



NBP FUNDS

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NBP SARMAYA IZAFI FUND



ANNUAL REPORT
JUNE 2020



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

MCB Bank Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
Habib Bank Limited
United Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Askari Bank Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
National Bank of Pakistan
Zarai Taraqiati Bank Limited
MCB Islamic Bank Limited
Faysal Bank Limited
Soneri Bank Limited
Dubai Islamic Bank Limited
Telenor Microfinance Bank Limited
Bank Islami Pakistan Limited
U Microfinance Bank Limited
The Bank of Punjab
First Microfinance Bank Limited



Auditors

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court,
A-35, Block 7 & 8,
KCHSU, Sharaf 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

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Office



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Khalid Mansoor
Director



Mr. Humayun Bashir
Director



Syed Hasan Irtiza Kazmi
Director



Mr. Ali Saigol
Director



Mr. Saad Amanullah Khan
Director



Mr. Saad ur Rehman
Director



Mr. Imran Zaffar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



Mr. Asim Wahab Khan, CFA
Deputy Chief Investment Officer



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



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Zaheer Iqbal, ACA FPFA
Head Of Operations



Mr. Salman Ahmed, CFA
Head Of Product Development



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



Mr. Shahid Javed
Head Of Operational Risk



Mr. Shahbaz Umer
Head Of Human Resource



DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Tenth Annual Report of **NBP Sarmaya Izafa Fund** for the year ended June 30, 2020.

Fund's Performance

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meagre 1.5% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 28,765 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 37% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.5% on a YoY basis.

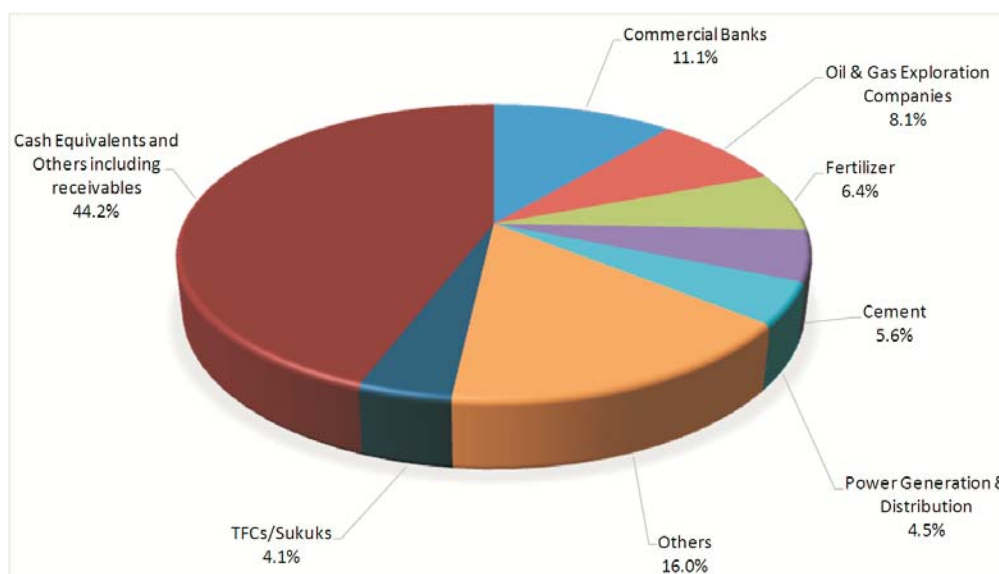
In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) the exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.



During the fiscal year, NBP Sarmaya Izafa Fund increased by 8.2% versus 10.8% increased in the benchmark. Thus, the Fund underperformed the benchmark by 2.6% during the year. The drag on the Fund performance was on account of lagged performance of some of its key holdings belonging to defensive sectors that continued to trade at steep valuation discount compared to the market, during the period under review. We expect these stocks to exhibit strong performance going ahead given their undemanding valuations. Since its launch (August 20, 2010), the Fund has risen by 228.9%, versus the benchmark return of 125.6%, thus to date outperformance is 103.3%. This outperformance is net of management fee and all other expenses. The Fund size is 1,258 million as of June 30, 2020.

NBP Sarmaya Izafa Fund has earned a total income of Rs.149.78 million during the year. After deducting total expenses of Rs.50.48 million, the net income is Rs.99.30 million. During the year, the unit price of NBP Sarmaya Izafa Fund has increased from Rs.14.4623 (Ex-Div) on June 30, 2019 to Rs.14.6242 on June 30, 2020. The resultant per unit gain is Rs.0.1619 i.e. 1.12%. The asset allocation of NBP Sarmaya Izafa Fund as on June 30, 2020 is as follows:



Income Distribution

The Board of Directors of the Management Company has approved interim cash dividend of 7.06% of the opening ex-NAV (10.22% of the par value) for the period ended June 30, 2020.

Taxation

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

Auditors

The present auditor Messrs Deloitte Yousuf Adil & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs A.F. Ferguson & Co., Chartered Accountants, for the year ending June 30, 2021.



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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 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 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, 2020, the Board included:

Category	Names
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	<ol style="list-style-type: none"> 1. Mr. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 4. Mr. Ali Saigol 5. Mr. Imran Zaffar

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: September 17, 2020

Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز NBP سرمایہ اضافہ فنڈ کی دسویں سالانہ رپورٹ برائے اختتامہ سال 30 جون 2020 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کی کارکردگی

مالی سال 2019-20، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KSE-100 انڈیکس میں سالانہ بنیادوں پر %1.5 کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 بلین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 بلین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 بلین امریکی ڈالر کی آمدنی مثبت خبروں کے باوجود مارکیٹ کا آغاز منفی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرٹیکل 370 کی منسوخی پر پاکستان بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح 28,765 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں حصص کی مالیت کو واضح کر دیا۔ پرکشش مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلنس اکتوبر 2019 میں سرپلس میں تبدیل ہوا اور مالی سال 20 کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 3 ارب ڈالر رہ گیا، جو سالانہ بنیادوں پر 78 فیصد کم ہوا۔ اسی طرح، کثیر الجہتی ایجنسیوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KSE-100 انڈیکس میں 16 اگست، 2019 سے خلیفہ 50 فیصد اضافے کے ساتھ سے 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے منی بجٹ کے اندیشہ، اور T-Bills سے ہائٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن/شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 37 فیصد گرتی۔ معیشت کو کورونا وائرس وبائی مرض کے اثرات سے نجات دلانے کے لئے، پالیسی سازوں نے غیر معمولی مالی اور مالیاتی پالیسی اقدامات اٹھائے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو مجموعی طور پر 6.25 فیصد تک کم کیا اور کاروباری اداروں کی مدد اور قرضہ جاری رکھنے کے لئے، قرضوں کی ادائیگی سے متعلق کارپوریٹس/تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امدادی پیکیج دینے کا اعلان کیا، جو جی ڈی پی کے 2.8 فیصد کے برابر ہے، جس میں معاشرے کے تمام طبقوں کے لئے ریلیف شامل ہے جن میں غیر مراعات یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپبلکن انٹرنیشنل انسٹیٹیوٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود نسبتاً کم اموات کی شرح اور صحت یابی کی اعلیٰ شرحوں نے امیدوں کو بڑھایا کہ پاکستان کو بدترین خطرہ سے بچایا جاسکتا ہے جس کا پہلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھی اور تقریباً تمام نقصان والے شعبوں کا احاطہ کیا اور سالانہ بنیاد پر 1.5 فیصد کی معمولی اضافہ کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

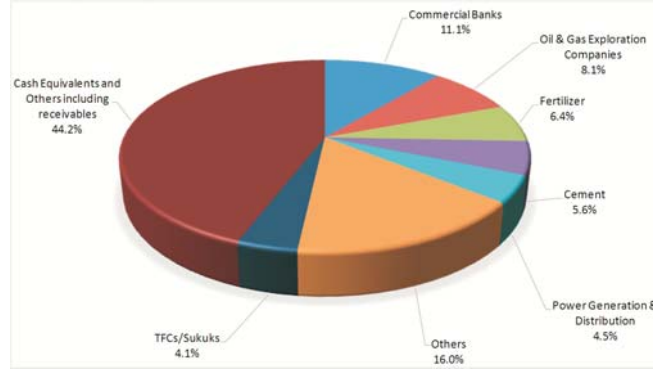
زیر جائزہ مالی سال کے دوران شعبہ دارکارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسیز، سیمینٹ، کیمیکلز، انجینئرنگ، کھاد، دواسازی، کاغذ اور بورڈ، ٹیکنالوجی اور گلاس اینڈ سٹریکچرل کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوٹن، اور ٹیکسٹائل کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 بلین امریکی ڈالر کے خالص ان فلو کے ساتھ بڑے خریدار رہے، جبکہ انٹرنیشنل کمپنیوں نے 128 بلین امریکی ڈالر کے ساتھ پوزیشن مستحکم کی دوسری جانب غیر ملکی سرمایہ کار 285 بلین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک/DFIs اور میوچل فنڈز بھی بالترتیب 55 بلین امریکی ڈالر اور 50 بلین امریکی ڈالر کے خالص آؤٹ فلو کے ساتھ نمایاں فروخت کنندہ رہے۔

مالی سال 2020 کے دوران، TFCs/سکوک میں تجارتی سرگرمی مالی سال 2019 میں 16 بلین روپے کے مقابلے میں مالی سال 2020 کے دوران 87 فیصد اضافے کے ساتھ تقریباً 29 بلین روپے کی مجموعی تجارتی قیمت رہی۔ طویل مدتی کریڈٹ کی طلب خاص طور پر پاور سیکٹر کے شعبہ میں قابل ذکر حد تک بڑھ گئی جیسا کہ بنیادی اجراء میں اضافہ دیکھا گیا۔ اقتصادی استحکام کی جاری پالیسیوں کی تشکیل اور افراط زر جسکی وجہ (i) زرمبادلہ کی شرح گراؤ، (ii) یوٹی لٹیٹی قیمتوں میں اضافہ، اور (iii) وفاقی بجٹ مالی سال 20 میں کٹے گئے دیگر اقدامات، کے باعث پیدا ہونے والے خطرات کا مقابلہ کرنے کیلئے اسٹیٹ بینک آف پاکستان نے جولائی 2019 میں پالیسی کی شرح 100bps سے بڑھا کر 13.25 فیصد کر دی۔ طویل وقفے کے بعد، اسٹیٹ بینک آف پاکستان نے 17 مارچ، 2020 کو منعقدہ اپنے IMPC اجلاس میں پالیسی کی شرح کو 25bps سے کم کر دیا۔ معیشت کو کورونا وائرس کے اثرات سے نجات دلانے کے لئے، اسٹیٹ بینک آف پاکستان نے جارحانہ مانیٹری پالیسی میں آسانی پیدا کی اور مختصر مدت میں پالیسی کی شرح میں 625bps سے کمی کر کے 7 فیصد کر دی۔ پالیسی کی شرح میں کمی کے اثرات گورنمنٹ بانڈ منافع پر بھی اثر انداز ہوئے اور 3 ماہ، 6 ماہ اور 12 ماہ کی T-Bills کے منافع میں بالترتیب 566bps، 580bps اور 608bps کی کمی واقع ہوئی۔ SBP نے زیر جائزہ مدت کے دوران سٹاکس (27 T-Bills) بنیاد میں منعقد کیں اور کل 14,317 بلین روپے جمع کئے۔

زیر جائزہ مالی سال کے دوران، NBP سرمایہ اضافہ فنڈ 10.8% بچ مارک اضافہ کے مقابلے میں 8.2% کا اضافہ ہوا۔ لہذا زیر جائزہ مالی سال کے دوران فنڈ نے اپنے بچ مارک سے 2.6% کی اہتر کارکردگی دکھائی۔ فنڈ کی یہ خراب کارکردگی حتمی شعبوں میں کلیدی ہولڈنگز کی خراب کارکردگی کے باعث رہی جو زیر جائزہ مدت کے دوران مارکیٹ کے مقابلے میں واضح ڈسکاونٹ پر بیجا جاتا رہا۔ ہم توقع کرتے ہیں کہ جب ان حصص کی غیر حتمی قیمتوں کا اندازہ ہوگا تو یہ اپنے کھوئے ہوئے مقام کو دوبارہ حاصل کر لیں گے۔ اپنے آغاز (20 اگست 2010) سے، فنڈ نے 125.6% بچ مارک منافع کے مقابلے میں 228.9% کا منافع کمایا، چنانچہ آج تک فنڈ نے 103.3% کی بہتر کارکردگی دکھائی۔ یہ کارکردگی انتظامی فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ فنڈ کا سائز 30 جون 2020 کو 1,258 ملین ہے۔

این بی پی سرمایہ اضافہ فنڈ کو سال کے دوران 149.78 ملین روپے کی مجموعی آمدنی ہوئی۔ 50.48 ملین روپے کے مجموعی اخراجات متبہا کرنے کے بعد، خالص آمدنی 99.30 ملین روپے ہے۔ سال کے دوران این بی پی سرمایہ اضافہ فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 14.4623 روپے (EX-Div) سے بڑھ کر 30 جون 2020 کو 14.6242 روپے ہو گئی، جس کے نتیجے میں یونٹ منافع 0.1619 روپے یعنی 1.12% ہے۔

30 جون 2020 کو این بی پی سرمایہ اضافہ فنڈ کی ایسٹ ابلو کیٹیشن درج ذیل ہے:



آمدنی کی تقسیم

میٹجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال 30 جون 2020 کے اختتام پر اوپننگ ex-NAV 7.06% (بنیادی قدر کا 10.22%) عبوری نقد منافع منقسمہ کی منظوری دی ہے۔

ٹیکسیشن

چونکہ مذکورہ بالا نقد منافع منقسمہ سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیسٹل گین منہا کرنے کے بعد 90 فیصد ہے، اس لئے فنڈ پر آگم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ اول کی شق 99 کے تحت ٹیکس لاگو نہیں ہوتا ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز Deloitte یوسف عادل اینڈ کو، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور فنڈ کے آڈیٹرز کی صلاحیت میں اپنی پانچ سالہ مدت مکمل کر لی ہے۔ نان بینکنگ فنانس کمپنیز کی ریگولیشن (i) 38 اور نوٹیفکیشن اینڈ ریگولیشنز 2008 کے تقاضے کے مطابق ان کی تبدیلی ضروری ہے۔ بورڈ نے 30 جون 2021 کو ختم ہونے والے سال کے لئے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کی تقرری کی منظوری دی ہے۔

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

- میٹجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی، معیاریوں، 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 روائوں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7 کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8 پرفارمنس ٹیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ بھجیوں اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چارج اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 25 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12 ڈائریکٹرز ہی ای او، 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 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

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

اظہار تشکر

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

بورڈ اپنے اسٹاک اور ڈیٹا 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: 17 ستمبر 2020ء

مقام: کراچی



TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Sarmaya Izafa 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, 2020 in accordance with the provisions of the following:

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

Abdul Samad
Chief Operating Officer
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020



FUND MANAGER REPORT

NBP Sarmaya Izafa Fund

NBP Sarmaya Izafa Fund (NSIF) is an Open-ended Asset Allocation Fund.

Investment Objective of the Fund

Objective of NSIF is to generate income by investing in debt and money market securities and to generate capital appreciation by investing in equity and equity related securities.

Benchmark

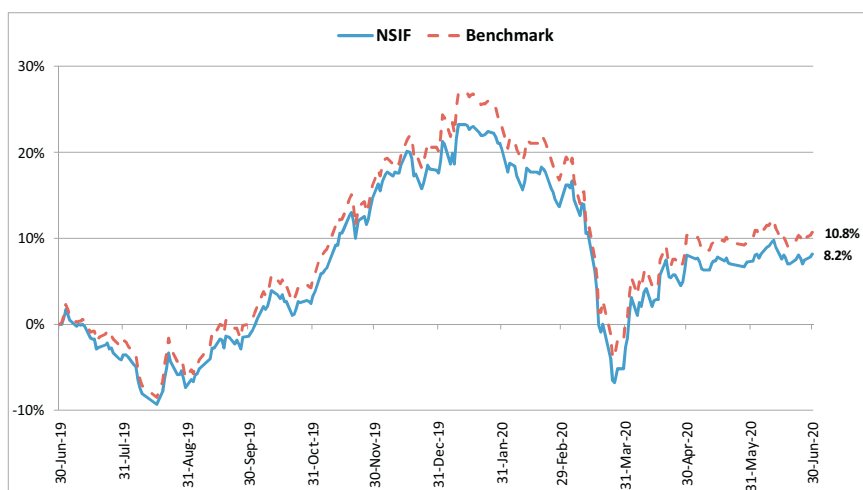
Daily weighted return of KSE-30 Total Return Index & 6-month KIBOR based on Fund's actual allocation, effective from September 01, 2016. Previously 1/3 of average 3-month bank deposit rate; 1/3 of 6-month KIBOR; 1/3 of KSE-30 Index Total Return.

Fund Performance Review

This is the tenth annual report of the Fund. During the fiscal year, NBP Sarmaya Izafa Fund increased by 8.2% versus 10.8% increased in the benchmark. Thus, the Fund underperformed the benchmark by 2.6% during the year. Since its launch (August 20, 2010), the Fund has risen by 228.9%, versus the benchmark return of 125.6%, thus to date outperformance is 103.3%. This outperformance is net of management fee and all other expenses. Thus, NSIF has met its investment objective. During the year, the fund size of NSIF decreased by 29% to Rs. 1,258 mn.

NSIF underperformed during the year as the Fund was overweight in key stocks in Commercial Banks, Oil & Gas Exploration Companies, and Textile Composite sectors that underperformed the market and underweight in key stocks in Cement, Pharmaceutical, and Fertilizer sectors that outperformed the market, which contributed to the underperformance. The chart below shows the performance of NSIF against the Benchmark for the year.

NSIF Performance vs. Benchmark during FY20





At the start of the year, NSIF was around 58.4% invested in equities. During the year, we altered the allocation of the Fund based on our view on the relative performance of different asset classes. Towards the end of the year, the allocation in equities was around 51.6%.

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KSE-100 Index rose by a meagre 1.5% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 28,765 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KSE-100 Index surged by a massive 50% from August 16th, 2019 to its recent peak on January 13th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 37% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.5% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

During FY2020, trading activity in TFCs/Sukuks surged by 87% with a cumulative traded value of around Rs. 29 billion compared to Rs. 16 billion in FY2019. The market also witnessed a substantial increase in the primary issuance as the demand for long-term credit rose notably from the Power sector. Building on the ongoing economic stabilization policies and to counter the upside risks to inflation stemming from (i) the exchange rate depreciation; (ii) increase in utility prices; and (iii) other measures taken in the federal budget FY20, the SBP increased the Policy Rate by 100 bps to 13.25% in July 2019. After taking a long pause, the State Bank slashed the Policy Rate by 25 bps in its MPC meeting held on March 17th, 2020. To cushion the economy from the Coronavirus-induced disruption, the SBP embarked on aggressive monetary easing, slashing the Policy Rate by a cumulative 625 bps to 7% in a short span of time. Sovereign yields responded to this decrease in the Policy Rate as the yields on T-Bills for 3-month, 6-month, and 12-month decreased by 566 basis points, 580 basis points, and 608 basis points, respectively. SBP held twenty-seven (27) T-Bill auctions during the period under review, realizing a total of Rs. 14,317 billion.



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.

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	51.7%	58.4%
Placement with Banks	-	9.9%
TFCs / Sukuks	4.1%	-
Cash Equivalents	49.2%	29.8%
Other Net Liabilities	(5.0%)	1.9%
Total	100.0%	100.0%

Distribution for the Financial Year 2020

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	10.22%	1.0216	14.4623

Unit Holding Pattern of NBP Sarmaya Izafa Fund as on June 30, 2020

Size of Unit Holding (Units)	# of Unit Holders
0-0.99	112
1-1000	330
1001-5000	163
5001-10000	108
10001-50000	248
50001-100000	106
100001-500000	83
500001-1000000	13
1000001-5000000	10
5000001-10000000	3
TOTAL	1,176

During the period under question:

There has been no significant change in the state of affairs of the Fund. NBP Sarmaya Izafa 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. 20.495 million. If the same were not made the NAV per unit/FY20 return of scheme would be higher by Rs. 0.2382. For details, investors are advised to read note 17 of the Financial Statement of the Scheme for the year ended June 30, 2020.



INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the unit holders of NBP Sarmaya Izafa Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **NBP Sarmaya Izafa Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, the statement of comprehensive income, the statement of movement in unit holders' fund and the cash flow statement 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, 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 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 investment</p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in equity securities and sukuk 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 control placed by the Management Company applicable to the balance; independently verified existence of investments from the Central Depository Company (CDC); performed test of details on sale, purchase and maturity (where applicable) 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
Karachi
Date: September 30, 2020



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
ASSETS			
Bank balances	5	619,145	526,947
Investments	6	701,053	1,208,399
Mark-up accrued and dividend receivable	7	2,869	3,547
Receivable against sale of investments		2,563	80,315
Receivable against transfer of units		9,587	-
Deposits, prepayments and other receivables	8	3,405	3,393
Total assets		1,338,622	1,822,601
LIABILITIES			
Payable to NBP Fund Management Limited - Management Company	9	15,677	14,710
Payable to Central Depository Company of Pakistan Limited - Trustee	10	210	282
Payable to the Securities and Exchange Commission of Pakistan	11	275	2,551
Payable against redemption of units		13,856	-
Accrued expenses and other liabilities	12	50,162	35,661
Total liabilities		80,180	53,204
NET ASSETS		1,258,442	1,769,397
UNIT HOLDERS' FUND (as per statement attached)		1,258,442	1,769,397
Contingencies and commitments	13		
----- Number of units -----			
Number of units in issue	14	86,051,906	122,345,244
----- Rupees -----			
Net asset value per unit	15	14.6242	14.4623

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, 2020

INCOME	Note	2020 ----- Rupees in '000 -----	2019 -----
Return / mark-up on;			
- bank balances and term deposits		50,377	110,751
- government securities		10,304	21,130
- debt securities		6,877	-
Net gain / (loss) on sale of investments		24,683	(123,516)
Dividend income		48,721	70,434
Net unrealized gain / (loss) on re-measurement of investments at fair value through profit or loss		8,820	(201,381)
Total income / (loss)		149,782	(122,582)
EXPENSES			
Remuneration of NBP Fund Management Limited - Management Company	9.1	20,922	53,702
Sindh Sales Tax on remuneration of the Management Company	9.2	2,720	6,981
Reimbursement of operational expenses to the Management Company	9.3	1,377	2,685
Selling and marketing expenses - Management Company	9.4	17,131	10,740
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	2,377	3,685
Sindh Sales Tax on remuneration of the Trustee	10.2	309	479
Annual fee to the Securities and Exchange Commission of Pakistan	11	275	2,551
Securities transaction costs		1,332	3,490
Settlement and bank charges		854	862
Auditors' remuneration	16	712	728
Fund rating fee		232	221
Legal and professional charges		130	67
Annual listing fee		27	28
Printing charges		50	74
Total expenses		48,448	86,293
Net income / (loss) from operating activities		101,334	(208,875)
Provision for Sindh Workers' Welfare Fund	17	2,027	-
Net income / (loss) for the year before taxation		99,307	(208,875)
Taxation	18	-	-
Net income / (loss) for the year after taxation		99,307	(208,875)
Earnings per unit	19		
Allocation of net income for the year			
Net income / (loss) for the year after taxation		99,307	(208,875)
Income already paid on units redeemed		(5,238)	-
		94,069	(208,875)
Accounting income available for distribution:			
Relating to capital gain		29,086	-
Excluding capital gain		64,983	-
		94,069	-

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, 2020

	2020	2019
	----- Rupees in '000 -----	
Net income / (loss) for the year after taxation	99,307	(208,875)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	99,307	(208,875)

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, 2020

	2020			2019		
	(Rupees in '000)					
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	1,217,096	552,301	1,769,397	2,378,378	761,176	3,139,554
Issuance of 28,829,834 units (2019: 28,593,326 units)						
- Capital value	416,946	-	416,946	452,738	-	452,738
- Element of loss	38,596	-	38,596	(3,323)	-	(3,323)
Total proceeds on issuance of units	455,542	-	455,542	449,415	-	449,415
Redemption of 65,123,172 units (2019: 104,531,673 units)						
- Capital value	(941,831)	-	(941,831)	(1,655,123)	-	(1,655,123)
- Element of income	(35,842)	(5,238)	(41,080)	44,426	-	44,426
Total payments on redemption of units	(977,673)	(5,238)	(982,911)	(1,610,697)	-	(1,610,697)
Total comprehensive income / (loss) for the year	-	99,307	99,307	-	(208,875)	(208,875)
Distribution at the rate of Rs.1.0216 declared on June 23, 2020	(5,450)	(77,443)	(82,893)	-	-	-
Net assets at end of the year	689,515	568,927	1,258,442	1,217,096	552,301	1,769,397
Undistributed income brought forward						
- Realised		753,682			919,266	
- Unrealised		(201,381)			(158,090)	
		<u>552,301</u>			<u>761,176</u>	
Accounting income available for distribution						
- Relating to capital gain		29,086			-	
- Excluding capital gain		64,983			-	
		<u>94,069</u>			<u>-</u>	
Distribution during the year		(77,443)			-	
Undistributed income carried forward		<u>568,927</u>			<u>552,301</u>	
Undistributed income carried forward						
- Realised		560,107			753,682	
- Unrealised		8,820			(201,381)	
		<u>568,927</u>			<u>552,301</u>	
			- (Rupees) -			- (Rupees) -
Net assets value per unit at beginning of the year		<u>14.4623</u>				<u>15.8337</u>
Net assets value per unit at end of the year		<u>14.6242</u>				<u>14.4623</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, 2020

	2020	2019
	----- Rupees in '000 -----	----- Rupees in '000 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	99,307	(208,875)
Adjustments:		
Return / mark-up on;		
- bank balances and term deposits	(50,377)	(110,751)
- government securities	(10,304)	(21,130)
- debt securities	(6,877)	-
Dividend income	(48,721)	(70,434)
Net (gain) / loss on sale of investments	(24,683)	123,516
Net unrealized (gain) / loss on re-measurement of investments at fair value through profit or loss	(8,820)	201,381
Provision for Sindh Workers' Welfare Fund	2,027	-
	(147,755)	122,582
	(48,448)	(86,293)
Decrease / (increase) in assets		
Investments - net	365,850	328,190
Receivable against sale of investments	77,752	(60,579)
Deposits, prepayments and other receivables	(12)	(111)
	443,591	267,499
Increase / (decrease) in liabilities		
Payable to the Management Company	966	(7,701)
Payable to the Trustee	(72)	(110)
Payable to the Securities and Exchange Commission of Pakistan	(2,276)	(616)
Accrued expenses and other liabilities	12,475	(298)
	11,093	(8,725)
Mark-up on bank balances and term deposits received	51,402	109,408
Mark-up on government securities received	10,304	21,130
Mark-up on debt securities received	6,327	-
Dividend received	48,924	73,170
Net cash flows generated from operating activities	523,192	376,189
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received on issuance of units	445,955	449,415
Amounts paid on redemption of units	(969,055)	(1,610,697)
Dividend paid	(82,893)	-
Net cash used in financing activities	(605,993)	(1,161,282)
Net increase / (decrease) in cash and cash equivalents during the year	(82,801)	(785,092)
Cash and cash equivalents at the beginning of the year	701,947	1,487,039
Cash and cash equivalents at the end of the year	619,145	701,947

5.3

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, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 NBP Sarmaya Izafa 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 June 29, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 18, 2010 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).

The Management Company of the Fund has been licensed to act as an asset management company under the NBFC Rules through a certificate of registration issued by 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 categorised as "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 debt and money market securities and to generate capital appreciation by investing in equity and equity related 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 "4 star" to the Fund.

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

1.2 Impact of COVID -19

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown.

General economic activities in Pakistan also slowed down together with fluctuating trend in Pakistan Stock Exchange during lock down period i.e. from March 22, 2020 to May 9, 2020. However, to deal with such situation, regulators / governments across the country have introduced measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time. These mainly include:

- Time period to regularize the exposure limits breach has been extended;
- Time period to compliance with minimum size has been increased;
- Time for the announcement of daily NAV has been relaxed; and
- Reduction in the interest rate by the State Bank of Pakistan

The management is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff including remote working. Further, the Management has not identified any material adverse impact on the financial performance of the Funds due to COVID-19 pandemic situation.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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



- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part 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 Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations 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 Critical accounting estimates and judgments

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

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

- a) classification and valuation of financial assets (Note 4.2.2 and 6)
- b) impairment of financial assets (Note 4.2.3)
- c) provisions (Note 4.6)

3 ADOPTION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS:

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. 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.



Effective from accounting period beginning on or after:

IFRS 16 - Leases: This standard superseded IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IFRS 9 - Financial Instruments: Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
Amendments to IAS 19 - Employee Benefits: Amendments regarding plan amendments, curtailments or settlements."	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 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, which are also not relevant to the Fund.

3.2 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 Fund's operations or are not expected to have significant impact on the fund's financial statements other than certain additional disclosures.

Effective from accounting period beginning on or after:

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 IFRS 3 - Business Combinations: Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2023
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2023

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 17 – Insurance Contracts



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Cash and cash equivalents

Cash comprises current and saving 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.

4.2 Financial assets and liabilities

4.2.1 Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

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

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

4.2.2 Classification and measurement

4.2.2.1 Financial assets

There are three principal classification categories for financial assets:

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

Financial asset at amortised cost

"A financial asset is measured at amortised 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 FVTOCI

A financial asset is measured at FVTOCI 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.

FVTOCI 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 FVTOCI).

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 FVTOCI 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

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

4.2.2.2 Financial liabilities

The fund classifies its financial liabilities in the following categories

- Measured at amortized cost (AC) ;or
- Measured at Fair value through profit or loss (FVTPL) ;or

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.

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.

4.2.3 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 Financial Instruments (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.

4.2.4 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.

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

Basis of valuation of instruments (other than debt and government securities) at amortised cost

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

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.2.5 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.

4.2.6 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.

4.2.7 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.



4.3 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.

4.4 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.

4.5 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 shall be 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 will be 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.

4.6 Provisions

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

4.7 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' are included in the income statement in the period in which they arise.
- Mark-up / return on bank balances and term deposits, term finance certificates and sukuks, government securities, letter of placement and commercial papers are recognised on a time apportionment basis using the effective interest method.



4.8 Expenses

All expenses, including remuneration of the Pension Fund Manager, Trustee and annual fee to the Securities and Exchange Commission of Pakistan fee are recognised in the Income statement on accrual basis

4.9 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.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.10 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.

4.11 Earnings per unit

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

5. BANK BALANCES	Note	2020	2019
		----- Rupees in '000 -----	-----
Current accounts	5.1	11,190	18,150
Savings accounts	5.2	607,955	508,797
		619,145	526,947

5.1 These includes bank balances of Rs. 8.866 million and Rs. 2.323 million (June 30, 2019: Rs.14,294 Million, Rs. 3.856 million, Rs. 0.514 million and Rs. 337.793 million), maintained with the related parties National Bank of Pakistan and Summit Bank Limited respectively.

5.2 These savings accounts carry markup at rates ranging from 6.50% to 15.30% per annum (2019: 4.5% to 13% per annum).

5.2.1 These includes bank balances of Rs. 0.465 million (June 30, 2019: Rs. 337.793 million), carrying markup rate of 6.75% maintained with the related party Bank Islami Pakistan Limited.



5.3	Cash and cash equivalents	Note	2020	2019
			----- Rupees in '000 -----	
	Current accounts		11,190	18,150
	Savings accounts		607,955	508,797
	Term deposits		-	175,000
			619,145	701,947

6 INVESTMENTS

Financial assets at fair value through profit or loss

Listed equity securities	6.1	649,981	1,033,399
Sukuks	6.2	51,072	-
Term deposits		-	175,000
		701,053	1,208,399

6.1 Listed equity securities

Name of the investee company and sector	Number of shares					Market value as at June 30, 2020	Investment as a percentage of		
	As at July 01, 2019	Purchased during the year	Bonus / Right issue	Sold during the year	As at June 30, 2020		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

(Rupees in '000) ----- % -----

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

OIL AND GAS MARKETING COMPANIES

Attock Petroleum Limited	15,400	-	-	-	15,400	4,700	0.37	0.67	0.04
Hascol Petroleum Limited	1,861	-	-	-	1,861	25	-	-	0.01
Pakistan State Oil Company Limited	142,257	76,500	24,851	185,600	58,008	9,175	0.73	1.31	0.01
Sui Northern Gas Pipelines Limited	262,700	301,000	-	488,000	75,700	4,133	0.33	0.59	0.00
						18,033	1.43	2.57	

OIL AND GAS EXPLORATION COMPANIES

Mari Petroleum Company Limited	37,651	-	3,499	6,360	34,790	43,023	3.42	6.14	0.01
Oil and Gas Development Company Limited	583,900	115,000	-	459,500	239,400	26,095	2.07	3.72	0.01
Pakistan Oilfields Limited	79,820	39,000	-	105,700	13,120	4,600	0.37	0.66	0.02
Pakistan Petroleum Limited	416,474	233,000	84,595	410,500	323,569	28,079	2.23	4.01	0.01
						101,797	8.09	14.53	

FERTILIZER

Engro Corporation Limited	215,270	25,000	-	143,200	97,070	28,434	2.26	4.06	0.01
Engro Fertilizers Limited	631,500	193,500	-	672,000	153,000	9,223	0.73	1.32	0.02
Fauji Fertilizer Bin Qasim Limited	-	378,500	-	205,000	173,500	2,769	0.22	0.39	0.02
Fauji Fertilizer Company Limited *	689,000	37,000	-	361,500	364,500	40,091	3.19	5.72	0.04
						80,517	6.40	11.49	

CHEMICALS

Engro Polymer and Chemicals Limited	645,357	608,000	-	568,500	684,857	17,108	1.36	2.44	0.03
Lotte Chemical Pakistan Limited	620,000	-	-	620,000	-	-	-	-	-
						17,108	1.36	2.44	



Name of the investee company and sector	Number of shares					Market value as at June 30, 2020	Investment as a percentage of		
	As at July 01, 2019	Purchased during the year	Bonus / Right issue	Sold during the year	As at June 30, 2020		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
(Rupees in '000) ----- % -----									
FOOD AND PERSONAL CARE PRODUCTS									
Fauji Foods Limited	-	438,000	-	438,000	-	-	-	-	-
Rafhan Maize Products Limited	840	-	-	840	-	-	-	-	-
Matco Foods Limited	1,250	-	-	-	1,250	24	-	-	0.03
Unity Foods Limited	-	968,000	-	968,000	-	-	-	-	-
						24	-	-	
ENGINEERING									
International Steels Limited *	182,300	100,000	-	197,000	85,300	4,406	0.35	0.63	0.05
Mughal Iron and Steel Industries Limited	409,000	409,000	-	340,500	477,500	19,043	1.51	2.72	0.02
Amreli Steels Limited	-	195,000	-	195,000	-	-	-	-	-
Ittefaq Iron Industries Limited □	-	533,000	-	533,000	-	-	-	-	-
						23,449	1.86	3.35	
CEMENT									
D.G. Khan Cement Company Limited	1,100	160,000	-	119,100	42,000	3,584	0.28	0.51	0.01
Lucky Cement Limited	64,200	48,100	-	19,000	93,300	43,065	3.42	6.14	0.01
Maple Leaf Cement Factory Limited	7,950	-	-	7,950	-	-	-	-	-
Pioneer Cement Limited	-	605,500	-	605,500	-	-	-	-	-
Cherat Cement Company Limited *	49,500	-	-	49,500	-	-	-	-	-
Kohat Cement Limited	151,950	20,000	-	44,000	127,950	17,587	1.40	2.51	0.01
Fauji Cement Company Limited	16,500	534,000	-	150,000	400,500	6,760	0.54	0.96	0.05
						70,996	5.64	10.12	
TEXTILE COMPOSITE									
Nishat Mills Limited	163,500	91,000	-	74,500	180,000	14,042	1.12	2.00	0.01
Gul Ahmed Textile Mills Limited *	822,300	-	94,760	478,500	438,560	12,556	1.00	1.79	
Nishat Chunian Limited	271,000	-	-	205,500	65,500	2,125	0.17	0.30	
Kohinoor Textile Mills Limited	246,194	-	-	-	246,194	8,742	0.69	1.25	
Interloop Limited	162,177	-	-	-	162,177	7,123	0.57	1.02	0.02
						44,588	3.55	6.36	
POWER GENERATION AND DISTRIBUTION									
The Hub Power Company Limited	792,187	80,000	-	299,500	572,687	41,520	3.30	5.92	0.01
Saif Power Limited	93,000	-	-	-	93,000	1,495	0.12	0.21	0.05
K-Electric Limited	1,125,000	600,000	-	1,100,000	625,000	1,881	0.15	0.27	0.01
Lalpir Power Limited	866,000	-	-	110,000	756,000	8,823	0.70	1.26	0.03
PAKGEN Power Limited	274,500	-	-	-	274,500	3,297	0.26	0.47	0.01
						57,016	4.53	8.13	
COMMERCIAL BANKS									
Allied Bank Limited	369,700	-	-	332,500	37,200	2,849	0.23	0.41	0.02
Bank Al-Falah Limited	1,252,950	82,500	-	463,000	872,450	29,288	2.33	4.18	0.03
Bank Al-Habib Limited	713,150	-	-	275,000	438,150	22,915	1.82	3.27	0.02
Bank Of Punjab Limited	1,106,500	297,000	-	1,034,000	369,500	3,104	0.25	0.44	0.00
MCB Bank Limited	135,700	33,000	-	18,000	150,700	24,424	1.94	3.48	0.02
United Bank Limited	430,603	-	-	236,800	193,803	20,031	1.59	2.86	0.01
Faysal Bank Limited	280,663	-	-	234,518	46,145	643	0.05	0.09	0.00
Habib Bank Limited	363,067	43,000	-	55,500	350,567	33,959	2.70	4.84	0.03
Askari Bank Limited	214,500	-	-	214,500	-	-	-	-	-
National Bank Of Pakistan	102,500	-	-	-	102,500	2,834	0.23	0.40	0.00
						140,047	11.14	19.97	
PAPER AND BOARD									
Century Paper and Board Mills Limited	248,000	-	-	49,500	198,500	14,207	1.13	2.03	0.04
Cherat Packaging Limited *	151,263	-	8,726	84,600	75,389	8,832	0.70	1.26	0.03
Packages Limited	-	14,000	-	-	14,000	4,861	0.39	0.69	0.00
						27,900	2.22	3.98	



Name of the investee company and sector	Number of shares					Market value as at June 30, 2020	Investment as a percentage of		
	As at July 01, 2019	Purchased during the year	Bonus / Right issue	Sold during the year	As at June 30, 2020		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
(Rupees in '000) ----- % -----									
AUTOMOBILE ASSEMBLER									
Indus Motor Company Limited	1,330	-	-	361	969	964	0.08	0.14	0.01
Millat Tractors Limited	-	17,600	-	1,700	15,900	11,228	0.89	1.60	0.01
Honda Atlas Cars (Pakistan) Limited	-	35,100	-	-	35,100	6,798	0.54	0.97	0.05
						18,990	1.51	2.71	
AUTOMOBILE PARTS AND ACCESSORIES									
Baluchistan Wheels Limited	7,500	-	-	-	7,500	455	0.04	0.06	0.01
						455	0.04	0.06	
TECHNOLOGY AND COMMUNICATION									
Systems Limited	151,250	6,000	-	63,000	94,250	17,312	1.38	2.47	0.02
Netsol Technologies Limited	184,500	-	-	100,000	84,500	4,200	0.33	0.60	0.04
Pakistan Telecommunication Company Limited	699,000	-	-	699,000	-	-	-	-	-
						21,512	1.71	3.07	0.01
GLASS AND CERAMICS									
Tariq Glass Industries Limited	165,300	-	71,400	22,500	214,200	13,820	1.10	1.97	0.03
						13,820	1.10	1.97	
CABLE & ELECTRICAL GOODS									
Pak Elektron Limited	-	533,000	-	533,000	-	-	-	-	-
						-	-	-	
PHARMACEUTICALS									
The Searle Company Limited	415	9,000	-	-	9,415	1,876	0.15	0.27	0.01
Highnoon Laboratories Limited	8,140	-	814	-	8,954	4,488	0.36	0.64	0.01
AGP Limited	-	10,000	-	-	10,000	1,098	0.09	0.16	0.04
GlaxoSmithKline (Pakistan) Limited	-	52,600	-	52,600	-	-	-	-	-
						7,462	0.60	1.07	
SYNTHETIC PRODUCTS									
Synthetic Products Enterprises Limited	27,000	-	1,080	-	28,080	1,168	0.09	0.17	0.01
						1,168	0.09	0.17	
INSURANCE PRODUCTS									
Adamjee Insurance Company Limited	154,000	-	-	-	154,000	5,099	0.41	0.73	0.00
						5,099	0.41	0.73	
VANASPATI AND ALLIED INDUSTRIES									
Unity Foods Limited	21	-	-	21	-	-	-	-	-
						-	-	-	
Total as at June 30, 2020						649,981	51.68	92.72	
Carrying value before mark to market as at June 30, 2020						641,161			

* These companies are related parties to the Fund.

6.1.1 Investments include shares with market value of Rs. 32.391 million (June 2019: Rs. 50.967 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no. 11 dated October 23, 2007 issued by the SECP.



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.

6.2 Sukuks

Name of investee company	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
	As at July 01, 2019	Purchases during the year	Sold / Matured during the year	As at June 30, 2020		Market value as at June 30, 2020	Net assets	Issue size

All Sukuks have a face value of Rs. 100,000 each unless stated otherwise

Hub power company sukuk 2	-	500	-	500	<u>51,072</u>	0.07	0.04	0.01
Carrying value as at June 30, 2020					<u>52,144</u>			

6.3 Government securities

Market Treasury Bills

Issue date	Maturity date	Tenor	Face value				Investment as a percentage of		
			As at July 1, 2019	Purchases during the year	Sold / matured during the year	As at June 30, 2020	Market value as at June 30, 2020	Net assets	Total investments

Rupees in 000'

November 21, 2019	February 13, 2020	3 months	-	100,000,000	100,000,000	-	-	-	-
December 19, 2019	March 12, 2020	3 months	-	100,000,000	100,000,000	-	-	-	-
February 13, 2020	May 7, 2020	3 months	-	150,000,000	150,000,000	-	-	-	-
February 27, 2020	May 21, 2020	3 months	-	200,000,000	200,000,000	-	-	-	-
March 12, 2020	March 11, 2021	12 months	-	100,000,000	100,000,000	-	-	-	-
April 23, 2020	April 22, 2021	12 months	-	200,000,000	200,000,000	-	-	-	-



		2020	2019
		-----Rupees in '000-----	
7. MARK-UP ACCRUED AND DIVIDEND RECEIVABLE			
Mark-up accrued on bank balances and term deposits		2,319	3,344
Mark-up accrued on sukuks		550	-
Dividend receivable		-	203
		<u>2,869</u>	<u>3,547</u>
8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,750	2,750
- Central Depository Company of Pakistan Limited		100	100
Advance tax		432	432
Receivable against issuance of units		-	-
Prepayments		123	111
		<u>3,405</u>	<u>3,393</u>
9. PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	9.1	1,556	3,355
Sindh Sales Tax on remuneration of the Management Company	9.2	202	436
Operational expenses	9.3	309	1,178
Selling and marketing expenses	9.4	4,440	4,714
Sales load		4,811	1,145
Sindh Sales Tax and Federal Excise Duty on sales load		4,359	3,882
		<u>15,677</u>	<u>14,710</u>
9.1	<p>"Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations 2008, 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.</p> <p>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.</p> <p>Accordingly, Management Company has charged its remuneration at the rate of 2% of the average annual net assets of the Fund from that date."</p>		
9.2	<p>This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2019: 13%) on remuneration of the Trustee through the Sindh Sales Tax on Services Act, 2011.</p>		
9.3	<p>As per regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the scheme. Accordingly, the Management Company has charged 0.1% of the average annual net assets.</p>		
9.4	<p>The SECP through its Circular No. SCD/PRDD/Circular/394/2018 (Circular No. 5 of 2018) dated June 04, 2018 allowed to charge selling and marketing expenses to all categories of mutual funds (except fund of funds and money market funds) subject to, cap of 0.4% per annum of net assets or actual whichever is lower and Board approval. In current year, SECP through its Circular No. 11 of 2019 dated July 5, 2019, has now removed cap of 0.4% on all open end funds (except "Fund of Funds"). In addition to the requirement of Board approval, now these expenses to be paid to AMC on reimbursement basis and subject to approval of the Trustee.</p>		



In pursuance of above circular, the Board has approved the limits to be charged in respect of these expenses. Accordingly effective from July 12, 2019, the Fund has charged 0.4% of daily net asset value of the Fund, thereafter, this has been further revised by the Board to 0.4% of daily net asset value of the Fund.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	2020 Rupees in '000	2019
Remuneration of the Trustee	10.1	186	250
Sindh Sales Tax on remuneration of the Trustee	10.2	24	32
		<u>210</u>	<u>282</u>

10.1 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, 2020 is as follows:

Net asset value	Tariff per annum
Upto Rs. 1,000 million	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."

10.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2020 Rupees in '000	2019
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>275</u>	<u>2,551</u>

11.1 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 0.02 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2020 Rupees in '000	2019
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		581	542
Federal Excise Duty on remuneration of the Management Company	12.1	16,000	16,000
Provision for Sindh Workers' Welfare Fund	17	20,495	18,468
Brokerage charges		769	103
Settlement charges		258	99
Printing charges		85	112
Withholding tax		11,569	92
Capital gain tax		12	2
Legal and professional charges		99	1
Others		294	241
		<u>50,162</u>	<u>35,661</u>



- 12.1** 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 Fund Association of Pakistan with the Sindh High Court (SHC). 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, as a matter of being prudent, is carrying provision for FED aggregating to Rs. 16 million as at December 31, 2016. Had the provision not been made, the net asset value per unit as at June 30, 2020 would have been higher by Re.0.1859 per unit (2019: Re.0.1308 per unit).

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

14 NUMBER OF UNITS IN ISSUE	2020	2019
	----- Rupees in '000 -----	
Total units in issue at the beginning of the year	122,345,244	198,283,591
Add: units issued during the year	28,829,834	28,593,326
Less: units redeemed during the year	(65,123,172)	(104,531,673)
Total units in issue at the end of the year	86,051,906	122,345,244

- 14.1** These units includes 114,441 allocated units which are issued subsequently to unitholders

15 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.

16 AUDITORS' REMUNERATION	2020	2019
	----- Rupees in '000 -----	
Annual audit fee	420	400
Half yearly review fee	168	160
Out of pocket expenses and sales tax expense	124	168
	712	728

17 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.



The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 18.47 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 20.50 million (2019: Rs. 18.47 million). Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 0.2382 (June 30, 2019: Rs. 0.1510) per unit.

18 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). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the fund is required to distribute 90% of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has already distributed 90% of accounting income for the year ended June 30, 2020 to its unit holder. Accordingly, no provision in respect of taxation has been 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.

19 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.

20 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses incurred during the year divided by average net asset value for the year) is 3.67% per annum including 0.39% 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 TRANSACTION WITH CONNECTED PERSONS AND RELATED PARTIES

21.1 Connected persons and related parties include NBP Fund Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan being the Parent of the Management Company and Baltoro Growth Fund being the sponsor of the Management Company. It also includes associated companies of Management Company due to common directorship, post-employment benefit funds of the Management Company, its parent and sponsor. It also includes subsidiaries and associated companies of the Parent of the Management Company and other collective investment schemes (CIS) managed by the Management Company, directors and key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

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 rates agreed between the Management Company and the Trustee.

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

	2020	2019
	----- Rupees in '000 -----	

NBP Fund Management Limited - Management Company

Remuneration of the Management Company	20,922	53,702
Sindh Sales Tax on remuneration of the Management Company	2,720	6,981
Reimbursement of operational expenses to the Management Company	1,377	2,685
Selling and Marketing Expense - Management Company	17,131	10,740
Sales load	3,880	3,402
Sindh Sales tax and Federal Excise Duty on sales load	512	443
Units redeemed / transferred out Nil (2019: 2,440,207) units	-	38,526

Central Depository Company of Pakistan Limited (Trustee)

Remuneration of the Trustee	2,377	3,685
Sindh Sales Tax on remuneration of the Trustee	309	479
CDS charges	130	70

National Clearing Company of Pakistan Limited (Common Directorship with the Management Company)*

NCCPL Charges	459	-
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Pakistan Stock Exchange Limited (Common Directorship with the Management Company)*

Annual listing fee	25	-
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Taurus Securities Limited (Subsidiary of the Parent of the Management Company)

Brokerage expense	79	194
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Askari Bank Limited (Common Directorship with the Management Company)**

Mark-up on bank balances	-	138
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BankIslami Pakistan Limited (Common Directorship with the Management Company)

Mark-up on bank balances	3,706	396
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Chief Financial Officer of the Management Company

Units redeemed / transferred out Nil (2019: 6,164) units	-	1,033
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	2020	2019
	----- Rupees in '000 -----	
Employees of the Management Company		
Units issued / transferred in 527,526 (2019: 56,632) units	8,318	899
Units redeemed / transferred out 558,150 (2019: 77,375) units	8,698	1,227
Dividend re-invest 1,187 (2019: Nil) units	17	-
International Industries Limited (Common Directorship with the Management Company)**		
Shares purchased Nil (2019: 86,000) shares	-	14,014
Shares sold Nil (2019: 214,800) shares	-	36,932
Dividend Income	-	293
International Steels Limited (Common Directorship with the Management Company)		
Shares purchased 100,000 (2019: 384,300) shares	3,987	31,345
Shares sold 197,000 (2019: 461,500) shares	8,026	33,663
Dividend income	219	986
Cherat Packaging Limited (Common Directorship with the Management Company)**		
Shares purchased Nil (2019: 156,300) shares	-	25,782
Shares sold 84,600 (2019: 9,700) shares	-	1,618
Dividend income	-	398
Cherat Cement Limited (Common Directorship with the Management Company)**		
Shares purchased Nil (2019: 141,500) shares	-	10,775
Shares sold 49,500 (2019: 273,900) shares	-	16,197
Dividend income	-	588
Gul Ahmed Textile Mills Limited (Common Directorship with the Management Company)*		
Shares sold 478,500 (2019: Nil) shares	20,144	-
Dividend income	1,185	-
Fauji Fertilizer Limited Company (Common Directorship with the Management Company)*		
Shares purchased 197,500 (2019: Nil) shares	20,028	-
Shares sold 308,000 (2019: Nil) shares	21,349	-
Dividend income	-	-
NBP Money Market Fund		
Market Treasury Bills sold	343,899	-
NBP Stock Fund		
Shares sold 401,018 (2019: Nil) shares	18,961	-
NBP Islamic Stock Fund		
Shares sold 249,500 (2019: Nil) shares	27,457	-
The Hub Power Company Limited (Common Directorship with the Management Company)*		
Shares purchased 80,000 (2019: Nil) shares	5,275	-
Shares sold 299,500 (2019: Nil) shares	26,614	-
Sukuks purchased	50,000	-
Portfolio managed by the Management Company		
Units issued / transferred in Nil (2019 : 2,833,000) units	-	44,132
Units redeemed / transferred out 1,320,965 (2019 : 20,599,740) units	20,497	318,996
Dividend re-invest 82,921 (2019 : Nil) units	1,208	-



21.6 Details of amounts outstanding as at year end with connected persons and related parties are as follows:

	2020	2019
	----- Rupees in '000 -----	
NBP Fund Management Limited - Management Company		
Remuneration of the Management Company	1,556	3,355
Sindh Sales Tax on remuneration of the Management Company	202	436
Operational expenses	309	1,178
Selling and Marketing expenses - Management Company	4,440	4,714
Sales load	4,811	1,145
Sindh Sales tax and Federal Excise Duty on sales load	4,359	3,882
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration of the Trustee	186	250
Sindh sales tax on remuneration of the Trustee	24	32
CDS charges	133	50
Security deposit	100	100
National Bank of Pakistan (Parent of the Management Company)		
Bank balances	8,866	14,294
International Steels Limited (Common Directorship with the Management Company)		
Ordinary shares held; 85,300 (2019: 182,300) shares	4,406	7,239
Cherat Packaging Limited (Common Directorship with the Management Company)**		
Ordinary shares held; 75,389 (2019: 151,263) shares	-	12,198
Gul Ahmed Textile Mills Limited (Common Directorship with the Management Company)*		
Ordinary shares held; 438,560 (2019: 822,300) shares	12,556	38,747
Fauji Fertilizer Limited Company (Common Directorship with the Management Company)*		
Ordinary shares held; 271,500 (2019: Nil) shares	40,091	-
Summit Bank Limited (Common Directorship with the Management Company)		
Bank balances	2,323	3,856
Askari Bank Limited (Common Directorship with the Management Company)**		
Bank balances	-	514
Markup accrued on bank balances	-	4
BankIslami Pakistan Limited (Common Directorship with the Management Company)		
Bank balances	465	337,793
Markup accrued on bank balances	7	391
The Hub Power Company Limited (Common Directorship with the Management Company)*		
Ordinary shares held; 572,687 (2019: Nil) shares	41,520	-
Markup accrued on sukuk	550	-
Sukuk held	51,072	-
National Clearing Company of Pakistan Limited (Common Directorship with the Management Company)*		
Security deposit	2,750	-
NCCPL charges payable	125	-
Employees of the Management Company		
Investment held in the Fund 24,814 (2019: 34,129) units	363	494
Portfolio managed by the Management Company		
Units held; 1,265,372 (2019 : 935) units	18,506	14

** Current year balances with these parties have not been disclosed as they did not remain connected persons and related parties as at year end.

* 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	32
2	Mr. Sajjad Anwar	CFA and MBA	20
3	Mr. Asim Wahab Khan	CFA	14
4	Mr. Muhammad Ali Bhabha	CFA, MBA, FRM and MS	25
5	Mr. Hassan Raza	ACCA, BSC and CFA	9

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

- NBP Balanced Fund
- NBP Financial Sector Fund
- NBP Islamic Energy Fund
- NBP Islamic Regular Income Fund
- NBP Islamic Sarmaya Izafa Fund
- NBP Stock Fund
- NBP Islamic Active Allocation Equity Fund

23 TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission charged during the year ended June 30, 2020

S.No	Broker name	Percentage %
1	Sherman Securities (Private) Limited	8.42
2	Alfalah Securities (Private) Limited	6.67
3	Taurus Securities Ltd.	6.56
4	Spectrum Securities (Private) Limited	5.22
5	Efg Hermes Pakistan Ltd	5.21
6	Khadim Ali Shah Bukhari Securities (Private) Limited)	4.78
7	Arif Habib Securities Limited	4.72
8	Bma Capital Management Limited	4.23
9	Optimus Capital Management Limited	4.10
10	Intermarket Securities	4.08

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 Limited	6.72
2	Arif Habib Securities Limited	5.37
3	J.S. Global Capital Limited	4.35
4	Topline Securities (Private) Limited	3.94
5	Alfalah Securities (Private) Limited	3.81
6	BMA Capital Management Limited	3.61
7	EFG Hermes Pakistan Limited (Formerly Invest and Finance Securities Limited)	3.60
8	Optimus Capital Management Limited	3.53
9	Next Capital Limited	3.51
10	Elixir Securities Pakistan (Private) Limited	3.45



24 PATTERN OF UNIT HOLDING

As at June 30, 2020			
Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	1,141	859,769	68.32%
Retirement funds	22	186,760	14.84%
Others	13	211,913	16.84%
	1,176	1,258,442	100%

As at June 30, 2019			
Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
Rupees in '000			
Individuals	1,319	1,055,886	59.67%
Associated companies and directors	1	3,172	0.18%
Insurance companies	1	4,583	0.26%
Retirement funds	25	490,577	27.73%
Others	14	215,179	12.16%
	1,360	1,769,397	100%

25 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

* Mr. Saad ur Rahman Khan, Mr. Syed Hasan Irtiza Kazmi, Mr. Khalid Mansoor and Mr. Saad Amanullah Khan were appointed as directors on Board, with effect from October 04, 2019

** Mr. Nasir Husain, Mr. Abdul Hadi Palekar, Mr. Kamal Amir Chinoy and Mr. Shehryar Faruque were retired as directors from Board, with effect from October 04, 2019



26 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2020			
	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Financial Assets			
Bank balances	-	619,145	619,145
Investments	701,053	-	701,053
Mark-up accrued and dividend receivable	-	2,869	2,869
Receivable against sale of investments	-	2,563	2,563
Deposits and other receivables	-	2,850	2,850
Receivable against transfer of units		9,587	9,587
	701,053	637,014	1,338,067
Financial Liabilities			
Payable to the Management Company	-	15,677	15,677
Payable to the Trustee	-	210	210
Accrued expenses and other liabilities	-	2,086	2,086
Net assets attributable to redeemable units	-	1,258,442	1,258,442
	-	1,276,415	1,276,415
As at June 30, 2019			
	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Financial Assets			
Bank balances	-	526,947	526,947
Investments	1,208,339	-	1,208,339
Mark-up accrued and dividend receivable	-	3,547	3,547
Receivable against sale of investments	-	80,315	80,315
Deposits and other receivables	-	2,850	2,850
	1,208,339	613,659	1,821,998
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	-	14,710	14,710
Payable to the Trustee	-	282	282
Accrued expenses and other liabilities	-	1,098	1,098
Net assets attributable to redeemable units	-	1,769,397	1,769,397
	-	1,785,487	1,785,487



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 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 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, 2020 the Fund holds variable rate instrument and exposed to cash flow interest rate risk on sukuks and balances in savings accounts. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund would have been higher / lower by approximately Rs. 6.590 million (2019: Rs. 5.088 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the fund does not hold any fixed rate instrument that has been designated at fair value through profit and loss. Therefore, a change in interest rate as at June 30, 2020, would not have any affect on the income statement.

However, as at June 30, 2019, the Fund holds Term deposit receipts as a fixed rate instrument a 100 basis change in interest rate as at June 30, 2019, with all other variables held constant, the net assets of the Fund would have been higher / lower by approximately 1.750 million

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, 2020

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	

On-balance sheet financial instruments

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

Financial assets

Bank balances	6.5 - 15.30	619,145	607,955	-	-	11,190
Investments	10.4	701,053	-	-	-	701,053
Mark-up accrued and dividend receivable		2,869	-	-	-	2,869
Receivable against sale of investments		2,563	-	-	-	2,563
Deposits		2,850	-	-	-	2,850
Receivable against transfer of units		9,587	-	-	-	9,587

1,338,067 607,955 - - 730,112

Financial liabilities

Payable to the Management Company	15,677	-	-	-	15,677
Payable to the Trustee	210	-	-	-	210
Accrued expenses and other liabilities	2,086	-	-	-	2,086
Net assets attributable to redeemable units	1,258,442	-	-	-	1,258,442
	1,276,415	-	-	-	1,276,415

On-balance sheet gap

61,652 607,955 - - (546,303)

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap

- - - - -

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	

On-balance sheet financial instruments

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

Financial assets

Bank balances	4.5 - 13	526,947	508,797	-	-	18,150
Investments	13.2	1,208,399	175,000	-	-	1,033,399
Mark-up accrued and dividend receivable		3,547	-	-	-	3,547
Receivable against sale of investments		80,315	-	-	-	80,315
Deposits		2,850	-	-	-	2,850

1,822,058 683,797 - - 1,138,261

Financial liabilities

Payable to the Management Company	14,710	-	-	-	14,710
Payable to the Trustee	282	-	-	-	282
Accrued expenses and other liabilities	1,098	-	-	-	1,098
Net assets attributable to redeemable units	1,769,397	-	-	-	1,769,397
	1,785,487	-	-	-	1,785,487

On-balance sheet gap

36,571 683,797 - - (647,226)

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap

- - - - -



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, 2020, the net income for the year would increase / decrease by Rs. 32.499 million (2019: Rs.51.670 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.

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 and advances, 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 does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's financial assets:

Bank balances by rating category

	June 30, 2020	June 30, 2019
	Percentage %	
AAA	0.10	0.05
AA+	0.03	0.05
AA	0.00	0.00
AA-	0.37	0.25
AA	0.00	-
A+	0.50	0.64
A	0.00	-
BBB	-	0.01
	<u>1.00</u>	<u>1.00</u>

Sukuks by rating category

	June 30, 2020	June 30, 2019
	Percentage %	
AA+	<u>1.00</u>	<u>-</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows:



	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum Exposure	Amount of financial assets	Maximum Exposure
----- Rupees in '000s -----				
Bank balances	619,145	619,145	526,947	526,947
Investments	701,053	701,053	175,000	175,000
Mark-up accrued and dividend receivable	2,869	2,869	3,547	3,547
Receivable against sale of investments	2,563	2,563	80,315	80,315
Deposits	2,850	2,850	2,850	2,850
Receivable against transfer of units	9,587	9,587	-	-

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 other financial instruments comprise of bank balances and term deposits.

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, 2020			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	15,677	15,677	-	-
Payable to the Trustee	210	210	-	-
Accrued expenses and other liabilities	2,086	2,086	-	-
Net assets attributable to redeemable units	1,258,442	1,258,442	-	-
	1,276,415	1,276,415	-	-



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	14,710	14,710	-	-
Payable to the Trustee	282	282	-	-
Accrued expenses and other liabilities	1,098	1,098	-	-
Net assets attributable to redeemable units	1,769,397	1,769,397	-	-
	<u>1,785,487</u>	<u>1,785,487</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.

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)

	Note	Carrying amount			Fair value			Total
		At Fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3	
----- Rupees in '000 -----								
June 30, 2020								
Financial assets measured at fair value								
Listed equity securities	6	649,981	-	649,981	649,981	-	-	649,981
Sukuks	6	51,072	-	51,072	-	51,072	-	51,072
		<u>701,053</u>	<u>-</u>	<u>701,053</u>	<u>649,981</u>	<u>51,072</u>	<u>-</u>	<u>701,053</u>
Financial assets not measured at fair value								
Bank balances	5	-	619,145	619,145	-	-	-	-
Receivable against sale of investment		-	2,563	2,563	-	-	-	-
Accrued interest on bank balances		-	2,319	2,319	-	-	-	-
Deposits and other receivables	8	-	3,405	3,405	-	-	-	-
		<u>-</u>	<u>627,432</u>	<u>627,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Payable to the Management Company	9	-	15,677	15,677	-	-	-	-
Remuneration payable to the Trustee	10	-	210	210	-	-	-	-
Net assets attributable to redeemable units		-	1,769,397	1,769,397	-	-	-	-
Accrued expenses and other liabilities	12	-	2,086	2,086	-	-	-	-
		<u>-</u>	<u>1,787,370</u>	<u>1,787,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



June 30, 2019	Carrying amount		Fair value			
	At fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Total
----- Rupees in '000 -----						
Financial assets measured at fair value						
Listed equity securities	1,033,399	-	1,033,399	1,033,399	-	1,033,399
Term deposits receipts	175,000	-	175,000	-	175,000	175,000
	<u>1,208,399</u>	<u>-</u>	<u>1,208,399</u>	<u>1,033,399</u>	<u>-</u>	<u>1,208,399</u>
Financial assets not measured at fair value						
Bank balances	-	526,947	526,947	-	-	-
Receivable against sale of investment	-	80,315	80,315	-	-	-
Dividend receivable	-	203	203	-	-	-
Accrued interest on bank balances	-	3,344	3,344	-	-	-
Deposits and other receivables	-	3,393	3,393	-	-	-
	<u>-</u>	<u>614,202</u>	<u>614,202</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value						
Payable to the Management Company	-	14,710	14,710	-	-	-
Remuneration payable to the Trustee	-	282	282	-	-	-
Accrued expenses and other liabilities	-	1,098	1,098	-	-	-
	<u>-</u>	<u>16,090</u>	<u>16,090</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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 28, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

30 DATE OF AUTHORISATION FOR ISSUE

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

31 GENERAL

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

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

Chief Financial Officer

Chief Executive Officer

Director



PERFORMANCE TABLE

Particulars	For the year ended June 30, 2020	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
Net assets (Rs. '000')	1,258,442	1,769,397	3,139,554	3,290,118	1,174,657	2,073,497
Net Income (Rs. '000')	99,307	(208,875)	(248,202)	756,388	75,790	422,547
Net Asset Value per units (Rs.)	14.6242	14.4623	15.8337	17.0467	14.8297	14.9616
Offer price per unit	15.1200	14.9522	16.3705	17.6246	15.4180	15.5604
Redemption price per unit	14.6242	14.4623	15.8337	17.0467	14.8297	14.9616
Ex - Highest offer price per unit (Rs.)	17.2273	16.8863	17.6826	18.7911	15.7944	15.5077
Ex - Lowest offer price per unit (Rs.)	12.6816	14.8811	15.2392	13.5968	13.7044	11.8422
Ex - Highest redemption price per unit (Rs.)	16.6625	16.3329	17.1028	18.1749	15.1918	14.9110
Ex - Lowest redemption price per unit (Rs.)	12.2658	14.3932	14.7395	13.1540	13.1814	11.3846
Fiscal Year Opening Ex Nav	13.5168	15.8337	16.9877	13.1234	13.7815	11.8596
Total return of the fund	8.19%	-8.66%	-6.79%	29.90%	7.61%	24.64%
Capital growth	1.20%	-8.66%	-6.79%	13.44%	0.35%	23.07%
Income distribution as % of Ex-NAV	7.06%			16.46%	7.26%	1.57%
Income distribution as % of Par Value	10.22%			21.60%	10.73%	1.86%
Interim distribution per unit	1.0216			2.1599	1.0725	-
Final distribution per unit	-			0.0552	-	0.1860
Distribution dates						
Interim	24-Jun-2020			21-June-2017	30-June-2016	
Final				15-Sep-17	-	14-July-2015
Average annual return (launch date 20-08-2010)						
(Since inception to June 30, 2020)	12.82%					
(Since inception to June 30, 2019)		13.36%				
(Since inception to June 30, 2018)			16.52%			
(Since inception to June 30, 2017)				20.37%		
(Since inception to June 30, 2016)					18.82%	
(Since inception to June 30, 2015)						21.30%



PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Sarmaya Izafa 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 SARMAYA IZAFI FUND			
Resolutions	For	Against	Abstain*
9	9	Nil	N/A
100%	100%	-	-

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