

NBP ISLAMIC SARMAYA IZAFI FUND



ANNUAL REPORT
JUNE 2019



MISSION STATEMENT

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

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NBP ISLAMIC SARMAYA IZAFI FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nasir Husain	Director
Mr. Abdul Hadi Palekar	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Humayun Bashir	Director

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Humayun Bashir	Member
Mr. Nasir Husain	Member
Mr. Imran Zaffar	Member

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Nasir Husain	Member
Mr. Humayun Bashir	Member
Mr. Ali Saigol	Member

Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Shehryar Faruque	Member
Mr. Abdul Hadi Palekar	Member
Mr. Ali Saigol	Member

Trustee

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

Bankers to the Fund

Habib Bank Limited (Islamic)
United Bank Limited (Ameen)
Bank Al Habib Limited (Islamic)
Meezan Bank Limited
Bank Islami (Pakistan) Limited
Sindh Bank Limited (Saadat)
MCB Bank Limited (Islamic)
Dubai Islamic Bank Limited
Bank Alfalah Limited (Islamic)
Soneri Bank Limited (Mustaqeem)
Habib Metro Bank Limited (Islamic)
Allied Bank Limited (Islamic)
Silk Bank Limited (Emaan)

Auditors

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharae Faisal
Karachi-75350 Pakistan.

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Nasir Husain
Director



Mr. Ali Saigol
Director



Mr. Shehryar Faruque
Director



Mr. Imran Zaffar
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



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



Mr. Taha Khan Javed, CFA
Head Of Equity



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Salman Ahmed, CFA
Head Of Risk Management



Mr. Zaheer Iqbal, ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head Of Compliance



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Twelfth Annual Report of **NBP Islamic Sarmaya Izafa Fund** (Formerly; NAFA Islamic Asset Allocation Fund) for the year ended June 30, 2019.

Fund's Performance

After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KMI-30 Index fell sharply by 23.8% on a year-on-year basis. Though the market started off the year on a positive note as investors cheered the peaceful transition between two democratically elected governments, the rebound turned out to be short-lived as investors' attention shifted to the deteriorating economic fundamentals emanating from the intractable twin deficits, especially the heightened Current Account Deficit (CAD).

Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding the scope of duties on non-essential imported luxury goods, and deep cut in public spending. The tightening policies led to a sharp decline in the economic activity as manifested by contraction in the Large-scale Manufacturing sector while the GDP growth rate slowed to 3.3% for FY2019 compared with 5.5% in the previous year. This in turn weighed on the corporate profitability, especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

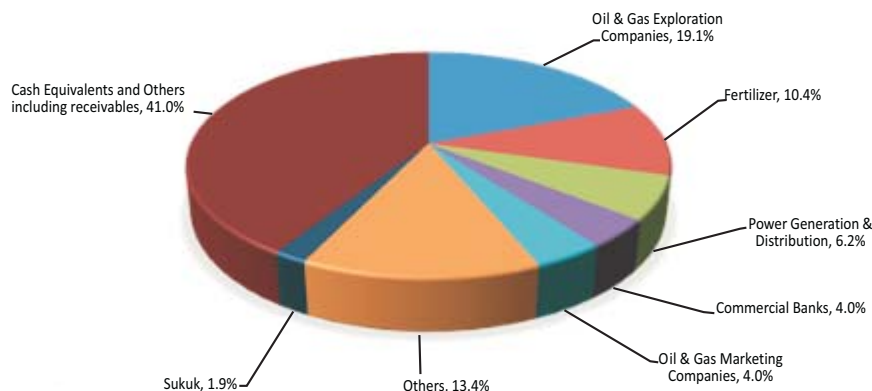
To bridge the gap on external account, though the government was able to secure a sizable financial assistance from friendly countries such as China, KSA and UAE, the delay in the IMF program irked the market participants, as despite the government's efforts, CAD for the year clocked in at unsustainably high level of USD 13.6 billion albeit down from USD 19.9 billion in the previous year. The unfortunate Pulwama Attack led to escalation of tension between Pakistan and India, which also weighed on the market sentiment. Negative headlines pertaining to the ongoing proceedings of Financial Action Task Force (FATF), which expressed its concerns on lack of operational reforms also perturbed investors throughout the year. Tax laden Federal Budget FY2019-20 along with ongoing drive for the documentation of economy are causing short-term pain with its negative implications for the economic growth, corporate profitability, consumer confidence, and market sentiment.

The trading activity in the Corporate Sukuks remained thin with skew towards high quality debt issues with cumulative traded value of around Rs. 12 billion in FY2019 compared to Rs. 10 billion in FY2018. The issuance of government guaranteed energy sector sukuk to the tune of Rs. 200 billion helped the undersupplied market for long-term shariah compliant debt instruments.

During the fiscal year, **NBP Islamic Sarmaya Izafa Fund** decreased by 11.4% versus 10.4% decline in the benchmark. Thus, the Fund underperformed the benchmark by 1.0% during the year. The drag on the Fund performance was lagged performance of its key holdings belonging to some cyclical sectors, which were indiscriminately sold-off during the risk-off period under review. We expect these stocks to regain the lost ground with the improvement of market sentiments in the due course of time given their undemanding valuations. Since its launch (October 26, 2007), the Fund has risen by 259.4%, versus the benchmark return of 145.4%, thus to date outperformance is 114.0%. This outperformance is net of management fee and all other expenses. The Fund size is 6,855 million as of June 30, 2019.

NBP Islamic Sarmaya Izafa Fund has incurred total loss of Rs. 783.557 million during the year. After deducting total expenses of Rs. 313.314 million, the net loss is Rs. 1,096.871 million. During the year, the unit price of NBP Islamic Sarmaya Izafa Fund has decreased from Rs. 15.5128 (Ex-Div) on June 30, 2018 to Rs. 13.7410 on June 30, 2019. The resultant per unit loss is Rs.1.7718.

The asset allocation of NBP Islamic Sarmaya Izafa Fund as on June 30, 2019 is as follows:



Income Distribution

Due to net loss for the year, no distribution has been made.

Taxation

On account of net loss, no provision for taxation was made in the financial statements of the Fund.

Auditors

The present auditors, Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2020.

Directors' Statement in Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 25 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 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 21 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

NBP ISLAMIC SARMAYA IZAFI FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Nasir Husain 3. Mr. Abdul Hadi Palekar 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: August 30, 2019
Place: Karachi.

ڈائریکٹرز رپورٹ

این بی پی فنڈ میٹجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP اسلامک سرمایہ اضافہ فنڈ (سابقہ: NAFA اسلامک ایسٹ ایلوکیشن فنڈ (NISIF)) کی بارہویں سالانہ رپورٹ برائے مختتمہ سال 30 جون 2019 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

بعد از مشکل مالی سال 2017-18، مالی سال 2019 بھی تجارتی حجم میں کمی کے باعث اسٹاک مارکیٹ نے اپوس کن کارکردگی کا مظاہرہ کیا جیسا کہ KMI-30 انڈیکس میں سالانہ بنیادوں پر 23.8% کی کمی واقع ہوئی اگرچہ اس سال مارکیٹ کا آغاز مثبت انداز سے ہوا جیسا کہ سرمایہ کاروں نے دو منتخب جمہوری حکومتوں کے پُر امن انتقالی اقتدار کو سراہا۔ تاہم مقامی سرمایہ کاروں کا جوش وقتی ثابت ہوا جس کی وجہ سے سرمایہ کاروں کا خراب معیشت کی طرف متوجہ ہونا تھا۔ یہ صورتحال دو ہرے خسارے، خاص طور پر بڑھتے ہوئے کرنٹ اکاؤنٹ خسارہ (CAD) سے صاف ظاہر ہو رہی تھی۔

مہنگائی پر قابو پانے اور بیرونی اکاؤنٹ کے عدم توازن کو کم کرنے کے مقاصد کے ساتھ مشکل اقتصادی حالات سے دوچار موجودہ حکومت نے امریکی ڈالر کے برعکس روپیہ کی قدر میں خاطر خواہ کمی، پالیسی شرح میں تیز ترین اضافہ، غیر ضروری پریشانی پر قبضہ درآمدی اشیاء کی ڈیوٹی میں اضافہ اور عوامی اخراجات میں کمی جیسی سخت پالیسیوں کا آغاز کیا۔ سخت پالیسیوں کی وجہ سے معاشی سرگرمیوں میں واضح کمی واقع ہوئی جس کا اظہار بڑے پیمانے کے پیداواری شعبے میں کمی سے ہوا جبکہ جی ڈی پی نمو کی شرح گزشتہ سال 5.5% کے مقابلے میں مالی سال 2019 میں 3.3% کی شرح سے سست رفتاری کا شکار رہی۔ جس کا اثر کاروباری منافع خاص طور پر گردش شعبوں کے منافع پر طلب کی کمی اور لاگتی دباؤ کے باعث ہوا جس کے نتیجے میں سرمایہ کاروں کے جذبات مزید مدہم پڑ گئے۔

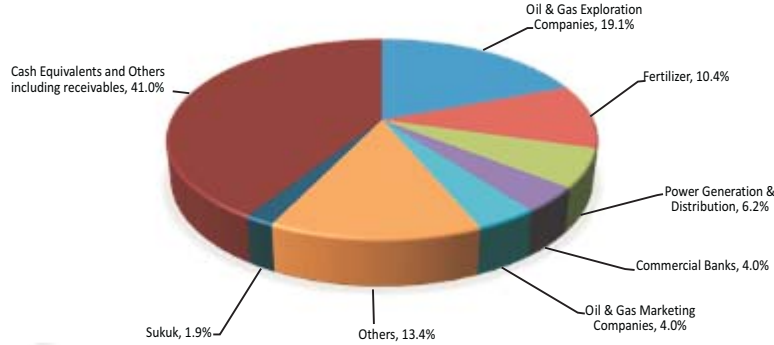
بیرونی اکاؤنٹ کے خلاء کو پورا کرنے کے لئے اگرچہ حکومت، چین، سعودی عرب اور متحدہ عرب امارات جیسے دوست ممالک سے قابل ذکر مالی امداد حاصل کرنے میں کامیاب ہو گئی تھی تاہم IMF پروگرام میں تاخیر نے مارکیٹ کے شرکاء کو پریشان کیا۔ حکومتی کوششوں کے باعث کرنٹ اکاؤنٹ خسارہ گزشتہ سال میں 19.9 امریکی ڈالر سے کم ہو کر رواں سال 13.6 امریکی ڈالر کی غیر مستحکم اعلیٰ سطح پر پہنچ گیا۔ بد قسمتی سے پلوامہ حملے کے بعد پاکستان اور بھارت کے درمیان کشیدگی بڑھ گئی جس سے سرمایہ کاروں کے جذبات بھی معدوم ہوئے۔ فنانشل ایکشن ٹاسک فورس (ایف اے ٹی ایف) کی جاری کارروائی سے متعلق منفی خبروں نے آپریشنل اصلاحات کی عدم فراہمی پر خدشات کے اظہار نے سال بھر سرمایہ کاروں کو پریشان کئے رکھا۔ دستاویزی معیشت کے لئے جاری مہم کے ساتھ ٹیکسوں سمیٹھ پور وفاق بیٹ مالی سال 2019-2020 قلیل مدت پریشانی کا حامل رہا جس کے منفی اثرات اقتصادی ترقی، کاروباری منافع، صارفین کے اعتماد اور سرمایہ کاروں کے معدوم جذبات کی شکل میں ظاہر ہوئی۔

کارپوریٹ سکوک میں تجارتی سرگرمی مالی سال 2018 میں 10 بلین روپے کے مقابلے میں مالی سال 2019 میں تقریباً 12 بلین روپے کے مجموعی تجارتی حجم کے ساتھ اعلیٰ کوالٹی ڈیٹ ایٹوز کے لحاظ سے قدرے کم رہی۔ انرجی سیکٹر کو حکومت کے گارنٹی شدہ 200 بلین پاکستانی روپے کے Sukuks کے اجراء نے طویل مدتی شریعہ کمپلیٹ ڈیٹ انسٹرومنٹس کے زیر اثر مارکیٹ کی مدد کی۔

مالی سال کے دوران، NBP اسلامک سرمایہ اضافہ فنڈ 10.4% بیچ مارک کمی کے بخلاف 11.4% تک کم ہوا۔ لہذا سال کے دوران فنڈ نے بیچ مارک میں 1.0% کی بہتر کارکردگی دکھائی۔ فنڈ کی کارکردگی پرست روی چند گردش شعبوں سے متعلقہ کلیدی ہولڈنگز کی سست کارکردگی تھا، جسے زیر جائزہ رسک آف مدت کے دوران بلا امتیاز فروخت کر دیا گیا۔ ہم توقع کرتے ہیں کہ ان ذخائر کی وجہ سے مارکیٹ جذبات کی بہتری کے ساتھ کھوئے ہوئے مقام کو دوبارہ حاصل کریں گے جبکہ ان کی غیر متزلزل قیمتوں کا اندازہ ہوگا۔ اپنے آغاز (26 اکتوبر 2007) سے، فنڈ نے 145.4 فیصد بیچ مارک ریٹرن کے مقابلے میں 259.4 فیصد اضافہ حاصل کیا، چنانچہ آج تک بہتر کارکردگی 114.0 فیصد ہے۔ یہ بہتر کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے علاوہ خالص ہے۔ فنڈ کا ساٹھ ماہ 30 جون 2019 کو 6,855 ملین ہے۔

این بی پی اسلامک سرمایہ اضافہ فنڈ کو سال کے دوران 783.557 ملین روپے کا مجموعی خسارہ ہوا۔ 313.314 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد، خالص خسارہ 1,096.871 ملین روپے ہے۔ سال کے دوران NBP اسلامک سرمایہ اضافہ فنڈ کے یونٹ کی قیمت 30 جون 2018 کو 15.5128 روپے (EX-Div) سے کم ہو کر 30 جون 2019 کو 13.7410 روپے ہو گئی، جس کے نتیجے میں یونٹ خسارہ 1.7718 روپے ہے۔ یہ کارکردگی میٹجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔

30 جون 2019 کو این بی پی اسلامک سرمایہ اضافہ فنڈ کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

مذکورہ مالی سال میں فنڈ میں خالص نقصان کے سبب، کوئی رقم تقسیم نہیں کی گئی۔

میکسیشن

خالص نقصان کے سبب، فنڈ کے مالیاتی گوشوارے میں ٹیکس کا کوئی پروویژن نہیں رکھا گیا۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte پوسٹ عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2020 کو ختم ہونے والے سال کے لئے اپنے آپ کو تقرری کے لئے پیش کرتے ہیں۔

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

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماراتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5 انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6 فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو توہی نہیں کی گئی۔
- 8 پرفارمنس ٹیمبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 25 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی پیئر ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 21 میں ظاہر کی گئی ہے۔
- 13 مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کینگری
01 جناب کمال عامر چنائے 02 جناب شہر یار فاروق 03 جناب ہمایوں بشیر	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
01 شیخ محمد عبدالواحد سیٹھی (چیرمین) 02 جناب ناصر حسین 03 جناب عبدالہادی پالیکر 04 جناب علی سیگل 05 جناب عمران ظفر	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 30 اگست 2019

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Sarmaya Izafa Fund (formerly NAFA Islamic Asset Allocation Fund) (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

FUND MANAGER REPORT

NBP Islamic Sarmaya Izafa Fund (NISIF) (Formerly; NAFA Islamic Asset Allocation Fund) is an Open-ended Shariah Compliant Asset Allocation Fund.

Investment Objective of the Fund

Objective of NISIF is to generate capital appreciation by investing in Shariah Compliant equity and equity related securities and income by investing in Shariah Compliant bank deposits, debt & money market securities.

Benchmark

Daily weighted return of KMI-30 Index & 6-month average deposit rates of three A rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP, based on Fund's actual allocation, effective from September 01, 2016. Previously average of (i) average 3-months Islamic banks deposit rate (ii) 6-months KIBOR or its Shariah Compliant Equivalent (iii) KMI 30 Index.

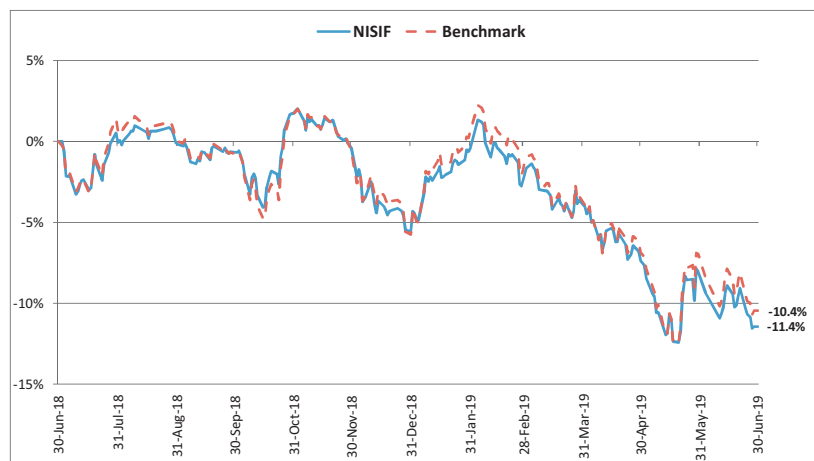
The fund category was changed to Islamic Asset Allocation from Islamic Balanced with effect from April 22, 2014. Consequently, allowed equity range is now 0% to 90% which previously was 30% to 70%. Previous benchmark was 50% KSE-30 Index & 50% 3-month Islamic Bank Deposit.

Fund performance review

This is the Twelfth annual report of the Fund. During the fiscal year, NBP Islamic Sarmaya Izafa Fund decreased by 11.4% as against the benchmark decreased by 10.4% translating into an underperformance of 1.0% during the year. Since inception (October 26, 2007), NISIF has risen by 259.4%, whereas the Benchmark has risen by 145.4%, thus to date outperformance is 114.0%. This outperformance is net of management fee and all other expenses. Thus, NISIF has met its investment objective. During the year, the fund size of NIAAF decreased by 40% to Rs 6,855.4 million.

NISIF underperformed during the year as the Fund was overweight in key stocks in Cement, Textile Composite, Paper & Board, and Engineering sectors that underperformed the market and underweight in key stocks in Chemical and Fertilizer sectors that outperformed the market, which contributed to the underperformance. The chart below shows the performance of NISIF against the Benchmark for the year.

NISIF Performance vs. Benchmark during FY19



NBP ISLAMIC SARMAYA IZAFI FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



NISIF was around 45.5% invested in equities at the beginning of the year. During the year, we adjusted the allocation of the Fund based on our view on different asset classes. Towards the end of the year, NISIF was around 57.1% invested in equities.

After challenging FY2017-18, amid thin trading volumes, the stock market depicted dismal performance during FY2018-19 as the benchmark KMI-30 Index fell sharply by 23.8% on a year-on-year basis. Though the market started off the year on a positive note as investors cheered the peaceful transition between two democratically elected governments, the rebound turned out to be short-lived as investors' attention shifted to the deteriorating economic fundamentals emanating from the intractable twin deficits, especially the heightened Current Account Deficit (CAD).

Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding the scope of duties on non-essential imported luxury goods, and deep cut in public spending. The tightening policies led to a sharp decline in the economic activity as manifested by contraction in the Large Scale Manufacturing sector while the GDP growth rate slowed to 3.3% for FY2019 compared with 5.5% in the previous year. This in turn weighed on the corporate profitability, especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

To bridge the gap on external account, though the government was able to secure a sizable financial assistance from friendly countries such as China, KSA and UAE, the delay in the IMF program irked the market participants, as despite the government's efforts, CAD for the year clocked in at unsustainably high level of USD 13.6 billion albeit down from USD 19.9 billion in the previous year. The unfortunate Pulwama Attack led to escalation of tension between Pakistan and India, which also weighed on the market sentiment. Negative headlines pertaining to the ongoing proceedings of Financial Action Task Force (FATF), which expressed its concerns on lack of operational reforms also perturbed investors throughout the year. Tax laden Federal Budget FY2019-20 along with ongoing drive for the documentation of economy are causing short-term pain with its negative implications for the economic growth, corporate profitability, consumer confidence, and market sentiment.

The trading activity in the Corporate Sukuks remained thin with skew towards high quality debt issues with cumulative traded value of around Rs. 12 billion in FY2019 compared to Rs. 10 billion in FY2018. The issuance of government guaranteed energy sector sukuk to the tune of Rs. 200 billion helped the undersupplied market for long-term shariah compliant debt instruments.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-19	30-Jun-18
Equities / Stocks	57.1%	45.5%
Cash Equivalents	40.9%	55.7%
TFC/Sukuk	1.9%	-
Other Net Assets / (Liabilities)	0.1%	(1.2%)
Total	100.0%	100.0%

Details of Non-Compliant Investments

Particulars	Type of Investment	Value of Investments before Provision	Provision held	Value of Investments after Provision	% of Net Assets	% of Gross Assets
Eden Housing (Sukuk II)	SUKUK	4,921,875	4,921,875	-	-	-
Total		4,921,875	4,921,875	-	-	-

NBP ISLAMIC SARMAYA IZAFI FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



Distribution for the Financial Year 2019

Due to net loss for the year, no distribution has been made

Unit Holding Pattern of NBP Islamic Sarmaya Izafa Fund as on June 30, 2019

Size of Unit Holding (Units)	# of Unit Holders
1-1000	2159
1001-5000	1295
5001-10000	1290
10001-50000	2990
50001-100000	1154
100001-500000	690
500001-1000000	66
1000001-5000000	51
5000001-10000000	2
10000001-100000000	2
Total	9699

During the period under question

During the period there has been no significant change in the state of affairs of the Fund, other than stated above. During the year there were no circumstances that materially affected any interests of the unit holders. The Fund does not have any soft commission arrangement with any broker in the industry.

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs.60.862 million. If the same were not made the NAV per unit / FY19 return of scheme would be higher by Rs. 0.1220 / 0.79%. For details investors are advised to read note 16 of the Financial Statement of the Scheme for the year ended June 30, 2019.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP Islamic Sarmaya Izafa Fund (Formerly; NAFA Islamic Asset Allocation Fund) (the Fund) has fully complied with the Shari'ah principles specified in the Trust Deed and in the guidelines issued by the Shari'ah Advisor for its operations, investments and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: August 30, 2019
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

REPORT OF THE SHARI'AH ADVISOR

August 26, 2019/ Dhu Al-Hijjah 24, 1440

Alhamdulillah, the period from July 1, 2018 to June 30, 2019 was the Eleventh year of operations of NBP Islamic Sarmaya Izafa Fund (NISIF). This report is being issued in accordance with clause 3.6.8 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

We have prescribed six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Investment in Shari'ah Non-Compliant activities (iv) Shari'ah Non-Income from Non-Compliant Investments, (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shari'ah compliance in line with the Shari'ah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of equity investments of NISIF in light of Shari'ah requirements. Following is a list of top investments of NISIF as on June 30, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 accounts of the Investee companies have been used)

Company Name	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Oil & Gas Development Company.	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.75	128
Pakistan Petroleum Limited.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
Pakistan Oil Fields Limited.	Oil & Gas Exploration Companies	0.00%	0.01%	3.20%	52.39%	(9.27)	
Engro Corporation Limited	Fertilizer	33.98%	20.80%	3.52%	66%	(144.42)	
The Hub Power Co. Ltd.*	Power Generation & Distribution Companies	31.38%	0.00%	0.43%	41%	(29.25)	
Engro Fertilizer Ltd	Fertilizer	25.93%	6.57%	0.43%	76%	(32.97)	
Nishat Mills Limited.	Textile	25.57%	14.94%	1.85%	68%	(13.18)	

* Debt is considered excluding circular debt.

- ii. On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NISIF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii. There are investments made by NISIF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income received on bank deposits and etc). In such cases, the management company has been directed to set aside such proportion of the income from Investee companies as charity in order to purify the earnings of the Fund.

In light of the above, we hereby certify that nothing has come to our attention which causes to believe that the overall operations of NISIF for the year ended June 30, 2019 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 4,357,369/- was created and an amount of Rupees 3,650,105/- was available for disbursement into charity as of June 30, 2019, which is inclusive of Rupees 2,383,870/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2019 will be adjusted after the availability of the respective annual financial statements.

May Allah bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

For and On Behalf of Meezan Bank Limited
Shari'ah Technical Services and Support Provider

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

INDEPENDENT ASSURANCE REPORT To the unit holders of NBP Islamic Sarmaya Izafa Fund (Formerly NAFA Islamic Asset Allocation Fund)

Report on the Statement of Compliance with the Shariah Principles

We have performed an independent assurance engagement of NBP Islamic Sarmaya Izafa Fund (formerly NAFA Islamic Asset Allocation Fund) (the Fund), to express a conclusion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019.

Management Company's responsibility

Management Company (NBP Fund Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with "the Shariah Principles" specified in the Trust Deed and Offering Document of the Fund. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

Responsibility of an independent assurance provider

Our responsibility is to express a conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and Offering Document of the Fund.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the Shariah Principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the Shariah Principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed include:

- checked compliance of specific guidelines relating to maintaining of bank accounts and for making investments (on test basis) by the Fund; and
- checked that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles for the year ended June 30, 2019.

Deloitte Yousuf Adil
Chartered Accountants

Place: Karachi
Dated: September 29, 2019

INDEPENDENT AUDITOR'S REPORT

To the unit holders of NBP Islamic Sarmaya Izafa Fund (formerly NAFA Islamic Assets Allocation Fund)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NBP Islamic Sarmaya Izafa Fund (formerly NAFA Islamic Assets Allocation Fund) (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Valuation and existence of investments</p> <p>Investments held at fair value through profit or loss represent are disclosed in note 5 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in listed equity shares and sukuks which is the main driver of the Fund's performance.</p> <p>Considering the above factors, the valuation and existence of investments are significant areas during our audit due to which we have considered this as a key audit matter.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance; independently verified existence of investments from Central Depository Company (CDC) and Investor Portfolio Services (IPS) account statements; performed test of details on sale, purchase and maturity of investments on a sample basis; tested valuation of investments; and any differences identified during our testing that were over our acceptable threshold were investigated further.

Information other than the financial statements and auditor's report thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Naresh Kumar**.

Deloitte Yousuf Adil
Chartered Accountants

Date: September 29, 2019
Place: Karachi

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019

	Note	2019 ----- Rupees in '000 -----	2018 -----
ASSETS			
Bank balances	4	2,798,299	6,412,181
Investments	5	4,042,624	5,230,962
Mark-up accrued and dividend receivable	6	49,921	40,908
Receivable against sale of investment		123,522	-
Deposits, prepayments and other receivables	7	5,424	5,314
Total assets		7,019,790	11,689,365
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	8	61,288	78,944
Payable to Central Depository Company of Pakistan Limited - Trustee	9	784	1,178
Payable to the Securities and Exchange Commission of Pakistan	10	9,494	12,375
Accrued expenses and other liabilities	11	92,851	94,519
Total liabilities		164,417	187,016
NET ASSETS		6,855,373	11,502,349
UNIT HOLDERS' FUND (as per statement attached)		6,855,373	11,502,349
Contingencies and commitments	12	-----Number of units-----	
Number of units in issue	13	498,898,266	741,473,825
Net asset value per unit	14	13.7410	15.5128

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees in '000	2018
INCOME			
Return / mark-up on:			
- bank balances		467,055	336,950
- sukuks		1,512	-
Dividend income		250,804	377,024
Net loss on sale of investments		(532,904)	(805,567)
Net unrealised loss on re-measurement of investments at fair value through profit or loss	5.5	(970,024)	(833,639)
Total loss		(783,557)	(925,232)
EXPENSES			
Remuneration of NBP Fund Management Limited - Management Company	8.1	199,884	260,529
Sindh Sales Tax on remuneration of the Management Company	8.2	25,985	33,869
Reimbursement of operational expenses to the Management Company	8.3	9,994	13,026
Selling and marketing expenses charged by the Management Company	8.4	39,977	52,106
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	10,994	14,026
Sindh Sales Tax on remuneration of the Trustee	9.2	1,429	1,823
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	9,494	12,375
Securities transaction cost		11,678	6,794
Settlement and bank charges		1,235	2,635
Auditors' remuneration	15	603	558
Fund rating fee		231	190
Legal and professional charges		73	406
Annual listing fee		28	28
Printing charges		15	15
Shariah advisor fee		1,694	328
Total expenses		313,314	398,708
Net loss from operating activities		(1,096,871)	(1,323,940)
Provision for Sindh Workers' Welfare Fund	16	-	-
Net loss for the year before taxation		(1,096,871)	(1,323,940)
Taxation	17	-	-
Net loss for the year after taxation		(1,096,871)	(1,323,940)
Earnings per unit			
Allocation of net income for the year			
Net loss for the year after taxation		(1,096,871)	(1,323,940)
Income already paid on units redeemed		-	-
		(1,096,871)	(1,323,940)
Accounting income available for distribution:			
- Relating to capital gain		-	-
- Excluding capital gain		-	-
		-	-

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	----- Rupees in '000 -----	
Net loss for the year after taxation	(1,096,871)	(1,323,940)
Other comprehensive income	-	-
Total comprehensive income for the year	(1,096,871)	(1,323,940)

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2019

	2019			2018		
	(Rupees in '000)					
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	11,002,026	500,323	11,502,349	12,860,041	1,904,192	14,764,233
Issuance of 157,502,225 units (2018: 405,414,041 units)						
- Capital value	2,443,303	-	2,443,303	6,901,473	-	6,901,473
- Element of loss	(40,887)	-	(40,887)	(361,088)	-	(361,088)
Total proceeds on issuance of units	2,402,416	-	2,402,416	6,540,385	-	6,540,385
Redemption of 400,077,784 units (2018: 528,257,855 units)						
- Capital value	(6,206,334)	-	(6,206,334)	(8,989,437)	-	(8,989,437)
- Element of income	253,813	-	253,813	591,037	-	591,037
Total payments on redemption of units	(5,952,521)	-	(5,952,521)	(8,398,400)	-	(8,398,400)
Total comprehensive income for the year	-	(1,096,871)	(1,096,871)	-	(1,323,940)	(1,323,940)
Distribution during the year	-	-	-	-	(79,929)	(79,929)
Net assets at end of the year	7,451,921	(596,548)	6,855,373	11,002,026	500,323	11,502,349
Undistributed income brought forward						
- Realised		1,333,962			845,799	
- Unrealised		(833,639)			1,058,393	
		<u>500,323</u>			<u>1,904,192</u>	
Accounting income available for distribution						
- Relating to capital gain		-			-	
- Excluding capital gain		-			-	
		-			-	
Net loss for the year after taxation		(1,096,871)			(1,323,940)	
Distribution during the year		-			(79,929)	
Undistributed income carried forward		(596,548)			500,323	
Undistributed income carried forward						
- Realised		373,476			1,333,962	
- Unrealised		(970,024)			(833,639)	
		<u>(596,548)</u>			<u>500,323</u>	
			- (Rupees) -			- (Rupees) -
Net assets value per unit at beginning of the year			<u>15.5128</u>			<u>17.0820</u>
Net assets value per unit at end of the year			<u>13.7410</u>			<u>15.5128</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(1,096,871)	(1,323,940)
Adjustments:		
Return / mark-up on;		
- bank balances	(467,055)	(336,950)
- sukuk	(1,512)	-
Dividend income	(250,804)	(377,024)
Net loss on sale of investments	532,904	805,567
Net unrealised loss on re-measurement of investments at fair value through profit or loss	970,024	833,639
	<u>783,557</u>	<u>925,232</u>
	(313,314)	(398,708)
(Increase) / decrease in assets		
Investments - net	(314,590)	2,176,895
Receivable against sale of investment	(123,522)	-
Deposits, prepayments and other receivables	(110)	(1,353)
	(438,222)	2,175,542
Increase / (decrease) in liabilities		
Payable to the Management Company	(17,656)	(33,936)
Payable to the Trustee	(394)	(355)
Payable to the Securities and Exchange Commission of Pakistan	(2,881)	2,094
Payable against purchase of investments	-	(2,027)
Accrued expenses and other liabilities	(1,668)	(138,714)
	(22,599)	(172,938)
Mark-up received on bank balances	462,163	331,100
Mark-up received on sukuk received	(5,174)	-
Dividend received	253,369	398,508
	<u>63,777</u>	<u>2,333,504</u>
Net cash (used in) / generated from operating activities	(63,777)	2,333,504
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash generated from investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	2,402,416	6,545,246
Amounts paid on redemption of units	(5,952,521)	(8,407,867)
Dividend paid	-	(102,719)
	<u>(3,550,105)</u>	<u>(1,965,340)</u>
Net cash used in financing activities	(3,550,105)	(1,965,340)
Net increase in cash and cash equivalents during the year	(3,613,882)	368,164
Cash and cash equivalents at the beginning of the year	6,412,181	6,044,017
Cash and cash equivalents at the end of the year	2,798,299	6,412,181

The annexed notes from 1 to 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

NBP Islamic Sarmaya Izafa Fund (formerly NAFA Islamic Asset Allocation Fund)(the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 20, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 03, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Trust Deed was amended through supplemental trust deed executed on October 07, 2013 for the change of name and categorization of the Fund as a shariah compliant asset allocation scheme.

During the year on April 5, 2019, the name of the Fund was changed from NAFA Islamic Assets Allocation Fund to NBP Islamic Sarmaya Izafa Fund. The change of name was made effective vide Fund's twelfth Supplemental Offering Document which was approved by SECP vide its letter no. SCD/AMCW/NAFA/364/2019 dated April 5, 2019.

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 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 Fund is an open-ended mutual fund and categorised as an islamic asset allocation scheme and its units are listed on Pakistan Stock Exchange Limited. Units of the Fund 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 investment objective of the Fund is to generate income by investing in shariah compliant equity and equity related securities and income by investing in shariah compliant bank deposits, debt and money market securities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' to the Management Company and has assigned performance ranking of 3-star to the Fund.

Title of the assets of the Fund is held in the name of CDC as a trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the investments which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Adoption of new standards, amendments and interpretations to the published approved accounting standards:

2.4.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures, except for the impact of IFRS 9.

Effective from accounting period beginning on or after:

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date (Refer note.3.2).	July 01, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

Certain annual improvements have also been made to a number of IFRSs.

2.4.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
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Effective from accounting period beginning on or after:

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying Fund's accounting policies. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In the process of applying Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of financial assets (Note 3.2.1, 3.12)
- (b) impairment of financial assets (Note 3.2.1, 3.14)
- (c) provisions (Note 3.13)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements (except note 3.2) are set out below.

3.1 Cash and cash equivalents

Cash comprises current and savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.2 Adoption of IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018, and consequently has been adopted by the Fund. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

IFRS 9 introduces new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

3.2.1 Classification and measurement

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVOCI") and
- Fair value through profit or loss ("FVTPL").

Financial asset at amortised cost

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

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

Financial Asset at FVOCI

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

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

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

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss

Business Model Assessment

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model"

Classification and measurement of financial liabilities

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Impairment of financial assets

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

Impact of Change in accounting Policies due to adoption of IFRS 9.

Financial assets and financial liabilities	Original classification as per old framework	New classification as per IFRS 9	Original carrying value as per old framework	Original classification as per old framework
Rupees in '000				
Financial assets				
Bank balances	LR	AC	6,412,181	6,412,181
Dividend receivable	LR	AC	40,908	40,908
Deposits and other receivables	LR	AC	5,314	5,314
Shares of listed companies	HFT	FVTPL	5,230,962	5,230,962
Financial liabilities				
Payable to NBP Fund Management Limited - Management Company	OFL	AC	78,944	78,944
Payable to Central Depository Company of Pakistan Limited - Trustee	OFL	AC	1,178	1,178
Payable to Securities and Exchange Commission of Pakistan	OFL	AC	12,375	12,375
Accrued expenses and other liabilities	OFL	AC	13,168	13,168
Net assets attributable to redeemable units	OFL	AC	11,502,349	11,502,349

"LR" is loans and receivables

"AC" is amortised cost

"HFT" is held for trading

"FVTPL" is fair value through profit or loss

"OFL" is other financial liabilities

3.3 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned 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.

Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKIRSV rates) which are based on the remaining tenor of the securities.

Basis of valuation of equity securities:

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs. The preference shares received as dividend in specie are carried at cost.

3.4 Impairment of non-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. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the Income Statement.

3.5 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

3.6 Derecognition

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.7 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.8 Regular way contracts

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

3.9 Financial liabilities

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

3.10 Issuance and redemption of units

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

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

3.11 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) included in prices of units sold 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.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

3.12 Provisions

Provisions are recognized 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.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the income statement in the period in which they arise.
- Mark-up / return on shariah compliant government securities and bank balances are recognised on a time apportionment basis using the effective interest method.
- Dividend income is recognised when the right to receive the dividend is established.

3.14 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders (excluding distribution made by issuance of bonus units).

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.

3.15 Distributions to the unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.16 Expenses

All expenses including remuneration of the Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognized in the Income Statement as and when incurred.

3.17 Earnings per unit

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

3.18 Transition to IFRS 9 Financial Instrument

Accounting policies applied to financial instruments prior to July 01, 2018

3.19 Financial assets

3.19.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

a) Investments at fair value through profit or loss - held-for-trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

b) Loans and receivables

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

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 (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

3.19.2 Initial recognition and measurement

Financial assets are initially recognized 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 recognized at fair value and transaction costs are recognized in the 'income statement'.

3.19.3 Subsequent measurement

a) Financial assets as 'at fair value through profit or loss'

1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities vide its Circular no. 1 of 2009 dated January 6, 2009 and Circular no. 33 of 2012 dated October 24, 2012. In the determination of valuation rates, the MUFAP takes into account the holding pattern of these securities and categorizes 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.

2) Government securities

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

3) Equity securities

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 derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also recognized in the 'income statement' when financial assets carried at amortized cost are derecognised or impaired, and through the amortization process.

3.19.4 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 recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the 'income statement'.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under Circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under Circular no. 13 of 2009 dated May 4, 2009 issued by the 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 the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

b) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, 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 'income statement', is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

		2019	2018
	Note	-----Rupees in '000-----	
4. BANK BALANCES			
Current accounts		54,854	41,056
Savings accounts	4.1	2,743,445	6,371,125
		2,798,299	6,412,181

4.1 These savings accounts carry mark-up at rates ranging from 2.40% to 13.85% per annum (2018: 2.40% to 7.50% per annum).

		2019	2018
	Note	-----Rupees in '000-----	
5. INVESTMENTS			
At fair value through profit or loss			
Listed equity securities	5.1	3,911,211	5,230,962
Sukuks	5.4	131,413	-
		4,042,624	5,230,962

NBP ISLAMIC SARMAYA IZAFI FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



5.1 Listed equity securities

Name and sector of the investee company	As at July 01, 2018	Purchased during the year	Bonus / Right issue	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
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-----Number of shares----- -----Rs. In '000----- -----%-----

All shares have a nominal face value of Rs. 10 each except for shares of Thal Limited and K-Electric Limited which have a face value of Rs. 5 and Rs. 3.5 each respectively.

OIL AND GAS MARKETING COMPANIES

Attock Petroleum Limited	133,900	-	26,780	7,000	153,680	44,338	0.65	1.10	0.15%
Pakistan State Oil Company Limited (Refer 5.3)	577,715	882,000	85,823	742,600	802,938	136,202	1.99	3.37	0.21%
Hascol Petroleum Limited	2,626	232,300	24,215	198,000	61,141	4,195	0.06	0.10	0.03%
Sui Northern Gas Pipelines Limited	1,158,000	2,509,500	-	2,565,000	1,102,500	76,613	1.12	1.90	0.17%
Shell Pakistan Limited	320,400	-	-	253,200	67,200	12,261	0.18	0.30	0.06%
						4.00		6.77	

OIL AND GAS EXPLORATION COMPANIES

Oil and Gas Development Company Limited	2,401,000	3,222,200	-	2,198,800	3,424,400	450,274	6.57	11.14	0.08%
Pakistan Oilfields Limited	633,610	513,000	107,122	662,600	591,132	239,935	3.50	5.94	0.21%
Pakistan Petroleum Limited	2,049,770	1,946,000	303,491	1,469,500	2,829,761	408,702	5.96	10.11	0.12%
Mari Petroleum Company Limited	286,800	25,800	23,026	124,840	210,786	212,753	3.10	5.26	0.17%
						19.13		32.45	

REFINERY

National Refinery Limited	-	96,900	-	12,000	84,900	9,634	0.14	0.24	0.11%
Attock Refinery Limited	33,600	-	8,400	42,000	-	-	-	-	-
						0.14		0.24	

CHEMICALS

AKZO Noble Pakistan Limited	29,900	-	-	-	29,900	2,991	0.04	0.07	0.06%
Engro Polymer and Chemicals Limited	-	8,031,500	-	5,443,000	2,588,500	69,786	1.02	1.73	0.28%
Dynea Pakistan Limited	21,500	-	-	-	21,500	1,505	0.02	0.04	0.23%
ICI Pakistan Limited	4,900	-	-	4,900	-	-	-	-	0.00%
Lotte Chemical Pakistan Limited	-	7,912,000	-	6,245,000	1,667,000	25,422	0.37	0.63	0.11%
Itihad Chemicals Limited	327,750	-	32,775	-	360,525	9,720	0.14	0.24	0.43%
						1.59		2.71	

FOOD AND PERSONAL CARE PRODUCTS

Al Shaheer Corporation Limited	1,116,654	-	-	-	1,116,654	14,070	0.21	0.35	0.79%
						0.21		0.35	

ENGINEERING

International Steels Limited	965,300	2,583,700	-	3,103,700	445,300	17,683	0.26	0.44	0.10%
International Industries Limited	137,900	187,800	-	139,000	186,700	14,389	0.21	0.36	0.16%
K.S.B. Pumps Company Limited	8,200	-	-	-	8,200	828	0.01	0.02	0.06%
Crescent Steel & Allied Products	123,000	-	-	123,000	-	-	-	-	0.00%
Amreli Steels Limited	381,500	-	-	381,500	-	-	-	-	0.00%
Mughal Iron And Steel Industries Limited	406,043	927,000	-	640,000	693,043	17,437	0.25	0.43	0.28%
						0.73		1.25	

CEMENT

D.G. Khan Cement Company Limited	686,900	552,000	-	1,114,900	124,000	7,011	0.10	0.17	0.03%
Lucky Cement Limited	189,200	664,450	-	504,900	348,750	132,689	1.94	3.28	0.11%
Maple Leaf Cement Factory Limited	475,000	5,538,000	-	4,935,000	1,078,000	25,753	0.38	0.64	0.16%
Attock Cement Pakistan Limited	914,300	-	7,460	877,000	44,760	3,196	0.05	0.08	0.03%
Pioneer Cement Limited	1,065,200	1,423,500	-	2,488,700	-	-	-	-	0.00%
Fauji Cement Company Limited	-	711,000	-	711,000	-	-	-	-	0.00%
FECTO Cement Limited	239,200	-	-	-	239,200	4,664	0.07	0.12	0.48%
Kohat Cement Company Limited	574,600	138,500	91,110	339,400	464,810	24,416	0.36	0.60	0.23%
Cherat Cement Company Limited	829,200	-	-	566,500	262,700	8,133	0.12	0.20	0.15%
						3.02		5.09	

TRANSPORT

Pakistan National Shipping Corporation	169,200	-	-	17,000	152,200	9,718	0.14	0.24	0.12%
						0.14		0.24	

Balance carried forward

28.96 **49.10**

Balance brought forward

28.96 **49.10**

NBP ISLAMIC SARMAYA IZAFAT FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



Name and sector of the investee company	As at July 01, 2018	Purchased during the year	Bonus / Right issue	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of paid up capital of the investee company
	-----Number of shares-----				-----Rs. In '000-----		-----%		
All shares have a nominal face value of Rs. 10 each except for shares of Thal Limited and K-Electric Limited which have a face value of Rs. 5 and Rs. 3.5 each respectively.									
TEXTILE COMPOSITE									
Nishat Mills Limited	1,951,800	2,488,400	-	2,220,300	2,219,900	207,205	3.02	5.13	0.63%
Kohinoor Textile Mills Limited (Refer 5.3)	2,409,780	-	-	1,363,000	1,046,780	26,222	0.38	0.65	0.35%
Interloop Limited	-	951,377	-	190,000	761,377	33,706	0.49	0.83	0.09%
Synthetic Products Limited	370,500	85,500	-	-	456,000	10,119	0.15	0.25	0.54%
							4.04	6.86	
FERTILIZER									
Engro Corporation Limited	1,355,700	1,358,700	146,120	1,254,500	1,606,020	426,559	6.22	10.55	0.31%
Engro Fertilizers Limited	4,227,000	5,646,500	-	5,374,500	4,499,000	287,801	4.20	7.12	0.34%
Dawood Hercules Corporation Limited	267,200	-	-	267,200	-	-	-	-	0.00%
							10.42	17.67	
POWER GENERATION AND DISTRIBUTION									
The Hub Power Company Limited	3,477,460	3,765,500	495,551	2,696,500	5,042,011	397,058	5.79	9.82	0.44%
Lalpir Power Limited	407,000	-	-	-	407,000	5,291	0.08	0.13	0.11%
Kot Addu Power Company Limited	1,784,000	-	-	1,784,000	-	-	-	-	0.00%
K-Electric Limited	14,505,000	22,474,000	-	31,820,000	5,159,000	22,648	0.33	0.56	0.05%
							6.20	10.51	
COMMERCIAL BANKS									
Meezan Bank Limited	1,084,227	3,332,500	548,863	1,794,500	3,171,090	276,392	4.03	6.84	0.27%
							4.03	6.84	
AUTOMOBILE ASSEMBLER									
Millat Tractors Limited	48,120	36,240	-	84,360	-	-	-	-	0.00%
Honda Atlas Cars (Pakistan) Limited	56,900	133,600	-	183,900	6,600	979	0.01	0.02	0.00%
Indus Motor Company Limited	22,040	-	-	22,040	-	-	-	-	0.00%
							0.01	0.02	
AUTOMOBILE PARTS AND ACCESSORIES									
Baluchistan Wheels Limited	227,000	7,500	-	-	234,500	14,340	0.21	0.35	1.76%
Agriaautos Industries Limited	-	1,400	-	-	1,400	280	-	0.01	0.01%
Thal Limited	62,397	-	-	62,396	1	-	-	-	0.00%
							0.21	0.36	
PHARMACEUTICALS									
Abbott Laboratories (Pakistan) Limited	98,900	-	-	98,900	-	-	-	-	0.00%
Ferozsons Laboratories Limited	51,200	-	-	46,700	4,500	503	0.01	0.01	0.00%
The Searle Company Limited (Refer 5.3)	79,767	180,300	7,135	263,385	3,817	559	0.01	0.01	0.01%
AGP Limited	-	109,000	-	-	109,000	7,470	0.11	0.18	0.05%
Glaxosmithkline Pakistan Limited	97,100	171,000	-	95,200	172,900	16,483	0.24	0.41	0.05%
							0.37	0.61	
TECHNOLOGY AND COMMUNICATION									
NetSol Technologies Limited	-	836,200	-	160,000	676,200	44,555	0.65	1.10	0.75%
Pakistan Telecommunication Company Limited	-	4,508,500	-	4,508,500	-	-	-	-	0.00%
Systems Limited	-	465,500	46,300	2,500	509,300	48,878	0.71	1.21	0.45%
Avanceon Limited	634,000	-	125,000	321,500	437,500	21,455	0.31	0.53	0.32%
							1.67	2.84	
CABLE AND ELECTRIC GOODS									
Pak Elektron Limited	-	2,792,000	-	2,792,000	-	-	-	-	0.00%
PAPERS AND BOARD									
Century Papers and Board Mills Limited	60,400	-	-	60,400	-	-	-	-	0.00%
Cherat Packaging Limited.	-	137,500	-	-	137,500	11,088	0.16	0.27	0.36%
							0.16	0.27	
GLASS AND CERAMICS									
Tariq Glass Industries Limited	1,147,200	136,500	-	568,900	714,800	54,775	0.80	1.35	0.97%
Ghani Value Glass Limited	-	34,500	-	-	34,500	1,268	0.02	0.03	0.09%
Shabbir Tiles and Ceramics Limited	1,430,500	-	-	336,500	1,094,000	11,257	0.16	0.28	0.67%
							0.98	1.66	
							3,911,211	57.05	96.74
Carrying value before mark to market as at June 30, 2019						4,881,326			

5.2 Investments include shares with market value of Rs. 205.87 million (2018: Rs. 306.016 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange commission of Pakistan.

The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the High Court of Sindh (HCS) in favour of CISs.

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the current year. Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019 as a result of which the HCS issued an order dated July 15, 2019 whereby the previous stay has been restored. The matter is still pending adjudication and no provision has been recorded or contingent liability has been disclosed in the financial statements as the management is confident that the case will be decided in favor of the CISs.

Further, Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 therefore, bonus shares, subsequent to this amendment, issued to the Fund were not withheld by the investee companies.

5.3 Sukuks - Fair value through profit and loss

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2019	Investment as a percentage of			
		As at July 1, 2018	Purchased during the year	Sold / Matured during the year	As at June 30, 2019		Net assets	Market value of total investments	Issue size	
All sukuks have a face value of Rs. 1,000,000 each.										
Dubai Islamic Bank		-	129	-	129	131,413	1.92	-	3.25	-
Carrying value as at June 30, 2019						<u>131,322</u>				

5.3.1 Other particulars of sukuks outstanding as at June 30, 2019 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue Date	Maturity Date
Dubai Islamic Bank	1,000,000	6 months KIBOR Offer Rate + 0.5%	A+	14-Jul-17	14-Jul-27

5.4 Non-performing Sukuks classified as fair value through profit and loss

Name of the investee company	Note	Number of certificates				Market value as at June 30, 2019	Investment as a percentage of			
		As at July 1, 2018	Purchased during the year	Sold / Matured during the year	As at June 30, 2019		Net assets	Market value of total investments	Issue size	
All sukuks have a face value of Rs. 5,000										
Eden Housing Limited	5.4.1	<u>5,000</u>	-	-	5,000	-	-	-	-	-
Carrying value as at June 30, 2019						<u>4,922</u>				
Accumulated impairment						<u>4,922</u>				

5.4.1 This represents investment in privately placed sukuk with a term of five years. On May 6, 2011, the investee company defaulted its principal and profit payment and therefore it was classified as non performing asset by MUFAP. The amount of provision as per Circular no. 1 of 2009 and Circular no. 33 of 2012 has been maintained by valuing the investment in terms of the said circulars.

5.4.2 The sukuk held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage of fixed assets of the issuer.

5.4.3 Other particulars of sukuk outstanding as at June 30, 2019 are as follows:

Name of the investee company	Face value (unredeemed)	Mark-up rate per annum	Rating	Issue Date	Maturity Date
Eden House Limited	984	6 Month KIBOR ask rate plus 2.5%	Not rated	31-Mar-08	31-Mar-13

	Note	2019 -----Rupees in '000-----	2018
5.5 Net unrealised gain on re-measurement of investments at fair value through profit or loss			
Market value of investments	5.1 & 5.3	4,042,624	5,230,962
Less: carrying value of investments before mark to market	5.1 & 5.3	(5,012,648)	(6,064,601)
		(970,024)	(833,639)
5.6 Movement in provision against non-performing sukuk			
Opening balance	5.4	4,922	4,922
Add: charge for the year		-	-
Less: reversal of provision against non-performing sukuk		-	-
Closing balance		4,922	4,922
6. MARK-UP ACCRUED AND DIVIDEND RECEIVABLE			
Mark-up accrued on bank balances		38,035	33,143
Mark-up accrued on government securities		6,686	-
Dividend receivable		5,200	7,765
		49,921	40,908
7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Advance tax		2,714	2,714
Prepayments		110	-
		5,424	5,314

	Note	2019 -----Rupees in '000-----	2018
8. PAYABLE TO NBP FUND MANAGEMENT LIMITED			
- MANAGEMENT COMPANY			
Remuneration of the Management Company	8.1	12,236	19,328
Sindh Sales Tax on remuneration of the Management Company	8.2	1,591	2,510
Operational expenses	8.3	4,397	6,152
Selling and marketing expenses	8.4	17,590	24,608
Sales load		5,433	6,199
Sindh Sales Tax and Federal Excise Duty on sales load		20,041	20,147
		61,288	78,944

8.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund was entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets provided that Management Company may charge performance based or fixed fee or a combination of both which shall not exceed the limit prescribed in the NBFC Regulations and such fee structure shall be disclosed in the offering document.

On November 25, 2015, SECP had made certain amendments in the NBFC Regulations through S.R.O 1160(1)/2015. As per the provision of amended NBFC Regulations, the applicable rate has been changed to 2% of average annual net assets.

Accordingly, Management Company has charged its remuneration at the rate of 2% of the average annual net assets of the Fund from that date.

8.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2018: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

8.3 This represents reimbursement of certain expenses to the Management Company. As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.

8.4 This represents selling and marketing expenses charged by the Management Company to the Fund. During the year, the SECP through Circular No. 40 of 2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to certain collective investment schemes managed by them. Pursuant to the circular, AMCs are allowed to charge selling and marketing expenses initially for three years (effective from January 01, 2017 till December 31, 2019) on open end equity, asset allocation, and index funds maximum up to 0.4% of the average annual net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% per annum of the average annual net assets of the Fund with effect from March 01, 2017, being the lower amount.

	Note	2019 ----- Rupees in '000 -----	2018
9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration of the Trustee	9.1	694	1,046
Sindh Sales Tax on remuneration of the Trustee	9.2	90	132
		784	1,178

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

Tariff structure applicable to the Fund as at June 30, 2019 is as follows:

Net asset value	Tariff per annum
Upto Rs. 1,000 million is higher	Rs. 0.7 million or 0.20% per annum of net assets, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% per annum of net assets exceeding Rs. 1,000 million.

- 9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2018: 13%) on the remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 10.1 Under the provisions of the NBFC Regulations, a collective investment scheme categorized as "asset allocation scheme" is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095% of the average annual net assets of the Fund. The fee is paid annually in arrears.

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2019	2018
		Rupees in '000	
Auditors' remuneration		478	435
Provision for Sindh Workers' Welfare Fund	16.	60,862	60,862
Federal Excise Duty on remuneration of the Management Company	12.1 & 12.2	18,406	18,406
Brokerage charges		197	545
Bank charges		38	136
Settlement charges		156	141
Printing charges		8	43
Charity	11.3	8,855	10,848
Withholding tax		222	101
Capital gain tax		1,595	1,982
Others		2,034	1,020
		92,851	94,519

- 11.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, being prudent, is carrying provision for FED aggregating to Rs. 18.406 million as at June 30, 2019. Had the provision not been made, the net asset value per unit as at June 30, 2019 would have been higher by Rs.0.0369 per unit (2018: Rs.0.0248 per unit).

11.2 The amount of FED accrued on remuneration of the Management Company will be paid via Management Company to the Taxation authority, if required.

11.3 According to the instruction of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 8.855 million (2018: Rs 10.848 million) is outstanding in this regard after making charity payments of Rs. 6.35 million (2018 Rs. 2.25 million) to charitable institutions

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

	2019	2018
	-----Number of units-----	
13. NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	741,473,825	864,317,639
Add: units issued during the year	157,502,225	405,414,041
Less: units redeemed during the year	(400,077,784)	(528,257,855)
Total units in issue at the end of the year	<u>498,898,266</u>	<u>741,473,825</u>

14. NET ASSET VALUE PER UNIT

The net asset value per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

	2019	2018
	-----Rupees in '000 -----	
15. AUDITORS' REMUNERATION		
Annual audit fee	360	330
Half yearly review fee	144	132
Out of pocket expenses and others including government levies	99	96
	<u>603</u>	<u>558</u>

16. WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

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

held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 60.862 million (2018: Rs. 60.862 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.1220 (June 30, 2018: Rs. 0.0821) per unit.

17. TAXATION

The Fund's income is exempt from income tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). There is a loss of Rs. 1,097 million in the current year, therefore, distribution is not required to be made in the current year.

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

18. 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.

19. DETAILS OF NON-COMPLIANT INVESTMENTS

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board has approved the category of the fund as 'Income Scheme'.

"The Securities and Exchange Commission of Pakistan vide its Circular no. 16 dated July 7, 2010, prescribed specific disclosures for the schemes holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirements of their constitutive documents.

The following are the details of non-compliant investments:

Names of non-compliant investment	Non-compliance of clause	Type of Investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of gross assets
Eden Housing Limited	Rating is below investment grade as prescribed in clause 9 (v) of the annexure of circular no. 7 of 2009	Sukuks (5.4)	4,922	(4,922)	-	-	-

19.1 At the time of purchase, these sukuks were in compliance with the aforementioned circular. However, they were subsequently defaulted or were downgraded to non investment grade.

20. TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset for the year) is 3.14% per annum including 0.37% representing government levies on Collective Investment Schemes such as sales tax, provision for Sindh Worker's Welfare Fund and Securities and Exchange Commission of Pakistan fee for the year.

21. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

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

21.2 The transactions with connected persons and related parties are carried out at agreed term.

21.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

21.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

2019 2018
Rupees in '000

21.5 Details of transactions with connected persons and related parties are as follows:

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	199,884	260,529
Sindh Sales Tax on remuneration of the Management Company	25,985	33,869
Reimbursement of operational expenses to the Management Company	9,994	13,026
Sales load	766	25,821
Sindh Sales Tax and Federal Excise Duty on sales load	106	3,356
Selling and marketing expenses	39,977	52,106

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	10,994	14,026
Sindh Sales Tax on remuneration of the Trustee	1,429	1,823
CDS charges	162	280

Employees of the Management Company

Units issued / transferred in 302,331 units (2018: 250,341 units)	4,653	4,153
Units redeemed / transferred out 375,410 units (2018: 620,150 units)	5,724	9,919
Dividend re-invest Nil units (2018: 2,508 units)	-	40

Taurus Securities Limited
(Subsidiary of Parent of the Management Company)

Brokerage charges	635	379
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NBP ISLAMIC SARMAYA IZAFI FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



	June 30, 2019	June 30, 2018
	----- Rupees in '000 -----	
Bank Islami Pakistan Limited (Common directorship with the Management Company)		
Mark-up on bank balances	136,833	123,581
International Industries Limited (Common directorship with the Management Company)		
Shares purchased 187,800 (2018: 12,000)	32,279	3,910
Shares sold 139,000 (2018: Nil)	21,121	-
Dividend income	896	552
International Steel Limited (Common directorship with the Management Company)		
Shares purchased 2,583,700 (2018:1,209,800)	199,905	139,721
Shares sold 3,103,700 (2018: 1,386,000)	214,484	145,500
Dividend income	3,076	2,603
Cherat Cement Company Limited (Common directorship with the Management Company)		
Shares purchased Nil (2018: 958,500)	-	152,604
Shares sold 566,500 (2018: 695,500)	37,536	87,389
Dividend income	2,387	6,320
Askari Bank Limited (Common directorship with the Management Company)		
Mark-up on bank balances	-	389
NAFA Islamic Principal Preservation Fund (Fund managed by the Management Company)		
Units issued / transferred in Nil unit (2018: 1,219,223 units)	-	19,357
Units redeemed / transferred out Nil units (2018: 3,734,088 units)	-	59,323
**Gul Ahmed Textile Mills Limited Employees Provident Fund Trust (Portfolio managed by Management Company)		
Units issued / transferred In 1,210,978 units (2018: Nil units)	19,016	-
Units redeemed / transferred out 1,210,978 units (2018: Nil units)	18,075	-
21.6 Details of amounts outstanding as at year end with connected persons are as follows :		
NBP Fund Management Limited - Management Company		
Remuneration of the Management Company	12,236	19,328
Sindh Sales Tax on remuneration of the Management Company	1,591	2,510
Operational expenses	4,397	6,152
Sales load	5,433	6,199
Sindh Sales Tax and Federal Excise Duty on sales load	20,041	20,147
Selling and Marketing Expenses	17,590	24,608
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	694	1,046
Sindh Sales Tax on remuneration of the Trustee	90	132
CDS charges	23	66
Security deposit	100	100
National Bank of Pakistan (Parent of the Management Company)		
Bank balances	4,836	6,579

NBP ISLAMIC SARMAYA IZAFI FUND (FORMERLY; NAFA ISLAMIC ASSET ALLOCATION FUND)



	June 30, 2019	June 30, 2018
	----- Rupees in '000 -----	
International Industries Limited (Common directorship with the Management Company)		
Ordinary shares held 186,700 shares (2018: 137,900 shares)	36,700	32,033
Dividend receivable	-	-
International Steel Limited (Common directorship with the Management Company)		
Ordinary shares held 445,300 shares (2018: 965,300 shares)	35,737	98,171
Dividend receivable	-	-
Bank Islami Pakistan Limited (Common directorship with the Management Company)		
Bank balances	29,470	1,141,367
Mark-up accrued	20,441	13,138
Cherat Cement Company Limited (Common directorship with the Management Company)		
Ordinary shares held 262,700 shares (2018: 829,900 shares)	45,542	80,623
Askari Bank Limited (Common directorship with the Management Company)		
Bank balances	509	1,277
Summit Bank Limited (Common directorship with the Management Company)		
Bank balances	11,016	12,559
**Shabnam Jabbar - (Entity Managed by the Management Company)		
Investment held in the Fund 76 units (2018: Nil units)	1	-
Employees of the Management Company		
Investment held in the Fund 73,928 units (2018: 141,295 units)	1,016	2,192

**Prior year balances with these parties have not been disclosed as they were not connected persons and related parties during prior year.

22. 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	Doctorate in Business Administration, MBA and CFA	31
2	Mr. Sajjad Anwar	MBA and CFA	19
3	Mr. Muhammad Ali Bhabha	CFA, FRM, MBA and MS(CS)	24
4	Mr. Hassan Raza	ACCA, BSC and CFA	8
5	Mr. Taha Khan Javed	MBA and CFA	13

22.1 Mr. Taha Khan Javed is the manager of the Fund. Other Funds being managed by the Fund manager are as follows:

- NBP Sarmaya Izafa Fund (Formerly NAFA Asset Allocation Fund)
- NBP Islamic Energy Fund (Formerly NAFA Islamic Energy Fund)
- NBP Stock Fund (Formerly NAFA Stock Fund)
- NBP Balanced Fund (Formerly NAFA Multi Asset Fund)
- NBP Islamic Active Allocation Equity Fund (Formerly NAFA Islamic Active Allocation Equity Fund)
- NAFA Financial Sector Fund

23. TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year ended June 30, 2019

S.No	Broker name	Percentage
1	Taurus Securities Ltd.	6.45
2	Arif Habib Securities Limited	5.77
3	Topline Securities (Private) Limited	4.18
4	Alfalah Securities (Private) Limited	4.10
5	Bma Capital Management Limited	4.01
6	Foundation Securities	3.84
7	Efg Hermes Pakistan Limited	3.65
8	Optimus Capital Management Limited	3.55
9	Next Capital Limited	3.52
10	Aqeel Karim Dehdi Securities Private Limited	3.30

List of top ten brokers by percentage of commission charged during the year ended June 30, 2018

S.No	Broker name	Percentage
1	Taurus Securities Limited	6.54
2	Arif Habib Securities Limited	6.24
3	EFG Hermes Pakistan Limited (formerly Invest & Finance Securities Limited)	4.93
4	Alfalah Securities (Private) Limited	4.30
5	Topline Securities (Private) Limited	4.01
6	Aqeel Karim Dehdi Securities (Private) Limited	3.88
7	Fortune Securities	3.79
8	Optimus Capital Management Limited	3.69
9	J.S. Global Capital Limited	3.50
10	Next Capital Limited	3.47

24. PATTERN OF UNIT HOLDING

Category	As at June 30, 2019		
	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	9,521	4,526,308	66.03
Insurance companies	5	64,011	0.93
Retirement funds	83	1,396,003	20.36
Public limited companies	2	258,013	3.76
Others	88	611,039	8.91
	9,699	6,855,373	100

As at June 30, 2018

Category	Number of unit holders	Net asset	Percentage of investment
		value of the amount invested	
Rupees in '000			
Individuals	10,978	7,607,973	66.14
Insurance companies	5	114,580	1.00
Directors	1	6,731	0.06
Retirement funds	135	2,454,794	21.34
Public limited companies	2	291,282	2.53
Others	120	1,026,989	8.93
	11,241	11,502,349	100

25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 68th, 69th, 70th and 71st Board meetings were held on September 5, 2018, October 30, 2018, February 25, 2019 and April 26, 2019, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of the Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mudassir H. Khan *	2	1	1	69th
Tariq Jamali *	2	-	2	68th & 69th
Abdul Hadi Palekar	4	3	1	70th
Foo Chiah Chinug (Dr. Kelvin Foo) *	2	1	1	69th
Kamal Amir Chinoy	4	3	1	70th
Shehryar Faruque	4	3	1	68th
Hamayun Bashir	4	4	-	-
Wajahat Rasul Khan *	2	2	-	-
Dr. Amjad Waheed	4	4	-	-
Mr. Shaikh Muhammad Abdul Wahid Sethi *	2	2	-	-
Mr. Nasir Husain *	2	2	-	-
Mr. Ali Saigol *	2	2	-	-
Mr. Imran Zaffar *	2	2	-	-

25.1 Mr. Shaikh Muhammad Abdul Wahid Sethi, Mr. Nasir Husain, Mr. Ali Saigol and Mr. Imran Zaffar were appointed as directors on Board with effect from December 17, 2018

25.2 Mr. Foo Chiah Chiung (Dr. Kelvin Foo), Mr. Wajahat Rasul Khan, Mr. Mudassir H. Khan and Mr. Tariq Jamali resigned from the Board with effect from October 17, 2018 however, approved by the SECP on January 18, 2019.

* These directors were appointed and retired / resigned during the year, therefore the number of meetings held in respect of these directors is less than the total number of meetings held during the year.

26. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2019		
	At fair value through profit	Amortised cost	Total
----- Rupees in '000 -----			
Financial Assets			
Bank balances	-	2,798,299	2,798,299
Investments	4,042,624	-	4,042,624
Mark-up accrued and dividend receivable	-	49,921	49,921
Receivable against transfer of units	-	123,522	123,522
Deposits	-	2,600	2,600
	4,042,624	2,974,342	7,016,966

	As at June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Financial Liabilities			
Payable to the Management Company	-	61,288	61,288
Payable to the Trustee	-	784	784
Accrued expenses and other liabilities	-	2,911	2,911
Net assets attributable to redeemable units	-	6,855,373	6,855,373
	-	6,920,356	6,920,356

	As at June 30, 2018			
	Loans and receivables	At fair value through profit or loss - held for trading	Available for sale	Total
-----Rupees in '000-----				
Financial Assets				
Bank balances	6,412,181	-	-	6,412,181
Investments	-	5,230,962	-	5,230,962
Mark-up accrued and dividend receivable	40,908	-	-	40,908
Receivable against sale of investments	-	-	-	-
Receivable against transfer of units	-	-	-	-
Deposits	2,600	-	-	2,600
	6,455,689	5,230,962	-	11,686,651

As at June 30, 2018			
	At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000-----			
Financial Liabilities			
Payable to the Management Company	-	78,944	78,944
Payable to the Trustee	-	1,178	1,178
Accrued expenses and other liabilities	-	13,168	13,168
Net assets attributable to redeemable units	-	11,502,349	11,502,349
	-	11,595,639	11,595,639

27. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

27.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

27.1.1 Currency risk

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

27.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2019, the Fund holds balance in saving accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in bank profit rates as on June 30, 2019, the net assets of the Fund would have been higher / lower by approximately Rs. 27.434 million. (2018: Rs. 63.711 million)

b) Sensitivity analysis for fixed rate instruments

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

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, 2019

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

% ----- Rupees in '000 -----

On-balance sheet financial instruments

Financial assets

Bank balances	2.40 - 13.80	2,798,299	2,743,445	-	-	54,854
Investments	11.26	4,042,624	-	-	131,413	3,911,211
Mark-up accrued and dividend receivable		49,921	-	-	-	49,921
Receivable against sale of investment		123,522	-	-	-	123,522
Deposits		2,600	-	-	-	2,600
		7,016,966	2,743,445	-	131,413	4,142,108

Financial liabilities

Payable to the Management Company		61,288	-	-	-	61,288
Payable to the Trustee		784	-	-	-	784
Accrued expenses and other liabilities		2,911	-	-	-	2,911
Net assets attributable to redeemable units		6,855,373	-	-	-	6,855,373
		6,920,356	-	-	-	6,920,356

On-balance sheet gap

		96,610	2,743,445	-	131,413	(2,778,248)
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Off-balance sheet financial instruments

		-	-	-	-	-
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Off-balance sheet gap

		-	-	-	-	-
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As at June 30, 2018

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one year	More than one year	

% ----- Rupees in '000 -----

On-balance sheet financial instruments

Financial assets

Bank balances	2.40 - 6.75	6,412,181	6,371,125	-	-	41,056
Investments		5,230,962	-	-	-	5,230,962
Mark-up accrued and dividend receivable		40,908	-	-	-	40,908
Receivable against transfer of units		-	-	-	-	-
Deposits		2,600	-	-	-	2,600
		11,686,651	6,371,125	-	-	5,315,526

Financial liabilities

Payable to the Management Company		78,944	-	-	-	78,944
Payable to the Trustee		1,178	-	-	-	1,178
Accrued expenses and other liabilities		13,168	-	-	-	13,168
Net assets attributable to redeemable units		11,502,349	-	-	-	11,502,349
		11,595,639	-	-	-	11,595,639

On-balance sheet gap

		91,012	6,371,125	-	-	(6,280,113)
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Off-balance sheet financial instruments

		-	-	-	-	-
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Off-balance sheet gap

		-	-	-	-	-
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27.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate 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.

The Fund is exposed to equity price risk because of the investments held by the Fund and classified in the 'statement of assets and liabilities' as financial asset 'at fair value through profit or loss'. The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to twenty five percent. The equity investments are listed in the Pakistan Stock Exchange Limited. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the Investment Committee as well as the Board of Directors.

In case of 5% increase / decrease in fair value on June 30, 2019, the net income for the year would increase / decrease by Rs. 195.561 million (2018: Rs. 261.548 million) and net assets of the Fund would increase / decrease by the same amount. The sensitivity analysis is based on the Fund's equity security as at the statements of assets and liabilities date with all other variables held constant.

Since fair value of sukuks is primarily based on interest rates, these are not exposed to price risk.

27.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. Credit risk arises from balances with banks and financial institutions, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and accrued mark-up on bank balances, deposits and other receivables. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. Credit risk also arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc. The settlement risk of default on equity securities is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The Fund's significant credit risk arises mainly on account of its placements with banks. The credit rating profile of balances with banks is as follow:

Bank balances by rating category	2019
AAA	26.54%
AA+	26.89%
AA	32.40%
AA-	12.64%
A+	1.08%
A	0.04%
A-	0.02%
Suspended	0.39%
Sukuks by rating category	
Non-performing	0%
Performing	100%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is as follows:

	June 30, 2019		June 30, 2018	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
Bank balances	2,798,299	2,798,299	6,412,181	6,412,181
Investments	131,413	131,413	-	-
Mark-up accrued and dividend receivable	49,921	49,921	40,908	40,908
Receivable against transfer of investment	123,522	123,522	-	-
Deposits	2,600	2,600	2,600	2,600
	3,105,755	3,105,755	6,455,689	6,455,689

Concentration of credit risk

The Fund mainly deals in equity securities which are primarily subject to price risk. The 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 broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

27.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to settlement of equity securities and 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.

For the purpose of making redemptions, 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, no borrowing was obtained by the Fund during the current year.

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

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

	As at June 30, 2019			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	61,288	61,288	-	-
Payable to the Trustee	784	784	-	-
Accrued expenses and other liabilities	2,911	2,911	-	-
Net assets attributable to redeemable units	6,855,373	6,855,373	-	-
	6,920,356	6,920,356	-	-

As at June 30, 2018

	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	78,944	78,944	-	-
Payable to the Trustee	1,178	1,178	-	-
Accrued expenses and other liabilities	13,168	13,168	-	-
Net assets attributable to redeemable units	11,502,349	11,502,349	-	-
	<u>11,595,639</u>	<u>11,595,639</u>	<u>-</u>	<u>-</u>

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price. The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' 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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Carrying amount			Fair value		
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Total
----- Rupees -----						
June 30, 2019						
Financial assets measured at fair value						
Sukuks	131,413	-	131,413	-	131,413	131,413
Listed equity securities	3,911,211	-	3,911,211	-	3,911,211	3,911,211
	<u>4,042,624</u>	<u>-</u>	<u>4,042,624</u>	<u>-</u>	<u>4,042,624</u>	<u>4,042,624</u>

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	Carrying amount			Fair value		
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Total
----- Rupees -----						
Financial assets not measured at fair value						
Bank balances	-	2,798,299	2,798,299	-	-	-
Mark-up accrued and dividend	-	49,921	49,921	-	-	-
Receivable against sale of investment	-	123,522	123,522	-	-	-
Deposits, prepayments and other	-	5,424	5,424	-	-	-
	-	2,977,166	2,977,166	-	-	-

Financial liabilities not measured at fair value						
Payable to NBP Fund Management Limited - Management Company	-	61,288	61,288	-	-	-
Payable to Central Depository Company of Pakistan Limited - Payable to the Securities and Exchange Commission of Pakistan	-	784	784	-	-	-
Accrued expenses and other liabilities	-	9,494	9,494	-	-	-
	-	-	-	-	-	-
	-	71,566	71,566	-	-	-

	Carrying amount			Fair value		
	Fair value through profit or loss - held for trading	Amortized cost	Total	Level 1	Level 2	Total
----- Rupees -----						
June 30, 2018						
Financial assets measured at fair value						
Listed equity securities	5,230,962	-	5,230,962	-	5,230,962	5,230,962
	5,230,962	-	5,230,962	-	5,230,962	5,230,962

Financial assets not measured at fair value						
Bank balances	-	6,412,181	6,412,181	-	-	-
Mark-up accrued and dividend	-	40,908	40,908	-	-	-
Receivable against sale of investment	-	-	-	-	-	-
Deposits, prepayments and other	-	5,314	5,314	-	-	-
	-	6,458,403	6,458,403	-	-	-

Financial liabilities not measured at fair value						
Payable to NBP Fund Management Limited - Management Company	-	78,944	78,944	-	-	-
Payable to Central Depository Company of Pakistan Limited - Payable to the Securities and Exchange Commission of Pakistan	-	1,178	1,178	-	-	-
Accrued expenses and other liabilities	-	12,375	12,375	-	-	-
	-	-	-	-	-	-
	-	92,497	92,497	-	-	-

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

29. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit 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 in the statement of movement in unit holders' fund.

The Fund has no restrictions on the issuance and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of the scheme. The fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies stated in note 26, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by disposal of investments where necessary.

30. GENERAL

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

30.2 Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 30, 2019 .

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

Chief Financial Officer

Chief Executive Officer

Director

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the year ended June 30, 2015	For the year ended June 30, 2014
Net assets at the year / period ended (Rs '000)	6,855,373	11,502,349	14,764,233	5,435,118	2,563,446	556,964
Net income for the year / period ended (Rs '000)	(1,096,871)	(1,323,940)	2,345,440	469,447	446,075	91,957
Net Asset Value per unit at the year / period ended (Rs)	13.7410	15.5128	17.0820	15.5920	15.9909	13.0012
Offer price per unit	14.2068	16.0387	17.6611	16.2106	16.6309	13.5260
Redemption price per unit	13.7410	15.5128	17.0820	15.5920	15.9909	13.0012
Ex - Highest offer price per unit (Rs.)	16.3612	17.8306	20.9116	16.3383	15.7930	13.5260
Ex - Lowest offer price per unit (Rs.)	14.0498	15.2740	16.3405	14.0590	11.4213	12.3956
Ex - Highest redemption price per unit (Rs.)	15.8259	17.2460	18.3107	15.7148	15.1854	13.0012
Ex - Lowest redemption price per unit (Rs.)	13.5891	14.7732	14.2000	13.5225	11.3515	11.9146
Opening Nav of Fiscal Year	15.5128	16.9827	14.1982	13.7862	11.3515	10.6366
Total return of the fund	-11.42%	-8.66%	20.31%	13.10%	33.77%	22.23%
- capital growth	-11.42%	-8.66%	8.78%	2.95%	14.25%	7.73%
- income distribution as a % of ex nav	-	-	11.53%	10.15%	19.52%	14.50%
- income distribution as a % of par value	-	-	16.38%	15.38%	22.16%	15.42%
Distribution						
Interim distribution per unit (Rs)	-	-	1.6376	-	1.3794	1.5419
Final distribution per unit (Rs)	-	-	0.0937	1.5380	0.8365	-
Distribution Dates						
Interim		-	21-Jun-17		-	13-Feb-14
					-	30-Apr-14
					29-Jun-15	26-Jun-14
Final			15-Sep-17	29-Jun-16	14-Jul-15	-
Average annual return of the fund (launch date October 29, 2007)						
(Since inception to June 30, 2019)	11.57%					
(Since inception to June 30, 2018)		14.01%				
(Since inception to June 30, 2017)			16.65%			
(Since inception to June 30, 2016)				16.23%		
(Since inception to June 30, 2015)					16.70%	
(Since inception to June 30, 2014)						14.29%
Portfolio Composition (Please see Fund Manager Report)						

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

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PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Islamic Sarmaya Izafa Fund** (Formerly; NAFA Islamic Asset Allocation Fund), duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. www.nbpfunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP ISLAMIC SARMAYA IZAFI FUND				
	Resolutions	For	Against	Abstain*
Number	10	10	Nil	N/A
(%)	100%	100%	-	-

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