bills	54.73%
Cash Equivalents & Other Assets	34.26%
<b>Total</b>	<b>100.00%</b>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

PIB yields during the year are shown in below graph:



Distribution for the Financial Year 2015

Interim / Final	Dividend as a % of Par Value (Rs.10)	Cumulative Div. Price / Unit	Ex- Div. Price
Final	11.104%	11.3972	10.2868

Unit Holding Pattern of NAFA Financial Sector Income Fund as on 30th June 2015

Size of Unit Holding (Units)		No. of Unit Holders
1	1,000	23
1,001	5,000	40
5,001	10,000	38
10,001	50,000	162
50,001	100,000	103
100,001	500,000	89
500,001	1,000,000	9
1,000,001	5,000,000	5

**Total:** 469

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## **During the period under question:**

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

## **Workers' Welfare Fund (WWF)**

The scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs.1.619 million. If the same were not made the NAV per unit/ FY 2015 return of scheme would be higher by Rs. 0.0339 / 0.35%. For details investors are advised to read the Note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2015.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Government Securities Savings Fund** ("the Fund") for the period from 10 July 2014 to 30 June 2015 to comply with the requirements of the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors ("the Board") of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the period from 10 July 2014 to 30 June 2015.

Further, we highlight the below instances of non-compliances with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

- i) Paragraph 21 As per the Code, there should be announcement of 'close period' prior to the announcement of interim / final results, however there was no such 'close period' announced during the year ended 30 June 2015.
- ii) Paragraph 23 As per the Code, a mechanism was required to to be put in place for an annual evaluation of the Board's own performance which has been approved subsequent to the year end.

Date: 30 September 2015

Place: Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **NAFA Government Securities Savings Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2015 and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund, cash flow statement, for the period from 10 July 2014 to 30 June 2015 and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2015 and of its financial performance, cash flows and transactions for the period from 10 July 2014 to 30 June 2015 in accordance with approved accounting standards as applicable in Pakistan.

### *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.

Date: September 30, 2015

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Statement of Assets and Liabilities As at 30 June 2015

	Note	2015 (Rupees in '000)
<b>Assets</b>		
Bank balances	5	242,065
Investments	6	358,774
Profit receivables	7	4,074
Receivable against conversion of units	8	70,454
Deposit and prepayment	9	218
<b>Total assets</b>		<b>675,585</b>
<b>Liabilities</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company	10	3,631
Payable to Central Depository Company of Pakistan Limited - Trustee	11	122
Payable to Securities and Exchange Commission of Pakistan	12	653
Payable against purchase of investments		99,130
Payable against redemption of units		1,000
Payable against conversion of units	8	21,668
Accrued expenses and other liabilities	13	3,618
<b>Total liabilities</b>		<b>129,822</b>
<b>Net assets</b>		<b>545,763</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>545,763</b>
<b>Contingency and commitment</b>	14	<b>(Number of units)</b>
<b>Number of units in issue</b>	15	<b>47,885,546</b>
<b>Net assets value per unit</b>		<b>(Rupees)</b> <b>11.3972</b>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Income Statement For the period from 10 July 2014 to 30 June 2015

	Note	2015 (Rupees in '000)
<b>Income</b>		
Income from Market Treasury Bills		13,954
Income from Pakistan Investment Bonds		54,040
Income from term finance certificates		304
Profit on bank deposits		19,283
Gain on sale of investments - net		44,204
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	4,128
<b>Total income</b>		<b>135,913</b>
<b>Expenses</b>		
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	8,708
Sindh Sales Tax on remuneration of Management Company	10.1	1,515
Federal Excise Duty on remuneration of Management Company	10.2	1,393
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11	1,456
Annual fee - Securities and Exchange Commission of Pakistan	12	653
Securities transaction cost		199
Settlement and bank charges		220
Annual listing fee		20
Auditors' remuneration	16	452
Fund rating fee		116
Other charges		225
<b>Total expenses</b>		<b>14,957</b>
<b>Net income from operating activities</b>		<b>120,956</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(40,027)
Provision for Workers' Welfare Fund	13.1	(1,619)
<b>Net income for the period before taxation</b>		<b>79,310</b>
Taxation	17	-
<b>Net income for the period</b>		<b>79,310</b>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Statement of Comprehensive Income For the period from 10 July 2014 to 30 June 2015

	2015 (Rupees in '000)
Net income for the period	79,310
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<u><u>79,310</u></u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Distribution Statement For the period from 10 July 2014 to 30 June 2015

	2015 (Rupees in '000)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that forms part of unit holders' fund - net	(12,402)
Net income for the period	79,310
<b>Undistributed income carried forward</b>	<u>66,908</u>
<b>Undistributed income comprising:</b>	
- Realised income	62,780
- Unrealised income	4,128
	<u>66,908</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Statement of Movement in Unit Holders' Fund For the period from 10 July 2014 to 30 June 2015

	2015 (Rupees in '000)
Net assets at beginning of the period	-
Issue of 314,809,432 units	3,353,830
Redemption of 266,923,886 units	<u>(2,927,404)</u>
	426,426
Gain on sale of investments - net	44,204
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	4,128
Other net income for the period	<u>30,978</u>
<b>Total comprehensive income for the period</b>	<b>79,310</b>
Element of (income) / loss included in prices of units issued less those in units redeemed - net	
- Amount representing loss transferred to income statement	40,027
- Amount representing loss transferred to distribution statement	12,402
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that forms part of unit holders fund - net	(12,402)
<b>Net assets at end of the period</b>	<u><u>545,763</u></u>
	<b>(Rupees)</b>
Net assets value per unit at end of the period	<u><u>11.3972</u></u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## Cash Flow Statement For the period from 10 July 2014 to 30 June 2015

	Note	2015 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation		79,310
<b>Adjustments:</b>		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(4,128)
Element of (income) / loss and capital losses / (gains) included in prices of units issued less those in units redeemed - net		40,027
		<u>115,209</u>
<b>Increase in assets</b>		
Investments - net		(354,646)
Profit receivables		(4,074)
Deposit and prepayment		(218)
		<u>(358,938)</u>
<b>Increase in liabilities</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company		3,631
Payable to Central Depository Company of Pakistan Limited - Trustee		122
Payable to Securities and Exchange Commission of Pakistan		653
Payable against purchase of investments		99,130
Accrued expenses and other liabilities		3,618
		<u>107,154</u>
<b>Net cash (used in) operating activities</b>		<u>(136,575)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issuance of units		3,283,376
Payment against redemption of units		(2,904,736)
<b>Net cash from financing activities</b>		<u>378,640</u>
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at end of the period</b>	5	<u><u>242,065</u></u>

The annexed notes 1 to 29 form an integral part of these 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 For the period from 10 July 2014 to 30 June 2015

### 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 05 June 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 May 2014 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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).

The Fund is an open-ended mutual fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an "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 the Fund is to provide unit holders with competitive return from portfolio of low credit risk securities by investing primarily in Government Securities.

The Pakistan Credit Rating Agency (PACRA) has assigned an asset manager rating of AM2+ to the Management Company and stability rating of 'AA-(f)' to the Fund.

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.

The initial offering period of the Fund was started on 3 July 2014 and ended on 10 July 2014. During the initial offering period there was no investment made by the investors, accordingly, as per trust deed, preliminary expenses amounting to Rs. 1.313 million have been borne by the Management Company. Accordingly the Fund has commenced its commercial activities from the end of initial period. Therefore, these financial statements are prepared for the period starting from 10 July 2014 to 30 June 2015.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 (IASB) as are notified under the Companies Ordinance, 1984, 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 Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Rules, 2003, the NBFC Regulations, 2008, or the directives issued by the SECP prevail.

#### 2.2 Accounting convention

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

#### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

#### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally related to:

- Classification, valuation of investments and impairment thereagainst, if any (refer note 4.1 and note 6); and
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (refer note 4.8).

### 3 NEW OR AMENDMENTS / INTERPRETATION TO EXISTING STANDARD, INTERPRETATION AND FORTHCOMING REQUIREMENTS

3.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2014 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not stated in these financial statements.

#### 3.2 New standards, amendments to approved accounting standards and a new interpretation to existing standard that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/ operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Fund's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual period beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted / applied in the preparation of these financial statements are set out below.

### 4.1 Financial Assets

#### 4.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Management Company determines the classification of its financial assets at initial recognition.

##### a) Loans and receivables

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

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

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

##### c) Available for sale

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

All investments in the fund as at 30 June 2015 are classified as 'financial assets at fair value through profit and loss'.

#### 4.1.2 Regular way contracts

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

#### 4.1.3 Initial recognition and measurement

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

#### 4.1.4 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:

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 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. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities. Unquoted debt securities are stated at cost.

## b) Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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

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

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

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

### 4.1.5 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. In case of debt instruments classified as available-for-sale, if any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in unit holders fund through comprehensive income is reclassified from unit holders fund through other comprehensive income to income statement. Impairment losses recognised on debt instruments in the income statement are reversed subsequently from income statement to unit holders fund through comprehensive income.

#### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular 33 of 2012 dated 24 October 2012 issued by SECP.

As allowed under circular no. 13 of 2009 dated 4 May 2009 and circular 33 of 2012 dated 24 October 2012 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

#### b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

### 4.1.6 Derecognition

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

### 4.1.7 Offsetting of financial assets and liabilities

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

## 4.2 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.

## 4.3 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.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 4.4 Financial liabilities

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

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

## 4.5 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 has distributed 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.

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

## 4.8 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, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the income statement and unrealized appreciation / (diminution) arising during the year on available for sale securities is included in the distribution statement.

### 4.8.1 Change in accounting estimate

From 1 April 2015, the Fund has revised its methodology for recognition of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed. As per the revised methodology, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed is now apportioned between the distribution statement and the income statement in proportion of the relative change in net assets for the period of available for sale investments and other net assets. Previously, full amount of the element was taken directly to the distribution statement. The management considers that the revised methodology reflects a more appropriate manner for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate. Had there been no change in estimate, the net profit for the year would have been higher by Rs. 39.226 million (net of WWF).

## 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 period end.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 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.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' investments are included in the other comprehensive income in the period in which they arise.
- Discount on purchase of Market Treasury Bills is amortised to income statement using the straight line method.
- Profit on bank deposits, mark-up / return on investments in debt securities and income from government securities is recognised using the effective yield method.

## 4.12 Proposed distribution

Dividend / distributions are recognised in the financial statements in the period in which such distributions are declared / approved.

2015  
(Rupees in '000)

## 5 BANK BALANCES

In current accounts	456
In savings accounts	<u>241,609</u>
	<u>242,065</u>

5.1 These carry a rate of return ranging from 4.50% to 10.75% per annum.

5.2 These have been adjusted with cheques of Rs. 2.042 million issued on account of redemption of units and cheques of Rs. 0.820 million received on account of issuance of units at close of financial period which have cleared subsequent to period end.

Note

2015  
(Rupees in '000)

## 6 INVESTMENTS

### Financial assets 'at fair value through profit or loss' - held for trading

Market Treasury Bills	6.1	298,695
Pakistan Investment Bonds	6.2	60,079
Term Finance Certificates	6.3	-
		<u>358,774</u>

### 6.1 Market Treasury Bills

Issue date	Tenor	Face value			Market value as at June 30, 2015	Market value as a percentage of net assets	Market value as a percentage of total investment
		Purchases during the year	Sales / matured during the year	As at June 30, 2015			
Rupees in '000							
17 April 2014	6 Months	265,000	265,000	-	-	-	-
15 May 2014	6 Months	310,000	310,000	-	-	-	-
15 May 2014	12 Months	300,000	300,000	-	-	-	-
12 June 2014	3 Months	52,050	52,050	-	-	-	-
26 June 2014	3 Months	236,000	236,000	-	-	-	-
10 July 2014	3 Months	533,000	533,000	-	-	-	-
24 July 2014	3 Months	233,000	233,000	-	-	-	-
07 August 2014	3 Months	350,000	350,000	-	-	-	-
4 September 2014	3 Months	50,000	50,000	-	-	-	-
13 November 2014	3 Months	330,000	330,000	-	-	-	-
13 November 2014	6 Months	100,000	100,000	-	-	-	-
27 November 2014	3 Months	150,000	150,000	-	-	-	-
27 November 2014	6 Months	300,000	300,000	-	-	-	-
26 December 2014	6 Months	40,000	40,000	-	-	-	-
08 January 2015	3 Months	100,000	100,000	-	-	-	-
19 March 2015	3 Months	275,000	275,000	-	-	-	-
22 January 2015	3 Months	80,000	80,000	-	-	-	-
22 January 2015	12 Months	60,000	60,000	-	-	-	-
06 February 2015	6 Months	100,000	100,000	-	-	-	-
06 February 2015	12 Months	100,000	100,000	-	-	-	-
05 March 2015	12 Months	50,000	50,000	-	-	-	-
19 March 2015	12 Months	30,000	30,000	-	-	-	-
08 January 2015	6 Months	200,000	-	200,000	199,658	36.58	55.65
08 January 2015	12 Months	24,000	24,000	-	-	-	-
02 April 2015	3 Months	399,000	399,000	-	-	-	-
28 May 2015	3 Months	187,500	187,500	-	-	-	-
29 June 2015	6 Months	100,000	-	100,000	99,037	18.15	27.60
<b>Total</b>		<b>4,954,550</b>	<b>4,654,550</b>	<b>300,000</b>	<b>298,695</b>	<b>54.73</b>	<b>83.25</b>
Carrying value before fair value adjustment as at 30 June 2015					<u>298,777</u>		
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'					<u>(82)</u>		

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

6.1.1 These carry a rate of return ranging from 6.50% to 10.20% per annum.

## 6.2 Pakistan Investment Bonds

Issue date	Tenor	Face value			Market value as at June 30, 2015	Market value as a percentage of net assets	Market value as a percentage of total investment
		Purchases during the year	Sales / matured during the year	As at June 30, 2015			
----- Rupees in '000 -----							
18 July 2013	3 Years	499,100	499,100	-	-	-	-
18 July 2013	5 Years	162,500	162,500	-	-	-	-
17 July 2014	3 Years	706,500	650,600	55,900	60,079	11.01	16.75
17 July 2014	10 Years	75,000	75,000	-	-	-	-
17 July 2014	5 Years	162,500	162,500	-	-	-	-
<b>Total</b>		<b>1,605,600</b>	<b>1,549,700</b>	<b>55,900</b>	<b>60,079</b>	<b>11.01</b>	<b>16.75</b>
Carrying value before fair value adjustment as at 30 June 2015					<u>55,869</u>		
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'					<u>4,210</u>		

6.2.1 These carry a rate of return ranging from 7.00% to 13.35% per annum.

## 6.3 Term Finance Certificates - unlisted

All certificates have a face value of Rs. 5,000 each.

Name of investee company	Purchases during the year	Sales / matured during the year	As at June 30, 2015	Market value as at June 30, 2015	Market value as a percentage of net assets	Market value as a percentage of total investment
--Number of certificates-- --- Rupees in '000 ---						
Hascol Petroleum Limited	9,000	9,000	-	-	-	-

## 6.4 Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'

	Note	2015 (Rupees in '000)
Market value of investments	6	358,774
Less: Carrying value of investments		(354,646)
		<u>4,128</u>

## 7 PROFIT RECEIVABLES

Savings deposits	1,231
Pakistan Investment Bonds	2,843
	<u>4,074</u>

## 8 RECEIVABLE / (PAYABLE) AGAINST CONVERSION OF UNITS

At year end, units of Rs. 386.907 million have been issued and units of Rs. 338.121 million have been redeemed (conversion / switching of units) as per the instructions of units holders of the respective funds between funds managed by the Management Company. However, receivable and payable have been stated based on net settlement basis among funds made subsequent to year end (refer note 19.6).

## 9 DEPOSIT AND PREPAYMENT

	Note	2015 (Rupees in '000)
Security deposit with Central Depository Company of Pakistan Limited		102
Prepaid rating fee		116
		<u>218</u>

## 10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management remuneration	10.1	726
Sindh Sales Tax	10.1	126
Federal Excise Duty	10.2	1,393
Sindh Sales Tax and FED payable on sales load		565
Sales & transfer load payable		776
Other payable		45
		<u>3,631</u>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

**10.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration from 1.25% p.a. to 10% of gross earnings of the Fund (subject to Upper Cap of 1.25% & Lower Cap of 1% of Average Annual Net Asset). The fee shall be calculated on a daily basis. The Sindh Government has levied Sindh Sales Tax at the rate of 15% on the remuneration of the Management Company through Sindh Sales Tax Act, 2011.

**10.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. The High Court of Sindh in its order dated 09 September 2013 granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision amounting to Rs. 1.393 million. Had the provision not been made, the net assets value (NAV) per unit of the Fund as at 30 June 2015 would have been higher by Rs. 0.0291 per unit.

## 11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

Net Assets	Tariff per annum
Upto Rs 1,000 million	0.17% p.a. of net assets
On an amount Rs 1,000 million to 5,000 million	Rs 1.7 million plus 0.085% p.a. of net assets exceeding Rs 1,000 million.
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% p.a. of net assets exceeding Rs 5,000 million.

## 12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme categorized as an income scheme is required to pay an annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2015 (Rupees in '000)
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Provision for Workers' Welfare Fund	13.1	1,619
Auditors' remuneration		335
Settlement charges		4
Bank charges		30
Printing charges		99
Withholding tax		88
Capital gain tax		1,318
Legal fee		125
		<u>3,618</u>

**13.1** 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 regard, 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 30 June 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 14 December 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 Court.



# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

19.1 Connected persons include NBP Fullerton Asset Management Limited being the Management Company (NAFA), Central Depository Company of Pakistan Limited (CDC) being the Trustee, National Bank of Pakistan (NBP) and its connected persons, and Alexandra Fund Management Pte. Limited being the sponsors, NAFA Pension Fund, NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company and directors and officers of the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund and unit holders holding 10 percent or more units of the Fund.

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

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

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

19.5 Transactions during the period:	2015 (Rupees in '000)
<b>NBP Fullerton Asset Management Limited Management Company</b>	
Management remuneration	8,708
Sindh Sales Tax on remuneration of Management Company	1,515
Federal Excise Duty on remuneration of Management Company	1,393
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration for the period	1,456
CDS charges	9
<b>Employees of the Management Company</b>	
Issue of 1,715,757 units	18,028
Redemption of 1,604,387 units	17,016
<b>National Bank of Pakistan - NBP</b>	
Market Treasury Bills purchased	39,906
Market Treasury Bills sold	187,664
Pakistan Investment Bonds sold	137,308
<b>NAFA Money Market Fund</b>	
Market Treasury Bills sold	230,061
<b>NAFA Income Opportunity Fund</b>	
Pakistan Investment Bonds sold	105,210
<b>19.6 Amounts outstanding as at period end:</b>	
<b>NBP Fullerton Asset Management Limited - Management Company</b>	
Management remuneration payable	726
Sindh Sales Tax payable	126
Federal Excise Duty payable	1,393
Sales load and transfer load payable	776
Sindh Sales Tax and FED payable on sales load	565
Other payable	45
<b>Employees of the Management Company</b>	
111,369 units held	1,269
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Trustee fee payable	122
CDS charges payable	4
Security deposit	102
<b>National Bank of Pakistan</b>	
Bank Balance in Savings account	3,277
<b>Summit Bank</b>	
Bank Balance in Current account	457

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

2015  
(Rupees in '000)

<b>NAFA Asset Allocation Fund</b> Net receivable against conversion of units	4,202
<b>NAFA Financial Sector Income Fund</b> Net receivable against conversion of units	3,735
<b>NAFA Islamic Asset Allocation Fund</b> Payable against conversion of units	251
<b>NAFA Money Market Fund</b> Payable against conversion of units	21,070
<b>NAFA Riba Free Savings Fund</b> Payable against conversion of units	347
<b>NAFA Saving Plus Fund</b> Net receivable against conversion of units	62,466
<b>NAFA Government Securities Liquid Fund</b> Receivable against conversion of units	51

## 20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No	Name	Qualification	Experience in years"
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	27
2	Sajjad Anwar	CFA / MBA Finance	15
3	Syed Suleman Akhtar	CFA	15
4	Muhammad Ali Bhabha	MBA / MS (CS) / CFA / FRM	20.5
5	Asad Haider*	MBA	10

\*Mr. Asad Haider is the Manager of the Fund.

## 21 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

2015  
%

1	Invest Capital Markets Limited	44.29
2	Next Capital Limited	17.64
3	Invest & Finance Securities (Private) Limited	6.21
4	Invest One Markets Limited	4.48
5	Vector Capital (Private) Limited	3.76
6	First Capital Securities Corporation Limited	3.43
7	Invest One Markets Limited	3.23
8	J.S. Global Capital Limited	2.86
9	Magenta Capital (Private) Limited	2.86
10	BMA Capital Management Limited	2.56

## 22 PATTERN OF UNIT HOLDING

-----As at June 30, 2015-----

Category	Number of unit holders	Investment amount	Percentage of Investments
		(Rupees in '000)	-----%-----
Individuals	453	436,468	79.97
Retirement Funds	3	13,033	2.39
Insurance companies	1	25,000	4.58
Others	12	71,262	13.06
	<b>469</b>	<b>545,763</b>	<b>100.00</b>

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## 23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 48th, 49th, 50th, 51st, 52nd and 53rd Board meetings were held on 16 September 2014, 30 October 2014, 17 February 2015 and 21 April 2015, 29 June 2015 and 30 June 2015 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	3	3	50th, 52nd & 53rd.
Mr. Aamir Sattar	6	5	1	51st.
Mr. Abdul Hadi Palekar	6	5	1	49th.
Mr. Wah Geok Sum*	3	-	3	48th, 49th & 50th.
Mr. Koh Boon San	6	4	2	52nd & 53rd.
Mr. Nigel Poh Cheng**	2	2	-	-
Mr. Shehryar Faruque	6	5	1	52nd.
Mr. Kamal Amir Chinoy	6	4	2	50th & 51st.
Dr Amjad Waheed	6	6	-	-

\* Mr. Wah Geok Sum retired from Board with effect from 17 February 2015

\*\* Mr. Nigel Poh Cheng was co-opted on the Board with effect from 17 February 2015

## 24 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.

### 24.1 Market risk

Market risk is the risk that the value of the financial instrument may 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.

### 24.2 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.

### 24.3 Interest rate risk

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

#### a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

#### b) Sensitivity analysis for fixed rate instruments

As at 30 June 2015, the Fund holds Market Treasury Bills and Pakistan Investment Bonds exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in interest rates on 30 June 2015, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 1.229 million.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

The composition of the Fund's investment portfolio and rates announced by MUFAP is expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2015 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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

-----As at June 30, 2015-----						
Yield / interest rate	Exposed to yield/interest rate risk			Not exposed to Yield/ Interest risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
------(Rupees in '000)-----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	4.50% - 10.75%	241,609	-	-	456	242,065
Investments	6.50% - 13.35%	199,658	99,037	60,079	-	358,774
Profit receivables		4,074	-	-	-	4,074
Receivable against conversion of units		-	-	-	70,454	70,454
Deposit		-	-	-	102	102
		445,341	99,037	60,079	71,012	675,469
<b>Financial liabilities</b>						
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	3,631	3,631
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	122	122
Payable against purchase of investments		-	-	-	99,130	99,130
Payable against redemption of units		-	-	-	1,000	1,000
Payable against conversion of units		-	-	-	21,668	21,668
Accrued expenses and other liabilities		-	-	-	593	593
		-	-	-	126,144	126,144
<b>On-balance sheet gap</b>		445,341	99,037	60,079	(55,132)	549,325
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		445,341	99,037	60,079	(55,132)	549,325
<b>Cumulative interest rate sensitivity gap</b>		445,341	544,378	604,457		

## 24.4 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 2015.

## 24.5 Credit risk

### *Management of credit risk*

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The IC closely monitors the credit worthiness of the Fund's counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets government securities. All transactions in government / debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks.

### *Concentration of the credit risk*

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government securities and deposits held with commercial banks.

The analysis below summarises the credit quality of the Fund's financial assets as at 30 June 2015.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

Ratings	2015 (Rupees in '000)
AAA	4,939
AA+	35,630
AA	4,484
AA-	137,206
A+	59,349
A	457
	<u>242,065</u>

## 24.6 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 an active 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 fifteen 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:

	-----As at June 30, 2015-----		
	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)		
<b>Financial Liabilities</b>			
Payable to NBP Fullerton Asset Management Limited - Management Company	3,631	-	3,631
Payable to Central Depository Company of Pakistan Limited - Trustee	122	-	122
Payable against purchase of investments	99,130	-	99,130
Payable against redemption of units	1,000	-	1,000
Payable against conversion of units	21,668	-	21,668
Accrued expenses and other liabilities	593	-	593
	<u>126,144</u>	<u>-</u>	<u>126,144</u>
Unit holders' fund	<u>545,763</u>	<u>-</u>	<u>545,763</u>

## 25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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 are based on the quoted market prices at the close of trading on the period end date.

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

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.

The fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 33 of 2012 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' 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 (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).

	-----June 30, 2015-----			
	Level 1	Level 2	Level 3	Level 4
	------(Rupees in '000)-----			
<b>Assets</b>				
Investments in securities - at 'fair value through profit or loss'	-	358,774	-	358,774

## 26 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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 24, 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.

## 27 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of directors of the Management Company in their meeting on 14 July 2015 have proposed a final distribution at the rate of 11.10%. The financial statements of the Fund for the period ended 30 June 2015 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ended 30 June 2016.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 30, 2015.

## 29 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA GOVERNMENT SECURITIES SAVINGS FUND

## PERFORMANCE TABLE

Particulars	For the period from July 10, 2014 to June 30, 2015
Net assets (Rs. '000')	545,763
Net Income / (loss) (Rs. '000')	79,310
Net Asset Value per units (Rs.)	11.3972
Offer price per unit	11.5492
Redemption price per unit	11.3972
Highest offer price per unit (Rs.)	10.4859
Lowest offer price per unit (Rs.)	9.1493
Highest redemption price per unit (Rs.)	10.3479
Lowest redemption price per unit (Rs.)	9.0289
Opening Nav of Fiscal Year	9.0276
Total return of the fund	13.97%
Capital growth	1.67%
Income distribution as a % of e x nav	12.30%
Income distribution as a % of par value	11.10%
Interim distribution per unit	-
Final distribution per unit	1.1104
Distribution dates	
Interim	
Final	14-Jul-15
Average annual return (launch date 10-07-14) (Since inception to June 30, 2015)	14.40%
Portfolio Composition (Please see Fund Manager Report)	
Weighted average portfolio duration	82 Days
<i>"Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up."</i>	



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\*Mobile apps are also available for download for android and ios devices



NBP Fullerton  
Asset Management Ltd.  
A Subsidiary of  
National Bank of Pakistan

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