



# NBP FUNDS

*Managing Your Savings*

**AM1**

Rated by PACRA

## NAFA STOCK FUND

**ANNUAL  
REPORT  
2018**



## 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.

# NAFA STOCK FUND

## FUND'S INFORMATION

### Management Company

#### NBP Fund Management Limited - Management Company

#### Board of Directors of the Management Company

Mr. Mudassir Husain Khan	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Tariq Jamali	Director
Mr. Abdul Hadi Palekar	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Dr. Foo Chiah Shiung (Kelvin Foo)	Director
Mr. Humayun Bashir	Director
Mr. Wajahat Rasul Khan	Director

#### Company Secretary & COO

Mr. Muhammad Murtaza Ali

#### Chief Financial Officer

Mr. Khalid Mehmood

#### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Tariq Jamali	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member
Mr. Humayun Bashir	Member

#### Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Abdul Hadi Palekar	Member
Mr. Humayun Bashir	Member

#### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Tariq Jamali	Member
Mr. Shehryar Faruque	Member
Dr. Foo Chiah Shiung (Kelvin Foo)	Member

#### Trustee

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

#### Bankers to the Fund

Allied Bank Limited  
Askari Bank Limited  
Summit Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Silk Bank Limited  
Soneri Bank Limited  
The Bank of Punjab  
United Bank Limited  
Dubai Islamic Bank Pakistan Limited  
Sindh Bank Limited  
JS Bank Limited  
Zarai Taraqiyati Bank Limited  
Bankislami Pakistan Limited  
Al-Baraka Bank (Pakistan) Limited  
Meezan Bank Limited

# NAFA STOCK FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

7th Floor Clifton Diamond Vuilding, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 021 (111-111-632),  
(Toll Free): 0800-20002,  
Fax: (021) 35825329  
Website: [www.nbpfonds.com](http://www.nbpfonds.com)

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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-a-Gahi, Multan.  
Phone No: 061-4502204  
Fax No: 061-4502203

# NAFA STOCK FUND

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# Board of Directors



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Mudassir Husain Khan  
Chairman



Mr. Kamal Amir Chinoy  
Director



Mr. Humayun Bashir  
Director



Mr. Tariq Jamali  
Director



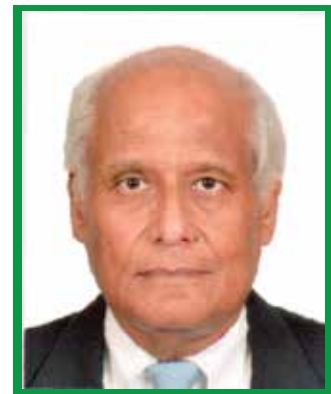
Mr. Shehryar Faruque  
Director



Dr. Foo Chiah Shiung (Kelvin Foo)  
Director



Mr. Abdul Hadi Palekar  
Director



Mr. Wajahat Rasul Khan  
Director



# Senior Management



Mr. Sajjad Anwar, CFA  
Chief Investment Officer



Dr. Amjad Waheed, CFA  
Chief Executive Officer



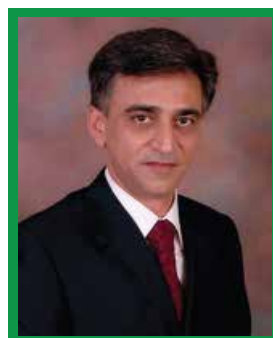
Mr. M. Murtaza Ali  
Chief Operating Officer  
& Company Secretary



Mr. Khalid Mehmood  
Chief Financial Officer



Mr. Samiuddin Ahmed  
Country Head Corporate  
Marketing



Mr. Ozair Khan  
Chief Technology Officer



Syed Rizwan Aziez  
Country Head Sales Strategy



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



Mr. Taha Khan Javed, CFA  
Head of Equity



Mr. Hassan Raza, CFA  
Head of Research



Syed Ali Azhar Hasani  
Head of Internal Audit



Mr. Salman Ahmed, CFA  
Head of Risk Management



Mr. Zaheer Iqbal - ACA, FPFA  
Head Of Operations



Mr. Raheel Rehman, ACA  
Head of Compliance



Mr. Shahbaz Umer  
Head of Human Resource &  
Administration

# NAFA STOCK FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fund Management Limited is pleased to present the Twelve Annual Report of **NAFA Stock Fund (NSF)** for the year ended June 30, 2018.

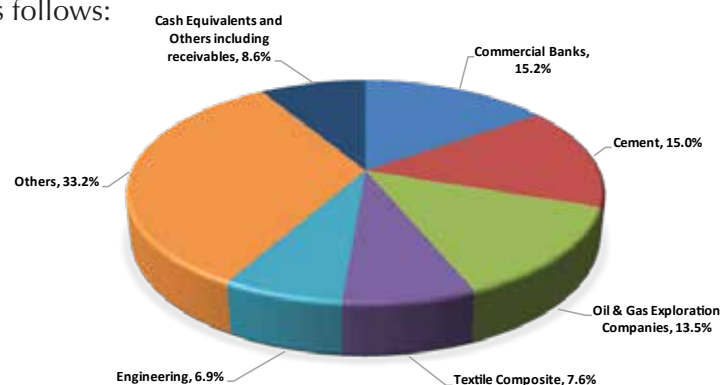
### Fund's Performance

The size of the NAFA Stock Fund has decreased from 16,858 million on June 30, 2017 to Rs. 14,984 million on June 30, 2018, i.e. a decrease of 11.12%. During the year, the unit price of NAFA Stock Fund has decreased from Rs. 16.2138 on June 30, 2017 to Rs. 14.6226 on June 30, 2018. Since inception (January 19, 2007), NSF has risen by 437.08%, whereas the KSE-30 index has increased by 100.18%, thus to date out-performance is 336.9%. This outperformance is net of management fee and all other expenses. During the fiscal year, NAFA Stock Fund decreased by 9.75% as against its benchmark KSE-30 index decrease by 10.03%, outperforming the market by 0.28% during the year. The Fund outperformed on the back of proactive asset allocation. Furthermore, the Fund was overweight in key stocks in Oil & Gas Exploration Companies, Commercial Banks, Technology & Communication, and Fertilizer sectors that outperformed the market and was underweight in key stocks in Cement, Refinery, and Automobile Assembler sectors that underperformed the market, which contributed to the outperformance.

FY2017-18 proved a challenging year for the stock market as the KSE-100 Index dropped by 10%. It was the first negative return for equity investors after eight years. A host of factors can be attributed to this lackluster performance of the stock market. Contrary to the market expectations, continued sell-off by the foreign investors in FY18 despite up-gradation of PSX into a widely followed MSCI Emerging Index from Frontier Market, shook investors' confidence. Adding to investors' angst was elevated uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments of Panama Leaks Case, who was later on barred from politics for lifetime. Sit-in by some religious parties in the federal capital and the uncertainty surrounding the elections also took its toll on the stock market. Much awaited Afghan Policy was unveiled by US President, Mr. Donald Trump, signaling tough stance of the US towards Pakistan also perturbed market participants. On the economic front, Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken that included a measured PKR devaluation, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a Foreign & Domestic Assets Declaration Schemes that fell below expectations.

In terms of sectoral performance, Oil & Gas Exploration, Fertilizer and Commercial Bank sectors out-performed the market during FY18, while Cement, Refinery, Engineering, and Automobile Parts & Accessories sectors lagged behind. Foreign investors remained net sellers with outflows of USD 289 million during the aforesaid period. Among local investors, Insurance and Companies remained major net buyers, taking fresh equity exposure worth USD 204 million and USD 100 million, respectively. Mutual Funds, on the other hand, remained net sellers, off-loading shares worth USD 35 million.

NAFA Stock Fund has incurred a total loss of Rs. 1,288.62 million during the period. After deducting total expenses of Rs. 489.55 million, the net loss is Rs. 1,778.17 million. The asset allocation of NAFA Stock Fund as on June 30, 2018 is as follows:





# NAFA STOCK FUND

## Income Distribution

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

## Taxation

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

## Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2019.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2018, the Board included:

# NAFA STOCK FUND

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque 3. Mr. Humayun Bashir
Executive Directors	Dr. Amjad Waheed – Chief Executive Officer
Non-Executive Directors	1. Mr. Mudassir Husain Khan (Chairman) 2. Mr. Tariq Jamali 3. Mr. Abdul Hadi Palekar 4. Mr. Wajahat Rasul Khan 5. Dr. FOO Chiah Shiung (Kelvin Foo)

## 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  
Date: September 05, 2018  
Place: Karachi.

Director

# NAFA STOCK FUND

## ڈائریکٹرز رپورٹ

این بی پی فنڈ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسٹاک فنڈ (NSF) کی بارہویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

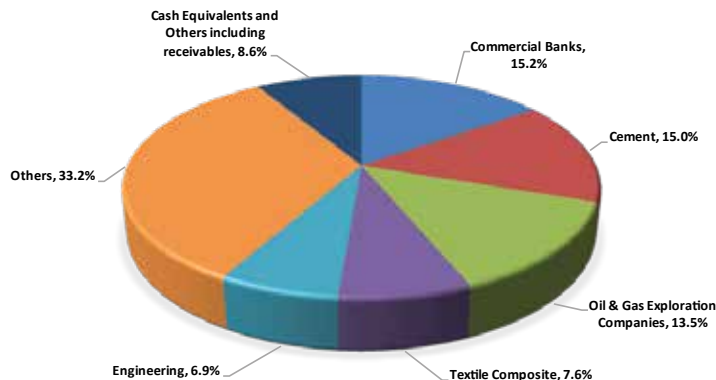
### فنڈ کی کارکردگی

NAFA اسٹاک فنڈ (NSF) کا فنڈ سائز 30 جون 2017 کو 16,858 ملین روپے سے کم ہو کر 30 جون 2018 کو 14,984 ملین روپے ہو چکا ہے، یعنی 11.12% کی کمی۔ اس سال کے دوران NAFA اسٹاک فنڈ (NSF) کے یونٹ کی قیمت 30 جون 2017 کو 16.2138 روپے سے کم ہو کر 30 جون 2018 کو 14.6226 روپے ہو چکی ہے۔ اپنے قیام (19 جنوری 2007) سے اب تک فنڈ میں 437.08% کا اضافہ ہوا ہے، جبکہ KSE-30 انڈیکس بڑھ کر 100.18% ہو گیا، لہذا اب تک فنڈ نے 336.9% کی بہتر کارکردگی دکھائی۔ یہ بہتر کارکردگی منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ مذکورہ مالی سال کے دوران NAFA اسٹاک فنڈ نے KSE-30 انڈیکس کی 10.03% کمی کے مقابلے میں 9.75% کی کمی درج کرائی، اس طرح فنڈ نے سال کے دوران مارکیٹ کے مقابلے میں 0.28% کی اضافی کارکردگی کا مظاہرہ کیا۔ فنڈ نے یہ بہتر کارکردگی متحرک درجہ بندی کی بنا پر دکھائی۔ اس کے علاوہ، مارکیٹ میں بہتر کارکردگی کرنے والے تیل اور گیس ایکسپلوریشن، کمرشل بینک، ٹیکنالوجی اور مواصلات اور فریٹلائزر کے شعبہ جات کے اہم اسٹاک میں فنڈ کی اضافی سرمایہ کاری، جبکہ مارکیٹ میں اتر کارکردگی کرنے والے سیمنٹ، ریفائری اور آٹوموبائل اسمبلر کے شعبہ جات کے اہم اسٹاک میں کم سرمایہ کاری ہونے کی وجہ سے فنڈ نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا۔

مالی سال 2017-2018 اسٹاک مارکیٹ کیلئے چیلنج کا سال تھا کیونکہ KSE-100 انڈیکس 10% گر گیا۔ یہ آٹھ سال کے عرصے میں ایکویٹی سرمایہ کاروں کے منافع میں پہلی کمی تھی۔ اسٹاک مارکیٹ کی اس ناقص کارکردگی کا سبب کئی عوامل تھے۔ مارکیٹ کی توقعات کے برعکس، PSX کی فرنٹیر مارکیٹ کے MSCI ایمرجنگ انڈیکس میں اپ گریڈنگ کے باوجود سرمایہ کاروں کے اعتماد کو دھچکا لگا اور مالی سال 18 میں غیر ملکی سرمایہ کاروں کی جانب سے فروخت کا سلسلہ جاری رہا۔ اس کے علاوہ سرمایہ کاروں کی تشویش میں ملکی سیاست کی بڑھتی ہوئی غیر یقینی کیفیت سے اور اضافہ ہوا چا پنامہ لیکس کیس میں منتخب وزیراعظم کو نااہل قرار دینے کے تاریخی فیصلے سے پیدا ہوئی اور بعد میں ان کے عمر بھر کیلئے سیاست میں حصہ لینے پر پابندی کا باعث بنی۔ بعض مذہبی جماعتوں کی طرف سے وفاقی دارالحکومت میں دھرنے اور ایکشن کے قریب غیر یقینی کی فضا سے اسٹاک مارکیٹ پر مزید اثر پڑا۔ امریکی صدر مسٹر ڈونلڈ ٹرمپ نے بلاخرکافی عرصہ سے متوقع افغان پالیسی کا اعلان کر دیا جس میں امریکہ کی جانب سے پاکستان پر مزید پابندیاں لگانے کا اشارہ دیا گیا تھا جو مارکیٹ کے شرکاء کے لئے مزید پریشانی کا باعث بنا۔ اُدھر معاشی منظر نامہ میں، خام تیل کی بڑھتی ہوئی قیمتیں اور آئل اور ایل این جی کے ساتھ ساتھ صنعتی خام مال، ٹرانسپورٹ گاڑیوں اور مشینری کی بڑھتی ہوئی درآمدات کی بنا پر کرنٹ اکاؤنٹ کا خسارہ غیر روایتی سطح کی حد تک 18 بلین یو ایس ڈالر تک پہنچ گیا جو مارکیٹ میں تشویش کا بڑا سبب بنا۔ وسیع طلب کے دباؤ کو قابو کرنے کیلئے کئی اقدامات اٹھائے گئے جن میں پاکستانی روپے کی قدر میں کمی پر قابو، غیر ضروری درآمد شدہ اشیاء پر زیادہ اور وسیع حد تک ڈیوٹیز کا نفاذ اور شرح سود میں اضافہ شامل تھا۔ گرتے ہوئے غیر ملکی زرمبادلہ اور دستاویزی معیشت کو سہارا دینے کے لئے حکومت نے غیر ملکی اور ملکی اثاثہ جات ظاہر کرنے کی اسکیمیں متعارف کرائیں جو قابل توقع نتائج نہ دے سکیں۔

مالی سال میں 18 شعبہ جاتی کارکردگی کے لحاظ سے مارکیٹ میں آئل اینڈ گیس ایکسپلوریشن، فریٹلائزر اور کمرشل بینک کے شعبہ جات کی کارکردگی بہت عمدہ رہی جب کہ سیمنٹ، ریفائری، انجینئرنگ اور آٹوموبائل پارٹس اور ایسریز کے شعبہ بہت پیچھے رہے۔ غیر ملکی سرمایہ کار خالصتاً فروخت کنندہ رہے اور مذکورہ مدت میں 289 بلین یو ایس ڈالر کا سرمایہ ملک سے باہر گیا۔ مقامی سرمایہ کاروں میں انشورنس اور کمینیز بڑے خریدار رہے اور انہوں نے بالترتیب 204 بلین یو ایس ڈالر اور 100 بلین یو ایس ڈالر کے نئے حصص حاصل کئے۔ دوسری طرف میوچوئل فنڈز خالص فروخت کنندہ رہے اور 35 بلین یو ایس ڈالر کے حصص فروخت ہوئے۔

NAFA اسٹاک فنڈ (NSF) کو اس سال کے دوران 1,288.62 ملین روپے کی مجموعی نقصان ہوا۔ 489.55 ملین روپے کے اخراجات منہا کرنے کے بعد خالص نقصان 1,778.17 ملین روپے رہا۔ فنڈ کی ایسیٹ ایلوکیشن 30 جون 2018 کو بمطابق ذیل ہے:



### آمدنی کی تقسیم

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

# NAFA STOCK FUND

## ٹیکسیشن

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

## آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG تاثير ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2019 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

## کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجھٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرکرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجھٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CEO، CFO، کمپنی بیکریٹری 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 20 میں ظاہر کی گئی ہے۔
- 13- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی مائٹراٹی انٹرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

کیٹیگری	نام
غیر جانبدار ڈائریکٹرز	1- جناب کمال عامر چنائے 2- جناب شہریار فاروق 3- جناب ہمایوں بشیر
ایگزیکٹو ڈائریکٹرز	ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)
نان ایگزیکٹو ڈائریکٹرز	1- جناب مدرثر حسین خان (چیئرمین) 2- جناب طارق جمالی 3- جناب عبدالہادی بابیکر 4- جناب وجاہت رسول خان 5- ڈاکٹر فوشیہ شیونگ (کیلون فو)

## اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجھٹ 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 سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔  
بورڈ اپنے اسٹاف اور رٹسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجھٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ

05 ستمبر 2018ء

مقام: کراچی

# NAFA STOCK FUND

## 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 NAFA Stock 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, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 13, 2018



# NAFA STOCK FUND

## FUND MANAGER REPORT

NAFA Stock Fund is an Open-ended Equity Fund

### Investment Objective of the Fund

The objective of NAFA Stock Fund is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund is moderate to high.

### Benchmark

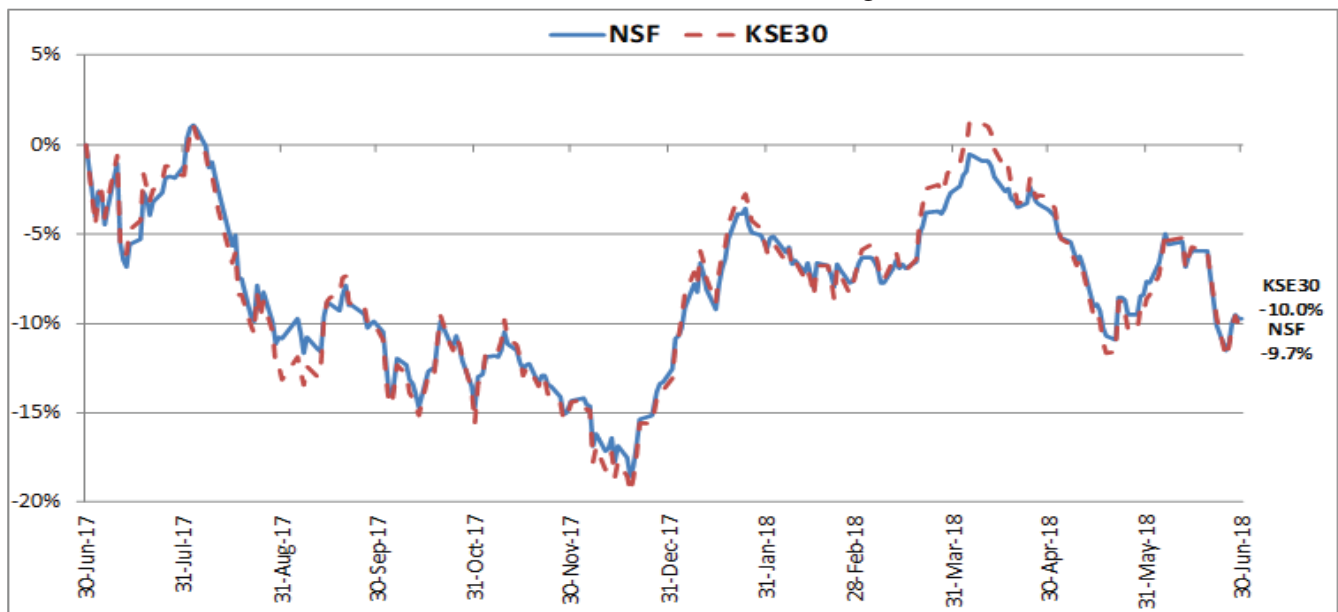
The Benchmark of the Fund is KSE-30 Total Return Index.

### Fund performance review

This is the twelfth annual report of the Fund. During the fiscal year, NAFA Stock Fund decreased by 9.75% as against the KSE-30 index decrease by 10.03%, outperforming the market by 0.28% during the year. Since inception (January 19, 2007), NSF has risen by 437.08%, whereas the KSE-30 index has increased by 100.18%, thus to date out-performance is 336.9%. This outperformance is net of management fee and all other expenses. Thus, NSF has met its investment objective. During the year, the fund size of NSF decreased by 11% to Rs 14,984mn.

NSF outperformed on the back of proactive asset allocation. Furthermore, the Fund was overweight in key stocks in Oil & Gas Exploration Companies, Commercial Banks, Technology & Communication, and Fertilizer sectors that outperformed the market and was underweight in key stocks in Cement, Refinery, and Automobile Assembler sectors that underperformed the market, which contributed to the outperformance. The chart below shows the performance of NSF against the Benchmark for the year.

NSF Performance vs. Benchmark during FY18



At the beginning of the year, NSF was around 91.4% invested in equities. During the year, we proactively adjusted our exposure in equities. At the end of the year, NSF was around 85.5% invested in equities.

FY2017-18 turned out to be a challenging year for the stock market with first negative return since 2009, as the benchmark KSE-100 Index dropped by 10% on a yearly basis. This lackluster performance, in sharp contrast to FY2010-17 period, in which market surged at a CAGR of 26.3%, is attributable to a host of factors. The upgrade of Pakistan's market to a widely followed MSCI Emerging Index from Frontier Market status failed to live up to expectations and unabated sell-off by the foreign investors during the year shook investors' confidence. Amplified uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments surrounding Panama Leaks Case, who was later on barred from politics for lifetime also unnerved the investors. Sit-in by some religious parties in the federal capital and uncertainty surrounding the elections also took its toll on the stock market. Market participants were also perturbed by the US Policy toward Afghanistan, signaling challenges for Pakistan.

On the economic front, twin deficits remained a challenge for the government. Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken of late that included exchange rate adjustment, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a much awaited Foreign & Domestic Assets Declaration Schemes that however, failed to live up to the expectations.

# NAFA STOCK FUND

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

Particulars	30-Jun-18	30-Jun-17
Equities / Stock	85.52%	91.44%
Cash Equivalents	15.75%	10.64%
Other Net Liabilities	-1.27%	-2.08%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Distribution for the Financial Year 2018

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

## Unit Holding Pattern of NAFA Stock Fund as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
1-1000	578
1001-5000	623
5001-10000	366
10001-50000	944
50001-100000	379
100001-500000	365
500001-1000000	75
1000001-5000000	115
5000001-10000000	16
10000001-100000000	21
	3,482

## During the period under question

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

## Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 108.972 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.1063 / 0.73%. For details investors are advised to read note 12.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

# NAFA STOCK FUND

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the NAFA Stock Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' fund for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key audit matters

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

S. #	Key audit matter	How the matter was addressed in our audit
1	<b>Valuation of Investments</b>	
	<p>Refer note 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>The Fund's investment portfolio comprise of listed equity securities of Rs.12,815 million classified as fair value through profit or loss at 30 June 2018.</p> <p>We identified the valuation of investments as key audit matter because of its significance in relation to the net asset value of the Fund.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of and testing the design and operating effectiveness of controls designed to ensure for the valuation of investments; and</li><li>• assessing on a sample basis, whether investments were valued at fair value based on the quoted market price of the year end at the Pakistan Stock Exchange.</li></ul>

# NAFA STOCK FUND

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Fund's Annual Report for 2018, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# NAFA STOCK FUND

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

## **Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nadeem.

**Date: 05 September 2018**  
**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



# NAFA STOCK FUND

## Statement of Assets and Liabilities As at 30 June 2018

	Note	2018 (Rupees in '000)	2017
<b>Assets</b>			
Bank balances	5	2,359,377	1,681,511
Investments	6	12,814,899	15,414,375
Dividend and profit receivable	7	28,095	33,417
Receivable against sale of investments		14,946	172,593
Receivable against conversion of units		-	496
Advance and deposits	8	7,191	7,191
<b>Total assets</b>		<b>15,224,508</b>	<b>17,309,583</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	9	71,357	75,957
Payable to Central Depository Company of Pakistan Limited - Trustee	10	1,568	1,750
Payable to Securities and Exchange Commission of Pakistan	11	14,984	13,318
Payable against conversion of units		-	6,114
Payable against redemption of units		-	2,642
Dividend payable		-	106,716
Accrued expenses and other liabilities	12	152,659	245,334
<b>Total liabilities</b>		<b>240,568</b>	<b>451,831</b>
<b>Net assets</b>		<b>14,983,940</b>	<b>16,857,752</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>14,983,940</b>	<b>16,857,752</b>
<b>Contingency and commitment</b>	13		
		(Number of units)	
<b>Number of units in issue</b>	14	<b>1,024,707,999</b>	<b>1,039,713,941</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>14.6226</b>	<b>16.2138</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA STOCK FUND

## Income Statement For the year ended 30 June 2018

	Note	2018 (Rupees in '000)	2017
<b>Income</b>			
Dividend income		714,117	587,382
(Loss) / gain on sale of investments - net		(1,127,693)	1,176,574
Profit on bank deposits		103,995	78,510
Income from government securities		3,789	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(982,822)	1,797,864
<b>Total (loss) / income</b>		<b>(1,288,614)</b>	<b>3,640,330</b>
<b>Expenses</b>			
Remuneration to NBP Fund Management Limited - Management Company	9.1	315,456	280,378
Sindh Sales Tax on remuneration to Management Company	9.2	41,009	36,449
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1	16,773	15,019
Sindh Sales Tax on remuneration to Trustee	10.2	2,180	1,952
Annual fee - Securities and Exchange Commission of Pakistan		14,984	13,318
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	15,773	14,019
Selling and marketing expenses	9.4	63,091	23,391
Securities transaction cost		16,669	17,761
Settlement and bank charges		2,696	2,340
Annual listing fee		28	55
Auditors' remuneration	15	609	541
Legal and professional fees		64	82
Fund rating fee		180	90
Printing charges		40	-
<b>Total expenses</b>		<b>489,552</b>	<b>405,395</b>
<b>Net (loss) / income from operating activities</b>		<b>(1,778,166)</b>	<b>3,234,935</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		-	1,219,641
Reversal of provision for Workers' Welfare Fund	12.1	-	47,575
Provision for Sindh Workers' Welfare Fund	12.1	-	(108,972)
<b>Net (loss) / income for the year before taxation</b>		<b>(1,778,166)</b>	<b>4,393,179</b>
Taxation	16	-	-
<b>Net (loss) / income for the year</b>		<b>(1,778,166)</b>	<b>4,393,179</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA STOCK FUND

## Statement of Comprehensive Income For the year ended 30 June 2018

	2018 (Rupees in '000)	2017
Net (loss) / income for the year	(1,778,166)	4,393,179
Other comprehensive income for the year	-	-
<b>Total comprehensive (loss) /income for the year</b>	<b><u>(1,778,166)</u></b>	<b><u>4,393,179</u></b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA STOCK FUND

## Statement of Movement in Unit Holders' Fund For the year ended 30 June 2018

Note	2018			2017		
	Value	Undistributed income	Total	Value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	12,515,766	4,341,986	16,857,752	6,722,516	1,216,364	7,938,880
Issue of 519,891,215 units (2017: 1,209,331,786 units)						
- Capital value	8,425,543	-	8,425,543	-	-	-
- Element of income	(601,242)	-	(601,242)	-	-	-
Total proceeds on issuance of units	7,824,301	-	7,824,301	15,972,370	4,353,672	20,326,042
Redemption of 534,897,157 units (2017: 770,701,716 units)						
- Capital value	(8,668,648)	-	(8,668,648)			
- Element of loss	760,172	-	760,172			
Total payments on redemption of units	(7,908,476)	-	(7,908,476)	(10,179,120)	(3,134,031)	(13,313,151)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	(1,219,641)	(1,219,641)
Distribution for the year ended 30 June 2017: 0.11% (Date of distribution: 15 September 2017) [30 June 2017: 14.599% (Date of distribution: 19 June 2017)]						
- Cash distribution	-	(11,471)	(11,471)	-	(1,267,557)	(1,267,557)
Total comprehensive income for the year	-	(1,778,166)	(1,778,166)	-	4,393,179	4,393,179
<b>Net assets at end of the year</b>	<b>12,431,591</b>	<b>2,552,349</b>	<b>14,983,940</b>	<b>12,515,766</b>	<b>4,341,986</b>	<b>16,857,752</b>
Undistributed income brought forward						
- Realised		2,544,122			680,637	
- Unrealised		1,797,864			535,727	
		<u>4,341,986</u>			<u>1,216,364</u>	
Accounting income available for distribution:						
- Relating to capital gains		-			-	
- Excluding capital gains		(1,778,166)			-	
		<u>(1,778,166)</u>			<u>4,393,179</u>	
Distribution for the year ended 30 June 2017: 0.11% (Date of distribution: 15 September 2017) [30 June 2017: 14.599% (Date of distribution: 19 June 2017)]						
- Cash distribution		(11,471)			(1,267,557)	
Undistributed income carried forward		<u>2,552,349</u>			<u>4,341,986</u>	
Undistributed income carried forward						
- Realised		3,535,171			2,544,122	
- Unrealised		(982,822)			1,797,864	
		<u>2,552,349</u>			<u>4,341,986</u>	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		<u>16.2138</u>				<u>13.2076</u>
Net assets value per unit at end of the year		<u>14.6226</u>				<u>16.2138</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA STOCK FUND

## Cash Flow Statement For the year ended 30 June 2018

	Note	2018 (Rupees in '000)	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		(1,778,166)	4,393,179
<b>Adjustments:</b>			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		982,822	(1,797,864)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		-	(1,219,641)
		(795,344)	1,375,674
<b>Decrease / (increase) in assets</b>			
Investments		1,616,654	(6,379,446)
Dividend and profit receivable		5,322	(22,808)
Receivable against sale of investments		157,647	(172,593)
Advance and deposits		-	(4,263)
		1,779,623	(6,579,110)
<b>(Decrease) / increase in liabilities</b>			
Payable to NBP Fund Management Limited - Management Company		(4,600)	55,559
Payable to Central Depository Company of Pakistan Limited - Trustee		(182)	943
Payable to Securities and Exchange Commission of Pakistan		1,666	7,626
Accrued expenses and other liabilities		(92,675)	64,888
Payable against purchase of investments		-	(3,868)
		(95,791)	125,148
<b>Net cash generated from / (used in) operating activities</b>		888,488	(5,078,288)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received against issuance of units	17	7,824,797	19,284,991
Amount paid on redemption of units		(7,917,232)	(13,333,455)
Distributions paid		(118,187)	(28,734)
<b>Net cash (used in) / from financing activities</b>		(210,622)	5,922,802
<b>Net increase in cash and cash equivalents during the year</b>		677,866	844,514
Cash and cash equivalents at beginning of the year		1,681,511	836,997
<b>Cash and cash equivalents at end of the year</b>	5	2,359,377	1,681,511

The annexed notes 1 to 28 form an integral part of these financial statements.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# NAFA STOCK FUND

## Notes to and forming part of the Financial Statements For the year ended 30 June 2018

### **1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** The NAFA Stock Fund (the Fund) was established under a Trust Deed executed between NBP Fund Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 06 December 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 20 December 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi. The Management Company is also the member of Mutual Fund Association of Pakistan (MUFAP).
- 1.3** The Fund is an open-ended mutual fund classified as an "equity scheme" by the Management Company as per the criteria for categorization of open end collective investment scheme as specified by Securities and Exchange Commission of Pakistan (SECP) and other allied matters and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The core objective of the Fund, is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "AM1" to the Management Company and performance rating of '5-Star' to the Fund.
- 1.6** Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

### **2 BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part and the requirements VIIIA of the repealed Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (the NBFC Regulations). Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations have been followed.

#### **2.2 Accounting convention**

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

# NAFA STOCK FUND

## 2.3 Functional and presentation currency

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

## 2.4 Critical accounting estimates and judgments

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

- Classification and valuation of investments (refer note 4.1 and note 6).
- Element of income (refer note 4)

## 3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Fund's financial statements.

# NAFA STOCK FUND

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual period beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Fund's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Fund's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Fund is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect the funds that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Fund's financial statements.

# NAFA STOCK FUND

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, the Fund now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Fund's financial statements
- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. The Fund remeasures its previously held interest in a joint operation when it obtains control of the business. The Fund does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that the Fund treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Fund's financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented except for the change in accounting policies as stated below:

### **New, Amended and Revised Standards and Interpretations of IFRSs**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the Funds' financial statements and are therefore not stated in these financial statements.

### **Application of Companies Act, 2017**

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 which application has been deferred till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2.1). However, it does not have any significant impact on the Fund's financial statements.

### **Element of income**

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement on net basis and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

# NAFA STOCK FUND

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income 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. It also specifies that 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 asset 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.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. "MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs.158.930 million. However, the change in accounting policy does not have any impact on net asset value per unit.

## **4.1 Financial Assets**

### **4.1.1 Classification**

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

#### **a) Loans and receivables**

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

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

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

#### **c) Available for sale**

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



# NAFA STOCK FUND

All investments in the Fund as at 30 June 2018 are classified as 'financial assets at fair value through profit and loss'.

## **4.1.2 Regular way contracts**

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

## **4.1.3 Initial recognition and measurement**

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

## **4.1.4 Subsequent measurement**

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

### **a) Basis of valuation of equity securities**

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

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

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

### **b) Loans and receivables**

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

## **4.1.5 Impairment of financial assets**

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

### **a) Equity Securities**

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

# NAFA STOCK FUND

## **b) Loans and receivables**

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

### **4.1.6 Derecognition**

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

### **4.1.7 Offsetting of financial assets and financial liabilities**

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

## **4.2 Cash and cash equivalents**

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

## **4.3 Financial liabilities**

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

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

## **4.4 Derivatives**

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

## **4.5 Provisions**

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

## **4.6 Taxation**

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

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

# NAFA STOCK FUND

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

## **4.7 Issue and redemption of units**

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

## **4.8 Element of income**

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

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

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

## **4.9 Earnings per unit**

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

## **4.10 Net assets value per unit**

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

# NAFA STOCK FUND

## 4.11 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' are included in the statement of comprehensive income in the period in which they arise.
- Profit on bank deposits is recognised using the effective yield method.
- Dividend income is recognised when the right to receive the same is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

## 4.12 Distribution

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. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

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

## 5 BANK BALANCES

2018  
2017  
(Rupees in '000)

In current accounts		29,779	31,387
In savings accounts	5.1 & 5.2	2,329,598	1,650,124
		<u>2,359,377</u>	<u>1,681,511</u>

5.1 These accounts carry profit at rates ranging from 2.75% to 7.50% (2017: 3.75% to 6.77%) per annum.

5.2 These have been adjusted with cheques of Rs. 27.795 million (30 June 2017: Rs. 63.868 million) issued on account of redemption of units and cheques of Rs. 18.587 million (30 June 2017: Rs. 102.943 million) received on account of issuance of units at close of financial year which have cleared / adjusted subsequent to year end.

## 6 INVESTMENTS

### At fair value through profit or loss - held for trading

- Listed equity securities	6.1	12,814,899	15,414,375
- Market Treasury Bills	6.2	-	-
		<u>12,814,899</u>	<u>15,414,375</u>

# NAFA STOCK FUND

## 6.1 Investment in listed equity securities

All shares have a nominal face value of Rs.10 each except for the shares of Thal Limited, Al-Ghazi Tractor Limited and Shabbir Tiles and Ceramics Limited which have a face value of Rs.5.

Name of the Investee Company	As at 1 July 2017	Purchases during the year	Bonus Shares issued during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2018	Market value /carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of the paid up capital of the investee company held
	(Number of shares)						(Rupees in '000)	(%)		
<b>Refinery</b>										
Attock Refinery Limited	201,100	215,000	-	-	414,500	1,600	344	-	-	0.00
National Refinery Limited	9,350	-	-	-	9,350	-	-	-	-	-
	<b>210,450</b>	<b>215,000</b>	<b>-</b>	<b>-</b>	<b>423,850</b>	<b>1,600</b>	<b>344</b>	<b>-</b>	<b>-</b>	
<b>Oil and Gas Exploration Company</b>										
Pakistan Oilfields Limited	1,246,230	538,300	-	-	930,450	854,080	573,762	3.83	4.48	0.36
Pakistan Petroleum Limited	3,632,925	1,662,200	-	-	1,994,600	3,300,525	709,283	4.73	5.53	0.17
Mari Petroleum Company Limited	461,060	-	-	-	59,520	401,540	604,792	4.04	4.72	0.36
Oil & Gas Development Company Limited	3,145,381	2,942,000	-	-	2,058,000	4,029,381	627,052	4.18	4.89	0.09
	<b>8,485,596</b>	<b>5,142,500</b>	<b>-</b>	<b>-</b>	<b>5,042,570</b>	<b>8,585,526</b>	<b>2,514,889</b>	<b>16.78</b>	<b>19.62</b>	
<b>Oil and Gas Marketing Company</b>										
Pakistan State Oil Company Limited	689,667	905,000	154,233	-	753,500	995,400	316,846	2.11	2.47	0.31
Attock Petroleum Limited	149,750	4,050	-	-	-	153,800	90,741	0.61	0.71	0.19
Shell Pakistan Limited	552,000	-	-	-	82,900	469,100	148,278	0.99	1.16	0.44
Hascol Petroleum Limited (refer note 6.1.2)	3,042	-	-	16	-	3,058	959	0.01	0.01	-
Sui Northern Gas Pipelines Limited	2,386,500	1,870,500	-	-	2,119,300	2,137,700	214,240	1.43	1.67	0.34
	<b>3,780,959</b>	<b>2,779,550</b>	<b>154,233</b>	<b>16</b>	<b>2,955,700</b>	<b>3,759,058</b>	<b>771,064</b>	<b>5.15</b>	<b>6.02</b>	
<b>Fertilizer</b>										
Dawood Hercules Corporation Limited	590,400	-	-	-	271,000	319,400	35,383	0.24	0.28	0.07
Engro Corporation Limited	1,690,085	2,194,300	-	-	1,503,500	2,380,885	747,265	4.99	5.83	0.45
Engro Fertilizers Limited	3,963,000	7,089,000	-	-	3,656,000	7,396,000	554,034	3.70	4.32	0.55
Fauji Fertilizer Bin Qasim Company Limited	1,404,000	-	-	-	1,404,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	6,337,000	-	-	2,498,500	3,838,500	379,589	2.53	2.96	0.30
	<b>7,647,485</b>	<b>15,620,300</b>	<b>-</b>	<b>-</b>	<b>9,333,000</b>	<b>13,934,785</b>	<b>1,716,271</b>	<b>11.46</b>	<b>13.39</b>	
<b>Chemical</b>										
Engro Polymer & Chemicals Limited	7,893,500	3,322,500	-	1,874,569	6,934,000	6,156,569	150,817	1.01	1.18	0.93
	<b>7,893,500</b>	<b>3,322,500</b>	<b>-</b>	<b>1,874,569</b>	<b>6,934,000</b>	<b>6,156,569</b>	<b>150,817</b>	<b>1.01</b>	<b>1.18</b>	
<b>Automobile Parts and Accessories</b>										
Thal Limited*	263,489	-	-	-	85,600	177,889	84,948	0.57	0.66	0.22
Baluchistan Wheels Limited	87,000	-	-	-	-	87,000	9,414	0.06	0.07	0.65
	<b>350,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,600</b>	<b>264,889</b>	<b>94,362</b>	<b>0.63</b>	<b>0.73</b>	
<b>Cement</b>										
D.G. Khan Cement Company Limited	1,611,900	2,748,100	-	-	3,212,100	1,147,900	131,423	0.88	1.03	0.26
Lucky Cement Limited	744,883	234,500	-	-	665,750	313,633	159,304	1.06	1.24	0.10
Maple Leaf Cement Factory Limited	1,288,700	445,000	-	121,213	1,516,412	338,501	17,176	0.11	0.13	0.06
Pioneer Cement Limited	1,015,300	212,000	-	-	490,500	736,800	34,526	0.23	0.27	0.32
Attock Cement Pakistan Limited	1,122,701	74,900	-	-	-	1,197,601	161,053	1.07	1.26	1.05
Fecto Cement Limited	243,200	-	-	-	-	243,200	10,156	0.07	0.08	0.48
Fauji Cement Company Limited	5,857,000	1,232,500	-	-	7,089,500	-	-	-	-	-
Thatta Cement Company Limited	1,050,000	-	-	-	1,050,000	-	-	-	-	-
Kohat Cement Company Limited	883,500	127,900	-	-	369,900	641,500	78,949	0.53	0.62	0.42
Cherat Cement Company Limited	2,403,000	383,700	-	-	1,544,000	1,242,700	120,828	0.81	0.94	0.70
	<b>16,220,184</b>	<b>5,458,600</b>	<b>-</b>	<b>121,213</b>	<b>15,938,162</b>	<b>5,861,835</b>	<b>713,415</b>	<b>4.76</b>	<b>5.57</b>	
<b>Paper and Board</b>										
Century Paper and Board Mills Limited	3,337,500	49,000	-	-	213,900	3,172,600	201,460	1.34	1.57	2.16
Cherat Packaging Limited	415,001	15,500	-	55,634	18,400	467,735	67,209	0.45	0.52	1.39
	<b>3,752,501</b>	<b>64,500</b>	<b>-</b>	<b>55,634</b>	<b>232,300</b>	<b>3,640,335</b>	<b>268,669</b>	<b>1.79</b>	<b>2.09</b>	
<b>Automobile Assembler</b>										
Al-Ghazi Tractors Limited*	103,500	-	-	-	51,300	52,200	35,496	0.24	0.28	0.09
Indus Motor Company Limited	242,810	3,180	-	-	171,100	74,890	106,453	0.71	0.83	0.10
Millat Tractors Limited	299,900	1,200	-	-	199,780	101,320	120,374	0.80	0.94	0.23
Pak Suzuki Motor Company Limited	90,950	-	-	-	69,400	21,550	8,477	0.06	0.07	0.03
	<b>737,160</b>	<b>4,380</b>	<b>-</b>	<b>-</b>	<b>491,580</b>	<b>249,960</b>	<b>270,800</b>	<b>1.81</b>	<b>2.12</b>	
<b>Pharmaceuticals</b>										
Abbot Laboratories (Pakistan) Limited	163,900	-	-	-	36,750	127,150	87,098	0.58	0.68	0.13
GlaxoSmithKline (Pakistan) Limited	2,000	-	-	-	-	2,000	332	-	-	-
GlaxoSmithKline Consumer Healthcare Pakistan Limited	15,600	-	-	-	-	15,600	6,319	0.04	0.05	0.02
The Searle Company Limited (refer note 6.1.2)	30,259	45,000	6,052	-	-	81,311	27,605	0.18	0.22	0.04
	<b>211,759</b>	<b>45,000</b>	<b>6,052</b>	<b>-</b>	<b>36,750</b>	<b>226,061</b>	<b>121,354</b>	<b>0.80</b>	<b>0.95</b>	
<b>Engineering</b>										
Aisha Steel Limited	-	1,611,000	-	-	1,611,000	-	-	-	-	-
International Industries Limited	1,152,800	152,000	-	-	454,500	850,300	197,516	1.32	1.54	0.71
International Steel Limited	1,286,000	2,049,600	-	-	1,768,600	1,567,000	159,364	1.06	1.24	0.36
Amreli Steels Limited	2,518,000	153,600	-	-	2,059,800	611,800	43,162	0.29	0.34	0.21
K.S.B Pumps Limited	4,200	-	-	-	4,200	-	-	-	-	-
Ittefaq Iron Industries Limited	3,100,000	-	-	-	913,000	2,187,000	30,574	0.20	0.24	2.29
Mughal Iron and Steel Industries Limited (refer note 6.1.2)	2,072,887	311,500	-	-	1,571,000	813,387	49,958	0.33	0.39	0.32
	<b>10,133,887</b>	<b>4,277,700</b>	<b>-</b>	<b>-</b>	<b>8,382,100</b>	<b>6,029,487</b>	<b>480,574</b>	<b>3.20</b>	<b>3.75</b>	

# NAFA STOCK FUND

Name of the Investee Company	As at 1 July 2017	Purchases during the year	Bonus Shares issued during the year	Right shares purchased/ subscribed during the year	Sales during the year	As at 30 June 2018	Market value /carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of the paid up capital of the investee company held
	(Number of shares)					(Rupees in '000)	(%)			
<b>Textile Composite</b>										
Azgard Nine Limited (Non-voting)	806,400	-	-	-	-	806,400	5,645	0.04	0.04	0.18
Gul Ahmed Textile Mills Limited	5,793,200	405,000	-	-	3,235,500	2,962,700	127,189	0.85	0.99	0.83
Kohinoor Textile Mills Limited (refer note 6.1.2)	4,155,000	28,700	-	248,139	1,242,500	3,189,339	175,382	1.17	1.37	1.07
Nishat Chunian Limited	4,502,300	5,422,000	-	-	5,252,500	4,671,800	221,816	1.48	1.73	1.94
Nishat Mills Limited	2,312,000	2,742,100	-	-	3,217,100	1,837,000	258,870	1.73	2.02	0.52
Sapphire Fibres Limited	40	-	-	-	-	40	37	-	-	0.00
	<b>17,568,940</b>	<b>8,597,800</b>	<b>-</b>	<b>248,139</b>	<b>12,947,600</b>	<b>13,467,279</b>	<b>788,939</b>	<b>5.27</b>	<b>6.15</b>	
<b>Food and Personal Care Products</b>										
Al-Shaheer Corporation Limited (refer note 6.1.2)	2,077,788	-	-	-	223,500	1,854,288	50,529	0.34	0.39	1.30
	<b>2,077,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223,500</b>	<b>1,854,288</b>	<b>50,529</b>	<b>0.34</b>	<b>0.39</b>	
<b>Technology and Communication</b>										
Avanceon Limited (refer note 6.1.2)	955,250	-	-	-	-	955,250	63,276	0.42	0.49	0.70
System Limited	2,111,000	16,000	-	-	200,000	1,927,000	195,051	1.30	1.52	1.72
	<b>3,066,250</b>	<b>16,000</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>2,882,250</b>	<b>258,327</b>	<b>1.72</b>	<b>2.01</b>	
<b>Power Generation and Distribution</b>										
Kot Addu Power Company Limited	1,997,000	235,000	-	-	725,000	1,507,000	81,242	0.54	0.63	0.17
Saif Power Limited	477,000	-	-	-	-	477,000	12,636	0.08	0.10	0.12
The Hub Power Company Limited	3,451,466	3,456,200	-	-	2,451,000	4,456,666	410,726	2.74	3.21	0.39
	<b>5,925,466</b>	<b>3,691,200</b>	<b>-</b>	<b>-</b>	<b>3,176,000</b>	<b>6,440,666</b>	<b>504,604</b>	<b>3.36</b>	<b>3.94</b>	
<b>Commercial Banks</b>										
Allied Bank Limited	4,674,701	102,000	-	-	-	4,776,701	492,717	3.29	3.84	0.42
Askari Bank Limited	-	1,200,000	-	-	-	1,200,000	26,244	0.18	0.20	0.10
Bank Al-Falah Limited	1,065,000	15,719,500	-	-	1,992,500	14,792,000	773,474	5.16	6.04	0.92
Bank Al-Habib Limited	1,816,150	4,265,000	-	-	1,045,000	5,036,150	397,000	2.65	3.10	0.45
Faysal Bank Limited (refer note 6.1.2)	10,744,783	2,116,000	1,906,467	-	751,000	14,016,250	364,422	2.43	2.84	0.92
Habib Bank Limited	2,364,163	6,016,570	-	-	3,332,300	5,048,433	840,264	5.62	6.59	0.34
Habib Metro Bank Limited	-	729,000	-	-	-	729,000	31,602	0.21	0.25	0.07
MCB Bank Limited	2,063,100	2,202,700	-	-	2,339,100	1,926,700	381,043	2.54	2.97	0.16
Meezan Bank Limited	52	-	-	3	-	55	5	-	-	0.00
United Bank Limited	2,930,840	3,337,900	-	-	3,411,000	2,857,740	482,901	3.22	3.77	0.23
	<b>25,658,789</b>	<b>35,688,670</b>	<b>1,906,467</b>	<b>3</b>	<b>12,870,900</b>	<b>50,383,029</b>	<b>3,789,672</b>	<b>25.30</b>	<b>29.60</b>	
<b>Insurance</b>										
Pakistan Reinsurance Company Limited	<b>1,110,000</b>	-	-	-	1,110,000	-	-	-	-	-
<b>Modarbas</b>										
Sindh Modaraba	<b>1,337,000</b>	-	-	-	<b>28,500</b>	<b>1,308,500</b>	<b>9,160</b>	<b>0.06</b>	<b>0.07</b>	2.91
<b>Glass and Ceramics</b>										
Shabbir Tiles & Ceramics Limited*	2,032,500	86,000	-	-	182,500	1,936,000	40,772	0.27	0.32	0.59
Tariq Glass Industries Limited	2,038,400	20,500	-	-	-	2,058,900	220,632	1.47	1.72	2.80
	<b>4,070,900</b>	<b>106,500</b>	<b>-</b>	<b>-</b>	<b>182,500</b>	<b>3,994,900</b>	<b>261,404</b>	<b>1.74</b>	<b>2.04</b>	
<b>Transport</b>										
Pakistan National Shipping Corporation Limited	<b>478,700</b>	-	-	-	<b>150,600</b>	<b>328,100</b>	<b>26,885</b>	<b>0.18</b>	<b>0.21</b>	0.25
<b>Cable and Electric Goods</b>										
Pak Elektron Limited	<b>2,513,125</b>	<b>3,971,500</b>	-	-	<b>6,192,800</b>	<b>291,825</b>	<b>10,348</b>	<b>0.07</b>	<b>0.08</b>	0.06
<b>Miscellaneous</b>										
Synthetic Products Limited	-	163,000	-	-	-	163,000	8,329	0.06	0.06	0.19
Tri-Pack Films Limited	24	-	-	-	23	1	-	-	-	0.00
TPL Properties Limited	1,800,000	-	-	-	1,354,500	445,500	4,143	0.03	0.03	0.16
	<b>1,800,024</b>	<b>163,000</b>	<b>-</b>	<b>-</b>	<b>1,354,523</b>	<b>608,501</b>	<b>12,472</b>	<b>0.09</b>	<b>0.09</b>	
<b>Total - 30 June 2018</b>	<b>125,030,952</b>	<b>89,164,700</b>	<b>2,066,752</b>	<b>2,299,574</b>	<b>88,292,535</b>	<b>130,269,443</b>	<b>12,814,899</b>	<b>85.52</b>	<b>100.00</b>	
Carrying value before fair value adjustment as at 30 June 2018							13,797,721			

**6.1.1** Investments include shares with market value of Rs. 277.089 million (30 June 2017: Rs. 266.092 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated 23th October 2007 issued by the Securities and Exchange Commission of Pakistan.

**6.1.2** The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has led a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to 5% of bonus announcement amounting to Rs. 10.150 million (30 June 2017: 6.082 million) and not deposited in CDC account of department of Income Tax.

## 6.1.3 Market Treasury Bills

Issue date	Tenor	Face value				Market value / Carrying value as at 30 June 2018	Market value as a percentage of net assets	Market value as a percentage of total investments			
		As at 01 July 2017	Purchases during the year	Sales / matured during the year	As at 30 June 2018						
		(Rupees in '000)									
		----- (%) -----									
23 November 2017	3 Months	-	650,000	650,000	-	-	-	-			
Total		-	650,000	650,000	-	-	-	-			
Carrying value before fair value adjustment as at 30 June 2018							-				



# NAFA STOCK FUND

6.2 Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		2018	2017
		(Rupees in '000)	
Market value of investments		12,814,899	15,414,374
Less: carrying value of investments		(13,797,721)	(13,616,510)
		<u>(982,822)</u>	<u>1,797,864</u>
7 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable on equity securities		26,191	33,206
Profit receivable on savings deposits		1,904	211
		<u>28,095</u>	<u>33,417</u>
8 ADVANCE AND DEPOSITS			
Advance tax		4,591	4,591
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
		<u>7,191</u>	<u>7,191</u>
9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management remuneration	9.1	26,112	29,341
Sindh Sales Tax on management fee	9.2	3,395	3,814
Sales load and others		1,263	5,392
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	8,117	14,019
Selling and marketing expenses	9.4	32,470	23,391
		<u>71,357</u>	<u>75,957</u>
9.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on 25 November 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. Accordingly, the Management Company has charged its remuneration at the rate of two percent of the average annual net assets (2017: 2%) of the Fund.			
9.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on management remuneration and sales load.			
9.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated 25 November 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Fund or actual whichever is less" from the mutual funds managed by it. Accordingly, such expense has been charged at the rate of 0.1% of average annual net assets of the Fund.			
9.4 During the previous year, the SECP through its Circular No. SCD/PRDD/Circular/361/2016 (Circular No. 40 of 2016) dated 30 December 2016 introduced allowance for charging of selling and marketing expenses initially for three years (effective from 01 January 2017 till 31 December 2019) to the open end equity, asset allocation, and index funds maximum of 0.4% of the average annual net assets or the actual expenses, whichever is lower, subject to the conditions mentioned in the aforementioned Circular and its amendment of condition 05 through Circular No. SCD/PRDD/Circular /418/2016 (Circular No. 05 of 2017) dated 13 February 2017.			
Based on the requirements to fulfil for charging selling and marketing expense, the Management Company has started accruing the expense to the Fund at the rate of 0.4% per annum of the average annual net assets of the Fund w.e.f 01 March 2017.			
10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration	10.1	1,388	1,549
Sindh Sales Tax on Trustee remuneration	10.2	180	201
		<u>1,568</u>	<u>1,750</u>

# NAFA STOCK FUND

- 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 value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2018 is as follows:

Net assets	Tariff per annum
Upto Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of Net assets, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2 million plus 0.10% p.a. of Net assets exceeding Rs. 1,000 million

- 10.2** The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 01 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2017: 13%) was charged on trustee remuneration.

## 11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective scheme categorized as an equity scheme is required to pay an annual fee to SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

## 12 ACCRUED EXPENSES AND OTHER LIABILITIES

		2018	2017
		(Rupees in '000)	
Provision for Sindh Workers' Welfare Fund	12.1	108,972	108,972
Federal Excise Duty on management remuneration	12.2	32,183	32,183
Federal Excise Duty on sales load		3,904	3,904
Auditors' remuneration		444	436
Brokerage fee		1,457	5,212
Bank charges		96	32
Settlement charges		322	273
Withholding tax		610	76,373
Capital gain tax		2,320	17,210
Printing charges		88	98
Legal fees		40	8
Mutual fund rating fee		90	90
Time barred cheques		917	-
Others		1,216	543
		<b>152,659</b>	<b>245,334</b>

- 12.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. Furthermore, the Honourable Supreme Court of Pakistan decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from 21 May 2015) and accordingly the provision maintained amounted to Rs. 47.575 million was reversed in the year 2017.

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

# NAFA STOCK FUND

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from 21 May 2015 to 30 June 2018, the net asset value of the Fund as at 30 June 2018 would have been higher by Rs. 0.1063 per unit (2017: Rs 0.1048).

- 12.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has interalia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sind High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Management Company as a matter of abundant caution has retained provision for FED on management fee aggregating to Rs. 32.713 million out of which Rs. 0.530 million have been paid to the Management Company (30 June 2017: Rs. 32.713 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Rs. 0.0319 (30 June 2017: Rs. 0.0315) per unit.

## 13 CONTINGENCY AND COMMITMENT

There is no contingency and commitment outstanding as at 30 June 2018.

## 14 NUMBER OF UNITS IN ISSUE

**2018**                      2017  
(Number of units)

Total units in issue at beginning of the year		<b>1,039,713,941</b>	601,083,871
Add: Units issued	14.1	<b>519,891,215</b>	1,209,331,786
Less: Units redeemed		<b>(534,897,157)</b>	(770,701,716)
Total units in issue at end of the year		<b><u>1,024,707,999</u></b>	<u>1,039,713,941</u>

- 14.1** This includes 636,895 units (30 June 2017: 65,979,858 ) issued against Dividend Reinvestment Plan amounting to Rs. 9.397 million net of taxation (30 June 2017: 1,074.911).

## 15 AUDITORS' REMUNERATION

Statutory audit fee	<b>358</b>	338
Half yearly review fee	<b>143</b>	143
Out of pocket expenses and others including government levy	<b>108</b>	60
	<b><u>609</u></b>	<u>541</u>

## 16 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. During the year ended 30 June 2018, the fund has incurred net loss therefore no distribution has been made. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2018.

# NAFA STOCK FUND

## 17 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Dividend Payable	Total
	----- (Rupees in '000) -----			
Opening balance as at 1 July 2017	496	8,756	106,716	114,976
Receivable against issuance of units	7,824,301	-	-	(7,824,301)
Payable against redemption of units	-	7,908,476	-	7,908,476
Dividend			11,471	11,471
	7,824,301	7,908,476	11,471	95,646
Amount received on issuance of units	(7,824,797)	-	-	7,824,797
Amount paid on redemption of units	-	(7,917,232)	-	(7,917,232)
Dividend paid	-	-	(118,187)	(118,187)
	(7,824,797)	(7,917,232)	(118,187)	(210,622)
<b>Closing balance as at 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 18 TOTAL EXPENSE RATIO

Total expense ratio (all the expenses, including government levies, incurred during the year divided by average net asset value for the year ) is 3.10% per annum. Total expense ratio (excluding government levies) is 2.74% per annum.

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2018			Total
	Loans and receivables	At fair value through profit or loss	Available for sale	
	----- (Rupees in '000) -----			
<b>Assets</b>				
Bank balances	2,359,377	-	-	2,359,377
Investments	-	12,814,899	-	12,814,899
Dividend and profit receivable	28,095	-	-	28,095
Receivable against sale of investments	14,946	-	-	14,946
Receivable against conversion of units	-	-	-	-
Deposits	2,600	-	-	2,600
	<b>2,405,018</b>	<b>12,814,899</b>	<b>-</b>	<b>15,219,917</b>

	As at 30 June 2018			Total
	At fair value through profit or loss	At amortised cost		
	----- (Rupees in '000) -----			
<b>Liabilities</b>				
Payable to NBP Fund Management Limited - Management Company	-	71,357		71,357
Payable to Central Depository Company of Pakistan Limited - Trustee	-	1,568		1,568
Accrued expenses and other liabilities	-	4,670		4,670
	<b>-</b>	<b>77,595</b>		<b>77,595</b>

	As at 30 June 2017			Total
	Loans and receivables	At fair value through profit or loss	Available for sale	
	----- (Rupees in '000) -----			
<b>Assets</b>				
Bank balances	1,681,511	-	-	1,681,511
Investments	-	15,414,375	-	15,414,375
Dividend and profit receivable	33,417	-	-	33,417
Receivable against sale of investments	172,593	-	-	172,593
Receivable against conversion of units	496	-	-	496
Advance and deposits	2,600	-	-	2,600
	<b>1,890,617</b>	<b>15,414,375</b>	<b>-</b>	<b>17,304,992</b>

# NAFA STOCK FUND

	As at 30 June 2017		
	At fair value through profit or loss	At amortised cost	Total
	(Rupees in '000)		
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - Management Company	-	75,957	75,957
Payable to Central Depository Company of Pakistan Limited - Trustee	-	1,750	1,750
Payable against conversion of units	-	6,114	6,114
Payable against redemption of units	-	2,642	2,642
Dividend payable	-	106,716	106,716
Accrued expenses and other liabilities	-	6,692	6,692
	-	199,871	199,871

## 20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

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

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

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

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

<b>20.5 Details of transactions with connected persons are as follows:</b>	<b>2018</b>	<b>2017</b>
	<b>(Rupees in '000)</b>	
<b>NBP Fund Management Limited - Management Company</b>		
Issue of 9,015,811 units (2017: 8,871,947 units)	<b>135,345</b>	142,219
	<b>263,777</b>	5,000
Remuneration of NBP Fund Management Limited - Management Company	<b>315,456</b>	280,378
Sindh Sales Tax on remuneration to Management Company	<b>41,009</b>	36,449
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>15,773</b>	14,019
Selling and marketing expenses	<b>63,091</b>	23,391
Sales load and others	<b>10,250</b>	22,050
<b>National Clearing Company of Pakistan Limited</b>		
Issue of 1,682 units (2017: Nil units)	<b>25</b>	-
<b>National Bank of Pakistan - Sponsor</b>		
Issue of Nil units (2017: 31,347,445 units)	-	600,000
<b>Employees of the Management Company</b>		
Issue of 1,417,449 units (2017: 1,846,349 units)	<b>22,029</b>	31,646
Redemption of 1,467,686 units (2017: 2,434,317 units)	<b>22,104</b>	40,378
<b>NBP Fund Management Limited - Management Company (Employee Provident Fund)</b>		
Issue of 358,577 units (2017: 1,155,416 units)	<b>5,351</b>	18,823
Redemption of 951,228 units (2017: 1,330,069 units)	<b>14,098</b>	23,356

# NAFA STOCK FUND

	2018	2017
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	16,773	15,019
Sindh Sales Tax on remuneration to Trustee	2,180	1,952
CDS charges	1,163	636
<b>Mr. Khalid Mehmood - Chief Financial Officer</b>		
Issue of 43 units (2017: 73,914 units)	1	1,077
Redemption of Nil units (2017: 8,559 units)	-	154
<b>Mr. Amjad Waheed - Chief Executive Officer</b>		
Issue of 141,252 units (2017: 280,744 units)	2,002	4,818
Redemption of 105,396 units (2017: 93,014 units)	1,600	1,779
<b>Mr. Murtaza Ali - Company Secretary / Chief Operating Officer of the Management Company</b>		
Issue of Nil units (2017: 56,337 units)	-	1,000
Redemption of Nil units (2017: 68,360 units)	-	1,327
<b>Mr. Kamal. A. Chinoy - Director</b>		
Issue of 1,318,388 units (2017: 183,489 units)	20,024	2,989
<b>Mr. Aamir Sattar - Director</b>		
Issue of Nil units (2017: 158,790 units)	-	2,688
<b>Mr. Humayun Bashir - Director</b>		
Issue of 9,050,329 units (2017: Nil units)	133,957	-
Redemption of 7,033,343 units (2017: Nil units)	105,067	-
<b>NBP Employees Pension Fund</b>		
Issue of 46,725 units (2017: 5,154,435 units)	689	83,973
<b>IGI Life Insurance Limited</b>		
Issue of 1,225 units (2017: 3,177,247 units)	18	54,767
Redemption of 1,644,253 units (2017: 1,534,219 units)	24,174	27,313
<b>Jubilee Life Insurance Company Limited</b>		
Redemption of Nil units (2017: 6,177,729 units)	-	88,437
<b>Prosperity Weaving Mills</b>		
Issue of 1,451,721 units (2017: 864,538 units)	20,008	16,024
Redemption of 2,316,259 units (2017: Nil units)	35,019	-
<b>Cherat Packaging Limited</b>		
15,500 shares purchased (2017: 415,000 shares)	3,412	117,443
18,400 shares sold (2017: 180,973 shares)	4,195	57,760
55,634 subscription of right shares (2017: Nil shares)	6,954	-
<b>BYCO Oil Pakistan Limited - Employee Provident Fund</b>		
Issue of Nil units (2017: 101,443 units)	-	1,395
Redemption of Nil units (2017: 948,605 units)	-	14,695
<b>BYCO Petroleum Pakistan Limited - Employee Provident Fund</b>		
Issue of 805 units (2017: 3,035,996 units)	12	47,619
Redemption of 1,234,407 units (2017: 6,290,605 units)	17,455	97,536
<b>Al-Shifa Trust</b>		
Redemption of Nil units (2017: 5,920,141 units)	-	86,830



# NAFA STOCK FUND

	2018	2017
	(Rupees in '000)	
<b>Service Provident Fund Trust</b>		
Issue of 1,822,543 units (2017: Nil units)	26,900	-
Redemption of 797,830 units (2017: Nil units)	11,497	-
<b>Service Sales Corporation Provident Fund Trust</b>		
Issue of 4,777,276 units (2017: Nil units)	71,240	-
Redemption of 3,531,817 units (2017: Nil units)	53,054	-
<b>Pakistan Mobile Communications Limited Provident Fund</b>		
Issue of 155,392 units (2017: 101,629 units)	2,185	1,656
Redemption of 160,810 units (2017: 143,348 units)	2,320	2,438
<b>Management Association of Pakistan</b>		
Issue of 264,269 units (2017: 317,222 units)	4,020	4,937
Redemption of 363,014 units (2017: 122,723 units)	5,336	2,109
<b>Faruque Private Limited</b>		
Issue of 1,321,216 units (2017: 1,176,461 units)	19,994	21,447
Redemption of 2,497,677 units (2017: Nil units)	37,742	-
<b>Telenor Pakistan Private Limited Employees Provident Fund (Conventional)</b>		
Issue of 659,460 units (2017: 4,713,757 units)	9,932	80,636
Redemption of 338,335 units (2017: 2,255,243 units)	5,042	40,121
<b>Gul Ahmed Textile Mills Limited Employees Provident Fund Trust</b>		
Issue of 4,257 units (2017: 8,638,018 units)	63	154,118
Redemption of 2,864,757 units (2017: 2,928,347 units)	41,770	47,577
<b>Telenor Employees Gratuity Fund</b>		
Issue of 2,674,919 units (2017: 22,548,033 units)	39,968	389,176
Redemption of 1,187,784 units (2017: 10,787,849 units)	17,633	191,919
<b>Pakistan Centre for Philanthropy</b>		
Issue of 101,381 units (2017: 265,922 units)	1,530	4,580
Redemption of 225,837 units (2017: 141,449 units)	3,454	2,508
<b>Gul Ahmed Textile Mills Limited</b>		
405,000 shares purchased (2017: 4,869,000 shares)	18,110	262,598
3,235,500 shares sold (2017: Nil shares)	124,545	-
Nil subscription of right shares (2017: 924,200 shares)	-	23,105
<b>Cherat Cement Company Limited</b>		
383,700 shares purchased (2017: 2,403,000 shares)	55,382	462,342
1,544,000 shares sold (2017: Nil shares)	188,445	-
<b>International Industries Limited</b>		
152,000 shares purchased (2017: 853,400 shares)	44,995	151,304
454,500 shares sold (2017: 2,788,600 shares)	127,339	420,602
<b>International Steel Limited</b>		
2,049,600 shares purchased (2017: 275,500 shares)	242,139	42,318
1,768,600 shares sold (2017: 7,039,000 shares)	181,909	482,684
<b>Summit Bank Limited</b>		
Issue of 475 units (2017: 637,562 units)	7	10,858
Mark-up on bank balances	15	9
<b>Askari Bank Limited</b>		
Mark-up on bank balance	165	102
<b>Bank Islami Pakistan Limited</b>		
Mark-up on bank balance	5,493	96
<b>Taurus Securities Limited</b>		
Brokerage charges	1,006	943

# NAFA STOCK FUND

20.6	Balances at year end	2018 (Rupees in '000)	2017
	<b>NBP Fund Management Limited - Management Company</b>		
	Units held: Nil (2017: 8,602,712 units)	-	139,483
	Management remuneration payable	26,112	29,341
	Sindh Sales tax payable	3,395	3,814
	Allocation of expenses related to registrar services, accounting, operation and valuation services	8,117	14,019
	Selling and marketing expenses	32,470	23,391
	Sales load payable	1,263	5,392
	<b>National Bank of Pakistan</b>		
	Units held: 31,347,445 (2017: 31,347,445 units)	458,381	508,261
	Bank Balance	7,815	9,014
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration Payable	1,388	1,549
	Sindh Sales Tax on Trustee remuneration	180	201
	CDS charges	161	177
	Security deposit	100	100
	<b>National Clearing Company Of Pakistan Limited</b>		
	Units held: 2,580,238 (2017: Nil units)	37,730	-
	<b>Employees of the Management Company</b>		
	Units held: 288,279 (2017: 338,516 units)	4,215	5,489
	<b>Dr. Amjad Waheed - Chief Executive Officer</b>		
	Units held: 299,091 (2017: 263,236 units)	4,373	4,268
	<b>Mr. Khalid Mehmood - Chief Financial Officer</b>		
	Units held: 65,397 (2017: 65,355 units)	956	1,060
	<b>Mr. Kamal. A. Chinoy - Director</b>		
	Units held: 1,208,528 (2017: 2,523,624 units)	17,671	40,918
	<b>Mr. Humayun Bashir - Director</b>		
	Units held: 2,016,986 (2017: Nil units)	29,494	-
	<b>Mr. Amir Sattar - Director</b>		
	Units held: Nil (2017: 158,790 units)	-	2,575
	<b>NBP Employees Pension Fund</b>		
	Units held: 62,721,184 (2017: 62,674,460 units)	917,147	1,016,191
	<b>Service Provident Fund Trust</b>		
	Units held: 1,024,713 (2017: Nil units)	14,984	-
	<b>Service Sales Corporation Provident Fund Trust</b>		
	Units held: 1,245,459 (2017: Nil units)	18,212	-
	<b>NAFA Employee Provident Fund</b>		
	Units held: 471,493 (2017: 1,063,144 units)	6,894	17,238
	<b>Prosperity Weaving Mills</b>		
	Units held: Nil (2017: 864,538 units)	-	14,017
	<b>BYCO Petroleum Pakistan Limited - Employee Provident Fund</b>		
	Units held: Nil (2017: 1,233,603 units)	-	20,001
	<b>Pakistan Mobile Communications Limited Provident Fund</b>		
	Units held: 1,230,316 (2017: 1,235,734 units)	17,990	20,036
	<b>Management Association of Pakistan</b>		
	Units held: 216,238 (2017: 314,983 units)	3,162	5,107

# NAFA STOCK FUND

	2018 (Rupees in '000)	2017
<b>Faruque Private Limited</b>		
Units held: Nil (2017: 1,176,461 units)	-	19,075
<b>Telenor Pakistan Private Limited Employees Provident Fund (Conventional)</b>		
Units held: 2,779,638 (2017: 2,458,514 units)	40,646	39,862
<b>Gul Ahmed Textile Mills Limited Employees Provident Fund Trust</b>		
Units held: 2,849,171 (2017: 5,709,671 units)	41,662	92,575
<b>Telenor Employees Gratuity Fund</b>		
Units held: 13,247,319 (2017: 11,760,184 units)	193,710	190,677
<b>Pakistan Centre for Philanthropy</b>		
Units held: 18 (2017: 124,474 units)	-	2,018
<b>IGI Life Insurance Limited</b>		
Units held: Nil (2017: 1,643,028 units)	-	26,640
<b>International Industries Limited</b>		
Shares held: 850,300 (2017: 1,152,800 shares)	197,516	424,887
<b>International Steels Limited</b>		
Shares held: 1,567,000 (2017: 1,286,000 shares)	159,364	164,466
<b>Cherat Packaging Pakistan Limited</b>		
Shares held: 18,400 (2017: 415,001 shares)	467,735	98,679
<b>Gul Ahmed Textile Mills Limited</b>		
Shares held: 2,962,700 (2017: 5,793,200 shares)	127,189	237,405
<b>Cherat Cement Company Limited</b>		
Shares held: 2,403,000 (2017: 2,403,000 shares)	120,828	429,608
<b>Taurus Securities Limited</b>		
Brokerage payable	122	325
<b>Summit Bank Limited</b>		
Units held: 638,038 (2017: 637,562 units)	9,330	10,337
Bank balance	22,434	22,875
Mark-up on bank balance	1	1
<b>Askari Bank Limited</b>		
Bank balance	538	3,757
Mark-up on balance	2	2
<b>Bank Islami Pakistan Limited</b>		
Bank balance	710	2,657
Mark-up on balance	6	24
<b>NAFA Financial Sector Income Fund</b>		
Net receivable against conversion of units	-	295
<b>NAFA Income Fund</b>		
Net receivable against conversion of units	-	201
<b>NAFA Islamic Income Fund</b>		
Net (payable) against conversion of units	-	(196)

# NAFA STOCK FUND

2018 2017  
(Rupees in '000)

## NAFA Income Opportunity Fund

Net (payable) / receivable against conversion of units - (3,281)

## NAFA Money Market Fund

Net (payable) against conversion of units - (1,865)

## NAFA Islamic Stock Fund

Net (payable) / receivable against conversion of units - (47)

## NAFA Riba Free Savings Fund

Net (payable) / receivable against conversion of units - (669)

## NAFA Government Securities Liquid Fund

Net (payable) against conversion of units - (56)

## 21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S. No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA / Doctorate in Business Administration / CFA	30
2	Mr. Sajjad Anwar	CFA / MBA Finance	18
3	Mr. Muhammad Ali Bhabha	MBA / MS (CS) /CFA / FRM	23
4	Mr. Hasan Raza	ACCA / BSC / CFA	7
5	Mr. Taha Khan Javed*	MBA / CFA	12

**21.1** \*Taha Khan Javed is the Fund Manager of the Fund. He is also managing NAFA Asset Allocation Fund, NAFA Financial Sector Income Fund, NAFA Islamic Asset Allocation Fund, NAFA Multi Asset Fund, NAFA Islamic Active Allocation Equity Fund and NAFA Islamic Energy Fund.

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

List of brokers / dealers by percentage of commission paid / payable during the year ended 30 June 2018:

S. No	Particulars	Percentage (%)
1	Taurus Securities Limited	7.22
2	Arif Habib Securities Limited	6.04
3	Topline Securities (Pvt) Limited	4.54
4	Alfalah Securities (Pvt) Limited	4.46
5	Optimus Capital Management Limited	3.76
6	Next Capital Limited	3.62
7	Elixir Securities Pakistan (Pvt) Limited	3.61
8	Bma Capital Management Limited	3.56
9	J.S. Global Capital Limited	3.43
10	Aqeel Karim Dehdi Securities ( Pvt) Limited	3.40

# NAFA STOCK FUND

List of brokers by percentage of commission paid during the year ended 30 June 2017:

S. No	Particulars	Percentage (%)
1	Arif Habib Securities Limited	7.40
2	Taurus Securities Limited	6.45
3	BMA Capital Management Limited	5.47
4	J.S. Global Capital Limited	4.71
5	BIPL Securities Limited	4.34
6	Alfalah Securities (Private) Limited	4.28
7	SAAO Capital (Private) Limited	4.02
8	Optimus Capital Management Limited	3.71
9	Al Habib Capital Markets (Private) Limited	3.54
10	Aqeel Karim Dehdi Securities (Private) Limited	3.50

## 23 PATTERN OF UNIT HOLDING

Category	As at 30 June 2018		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	3,238	4,119,950	27.50
Directors	4	51,539	0.34
Associated companies	3	1,382,422	9.23
Banks / DFI's	8	524,961	3.50
Insurance companies	12	457,603	3.05
Retirement funds	121	5,185,705	34.61
Listed companies	3	4,525	0.03
Others	93	3,257,235	21.74
	<b>3,482</b>	<b>14,983,940</b>	<b>100.00</b>
Category	As at 30 June 2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment %
Individuals	2,792	4,399,995	26.10
Directors	4	47,760	0.28
Associated companies	3	1,172,911	6.96
Banks / DFI's	9	1,506,991	8.94
Insurance companies	13	397,625	2.36
Retirement funds	111	6,200,648	36.78
Listed companies	5	45,259	0.27
Others	76	3,086,563	18.31
	<b>3,013</b>	<b>16,857,752</b>	<b>100.00</b>

## 24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 64th, 65th, 66th and 67th Board meetings were held on 15 September 2017, 27 October 2017, 22 February 2018 and 30 April 2018, respectively. Information in respect of attendance by directors in the meetings is given below:

# NAFA STOCK FUND

Name of Director	Number of Meetings			Meetings not attended
	Held during tenure of directorship	Attended	Leave granted	
Mr. Mudassir Husain Khan [note 24.1]	4	4	-	-
Mr. Tariq Jamali [note 24.1]	4	3	1	67th Meeting
Mr. Abdul Hadi Palekar	4	4	-	-
Mr. Lui Mang Yin (Martin Lui) [note 24.3]	*2	2	-	-
Mr. FOO Chiah Shiung (Kelvin Foo)	4	3	1	65th Meeting
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	4	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Wajahat Rasul Khan [note 24.2]	*-	-	-	-
Dr. Amjad Waheed	4	4	-	-

**24.1** Mr. Mudassir H.Khan and Mr. Tariq Jamali were appointed as directors on board with effect from 18 August 2017.

**24.2** Mr. Wajahat Rasul Khan appointed as director on the Board with effect from 30 April 2018.

**24.3** Mr. Lui Mang Yin (Martin Lui) resigned as director on the Board with effect from 21 December 2017.

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

## 25 FINANCIAL RISK MANAGEMENT

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

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

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



# NAFA STOCK FUND

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

## 25.1 Market risk

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

### 25.1.1 Currency risk

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

### 25.1.2 Interest rate risk

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

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

Presently, the Fund holds no variable rate instruments.

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

Presently, the Fund holds no fixed rate instruments.

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

	As at 30 June 2018					
Yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to yield / interest risk	Total	
	Upto three months	Over three months and upto one year	Over one year			
	----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Bank balances	2.75 - 7.50	2,329,598	-	-	29,779	2,359,377
Investments		-	-	-	12,814,899	12,814,899
Dividend and profit receivable		-	-	-	28,095	28,095
Receivable against sale of investments		-	-	-	14,946	14,946
Advance and deposits		-	-	-	2,600	2,600
		<u>2,329,598</u>	<u>-</u>	<u>-</u>	<u>12,890,319</u>	<u>15,219,917</u>
<b>Financial Liabilities</b>						
Payable to NBP Fund						
Management Limited - Management Company		-	-	-	71,357	71,357
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,568	1,568
Accrued expenses and other liabilities		-	-	-	4,670	4,670
		<u>-</u>	<u>-</u>	<u>-</u>	<u>77,595</u>	<u>77,595</u>
<b>On-balance sheet gap</b>		<u>2,329,598</u>	<u>-</u>	<u>-</u>	<u>12,812,724</u>	<u>15,142,322</u>
<b>Off-balance sheet financial instruments</b>						
		-	-	-	-	-
<b>Off-balance sheet gap</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total interest rate sensitivity gap</b>		<u>2,329,598</u>	<u>-</u>	<u>-</u>		
<b>Cumulative interest rate sensitivity gap</b>		<u>2,329,598</u>	<u>2,329,598</u>	<u>2,329,598</u>		

# NAFA STOCK FUND

As at 30 June 2017						
Yield / interest rate (%)	Exposed to yield / interest risk			Not exposed to yield / interest risk	Total	
	Upto three months	Over three months and upto one year	Over one year			
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Bank balances	3.50 -6.77	1,650,124	-	-	31,387	1,681,511
Investments		-	-	-	15,414,375	15,414,375
Dividend and profit receivable		-	-	-	33,417	33,417
Receivable against sale of investments		-	-	-	172,593	172,593
Receivable against conversion of units		-	-	-	496	496
Advance and deposits		-	-	-	2,600	2,600
		<u>1,650,124</u>	<u>-</u>	<u>-</u>	<u>15,654,868</u>	<u>17,304,992</u>
<b>Financial Liabilities</b>						
Payable to NBP Fund						
Management Limited - Management Company		-	-	-	75,957	75,957
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,750	1,750
Payable against conversion of units		-	-	-	6,114	6,114
Payable against redemption of units		-	-	-	2,642	2,642
Dividend payable		-	-	-	106,716	106,716
Accrued expenses and other liabilities		-	-	-	6,692	6,692
		-	-	-	199,871	199,871
On-balance sheet gap		<u>1,650,124</u>	<u>-</u>	<u>-</u>	<u>15,454,997</u>	<u>17,105,121</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>1,650,124</u>	<u>-</u>	<u>-</u>		
Cumulative interest rate sensitivity gap		<u>1,650,124</u>	<u>1,650,124</u>	<u>1,650,124</u>		

## 25.1.3 Price risk

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

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities 'at fair value through profit and loss'.

In case of 5% increase / decrease in PSX 100 index on 30 June 2018, with all other variables held constant, net assets for the year would increase / (decrease) by Rs. 640.745 million (2017: Rs. 770.719 million) as a result of gains / (losses) on equity securities classified 'at fair value through profit and loss'.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the PSX 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the PSX 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the PSX 100 index.

## 25.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and bank balances. Risks attributable to investments in National Savings Certificate, Market Treasury Bills and Pakistan Investment Bonds is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Fund's bank balances as at 30 June 2018 and 30 June 2017.

# NAFA STOCK FUND

Balances with banks	2018	2017
	(Rupees in '000)	
AAA	56,013	117,456
AA+	63,164	1,471,800
AA-	2,214,828	64,538
AA	2,328	2,062
A+	710	2,663
A-	22,328	22,992
A	6	-
	<b>2,359,377</b>	<b>1,681,511</b>

The maximum exposure to credit risk before any credit enhancement as at 30 June 2018 is the carrying amount of the financial assets.

## ***Concentration of the credit risk***

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

## **25.3 Liquidity risk**

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

## ***Management of liquidity risk***

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

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

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

# NAFA STOCK FUND

## ***Maturity analysis for financial liabilities***

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

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

30 June 2018				
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
<b>Financial liabilities</b>				
Payable to NBP Fund				
Management Limited - Management Company	71,357	71,357	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	1,568	1,568	-	-
Accrued expenses and other liabilities	4,670	4,670	-	-
	<u>77,595</u>	<u>77,595</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>14,983,940</u>	<u>14,983,940</u>	<u>-</u>	<u>-</u>

30 June 2017				
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
<b>Financial liabilities</b>				
Payable to NBP Fund				
Management Limited - Management Company	75,957	75,957	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	1,750	1,750	-	-
Payable against conversion of units	6,114	6,114	-	-
Payable against redemption of units	2,642	2,642	-	-
Dividend payable	106,716	106,716	-	-
Accrued expenses and other liabilities	6,692	6,692	-	-
	<u>199,871</u>	<u>199,871</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>16,857,752</u>	<u>16,857,752</u>	<u>-</u>	<u>-</u>

## **26 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

# NAFA STOCK FUND

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

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

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

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

		30 June 2018					Fair value			
		Carrying value				Total	Level 1	Level 2	Level 3	Total
		At fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities					
(Rupees in '000)										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
Investment										
- Listed equity securities		12,814,899	-	-	-	12,814,899	12,814,899	-	-	12,814,899
<b>Financial assets not measured at fair value</b>										
Bank balances	26.1	-	-	2,359,377	-	2,359,377	-	-	-	-
Dividend and profit receivable		-	-	28,095	-	28,095	-	-	-	-
Receivable against sale of investments		-	-	14,946	-	14,946	-	-	-	-
Deposits		-	-	2,600	-	2,600	-	-	-	-
		-	-	2,405,018	-	2,405,018	-	-	-	-
<b>Financial liabilities not measured at fair value</b>										
Payable to NBP Fund Management Limited - Management Company	26.1	-	-	-	71,357	71,357	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,568	1,568	-	-	-	-
Accrued expenses and other liabilities		-	-	-	4,670	4,670	-	-	-	-
		-	-	-	77,595	77,595	-	-	-	-
		30 June 2017					Fair value			
		Carrying value				Total	Level 1	Level 2	Level 3	Total
		At fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities					
(Rupees in '000)										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
Investment										
- Listed equity securities		15,414,375	-	-	-	15,414,375	15,414,375	-	-	15,414,375
<b>Financial assets not measured at fair value</b>										
Bank balances		-	-	1,681,511	-	1,681,511	-	-	-	-
Dividend and profit receivable		-	-	33,417	-	33,417	-	-	-	-
Receivable against sale of investments		-	-	172,593	-	172,593	-	-	-	-
Receivable against conversion of units		-	-	496	-	496	-	-	-	-
Advance and deposits		-	-	2,600	-	2,600	-	-	-	-
		-	-	1,890,617	-	1,890,617	-	-	-	-
<b>Financial liabilities not measured at fair value</b>										
Payable to NBP Fund Management Limited - Management Company		-	-	-	75,957	75,957	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,750	1,750	-	-	-	-
Payable against conversion of units		-	-	-	6,114	6,114	-	-	-	-
Payable against redemption of units		-	-	-	2,642	2,642	-	-	-	-
Dividend payable		-	-	-	106,716	106,716	-	-	-	-
Accrued expenses and other liabilities		-	-	-	6,692	6,692	-	-	-	-
		-	-	-	199,871	199,871	-	-	-	-

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

## 27 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

# NAFA STOCK FUND

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 05, 2018.

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# NAFA STOCK FUND

PERFORMANCE TABLE

Particulars	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013
Net assets (Rs. '000')	14,983,940	16,857,752	7,938,880	4,113,851	1,804,655	1,122,681
Net Income (Rs. '000')	(1,778,166)	4,393,179	669,253	901,931	378,693	513,061
Net Asset Value per units (Rs.)	14.6226	16.2138	13.2076	13.3685	10.0980	10.8231
Selling price per unit	15.1183	16.7634	13.7316	13.9035	10.5056	11.1478
Redemption price per unit	14.6226	16.2138	13.2076	13.3685	10.0980	10.8231
Ex - Highest offer price per unit (Rs.)	16.9385	20.4640	13.8379	13.4008	10.6080	11.6423
Ex - Lowest offer price per unit (Rs.)	13.6426	13.9073	11.1871	9.1070	7.7911	7.3194
Ex - Highest redemption price per unit (Rs.)	16.3831	18.1550	13.3099	12.8852	10.1964	11.3032
Ex - Lowest redemption price per unit (Rs.)	13.1953	12.2155	10.7602	8.7536	7.4888	7.1062
Fiscal Year Opening Ex Nav	16.2017	12.1236	11.8527	9.2837	7.4072	6.9848
Total return of the fund	-9.75%	33.74%	11.43%	36.94%	36.33%	54.95%
Capital growth	-9.75%	21.70%	4.17%	24.69%	14.26%	14.36%
Income distribution as % of Ex-NAV	0.00%	12.04%	7.26%	12.24%	22.07%	40.59%
Income distribution as % of Par Value	0.00%	14.60%	9.20%	11.37%	16.35%	28.35%
<b>Distribution</b>						
Interim Distribution per unit	-	1.4599	0.9204	0.4524	1.6345	0.4374
Final distribution per unit	-	0.0110	-	0.6842	-	2.3980
Distribution dates						
Interim		19-Jun-16	29-Jun-16	29-Jun-15	13-Feb-14	26-Feb-13
Interim		-	-	-	30-Apr-14	26-Apr-13
Interim		-	-	-	26-Jun-14	-
Final		15-Sep-16	-	14-Jul-15	-	11-Jul-13
Average annual return (launch date January 19, 2007)						
(Since inception to June 30, 2018)	15.81%					
(Since inception to June 30, 2017)		18.61%				
(Since inception to June 30, 2016)			17.11%			
(Since inception to June 30, 2015)				17.80%		
(Since inception to June 30, 2014)					15.45%	
(Since inception to June 30, 2013)						12.51%
Portfolio Composition (see Fund Manager report)						

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

# NAFA STOCK FUND

## PROXY ISSUED BY THE FUND

The proxy voting policy of **NAFA Stock Fund**, duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. [www.nbpffunds.com](http://www.nbpffunds.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:

NAFA STOCK FUND				
	Resolutions	For	Against	Abstain*








Number	10	10	Nil	N/A
(%)	100%	100%	-	-



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