

NBP ISLAMIC STOCK FUND



ANNUAL REPORT
JUNE 2019



MISSION STATEMENT

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

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NBP ISLAMIC STOCK FUND (FORMERLY; NAFA ISLAMIC STOCK FUND)



FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

Al Baraka Bank Limited
Allied Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bankislami Pakistan Limited
Dubai Islamic Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank Limited
Silk Bank Limited
Sindh Bank Limited
Summit Bank Limited
United Bank Limited

NBP ISLAMIC STOCK FUND (FORMERLY; NAFA ISLAMIC STOCK FUND)



NBP FUNDS
Managing Your Savings

Auditors

A.F. Ferguson & Co. Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road,
P.O.Box 4716
Karachi.

Legal Advisor

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

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
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-e-Gahi, Multan.
Phone No: 061-4502204
Fax No: 061-4502203

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Nasir Husain
Director



Mr. Ali Saigol
Director



Mr. Shehryar Faruque
Director



Mr. Imran Zaffar
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



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



Mr. Taha Khan Javed, CFA
Head Of Equity



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Salman Ahmed, CFA
Head Of Risk Management



Mr. Zaheer Iqbal, ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head Of Compliance



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

The Board of Directors of NBP Fund Limited is pleased to present the Five Annual Report of **NBP Islamic Stock Fund (Formerly; NAFA Islamic Stock Fund)** for the year ended June 30, 2019.

The management company launched its first open-end Islamic equity scheme namely NAFA Islamic Stock Fund (NISF) on January 09, 2015. The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved Shari'ah compliant equities.

Fund's Performance

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

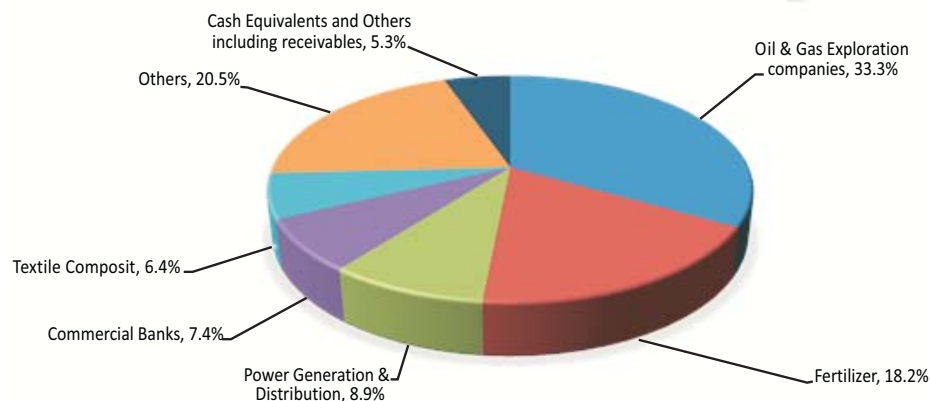
Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding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

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

During the fiscal year, NBP Islamic Stock Fund decreased by 20.1% as against the KMI-30 index decreased by 23.8%, outperforming the benchmark by 3.7% during the year. The Fund was overweight in key stocks in Commercial Banks, Chemical, and Technology & Communication sectors that outperformed the market and underweight in key stocks in Refinery, Oil & Gas Marketing Companies, Pharmaceutical, and Automobile Assembler sectors that underperformed the market, which contributed to the outperformance. Since the inception of the Fund, the return on NBP Islamic Stock Fund was 16.1% as against the benchmark KMI-30 index return of 3.2%. Thus, the Fund outperformed by 12.9% during the period. This outperformance is net of management fee and all other expenses. The Fund size is Rs. 4,121 million as of June 30, 2019.

NBP Islamic Stock Fund has incurred a total loss of Rs.1047.66 million during the period. After deducting total expenses of Rs.179.96 million, the net loss is Rs.1227.62 million. During the year, the unit price of NBP Islamic Stock Fund has decreased from Rs. 11.3973 on June 30, 2018 to Rs. 9.1077 on June 30, 2019. The resultant per unit loss is Rs. 2.2896 (20.1%).

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



Income Distribution

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

Taxation

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

Auditors

The present auditor Messrs A.F. Ferguson & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountant, for the year ending June 30, 2020.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 27 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 18 to these financial statements.

13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

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

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: August 30, 2019
Place: Karachi.

ڈائریکٹرز رپورٹ

NBP فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NBP اسلامک اسٹاک فنڈ (سابقہ: NAFA اسلامک اسٹاک اسٹاک فنڈ (NISF)) کی پانچویں سالانہ رپورٹ برائے اختتامہ سال 30 جون 2019 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

منیجمنٹ کمیٹی نے 09 جنوری 2015 کو NAFA اسلامک اسٹاک فنڈ (NISF) نامی پہلی اوپن انڈ اسلامک ایکویٹی اسکیم کا آغاز کیا۔ فنڈ کا مقصد منظور شدہ شریعہ کمپلیٹ ایکویٹی میں طویل مدت پر پونٹ ہولڈرز کی سرمایہ کاری کے لئے نمو فراہم کرنا ہے۔

فنڈ کی کارکردگی

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

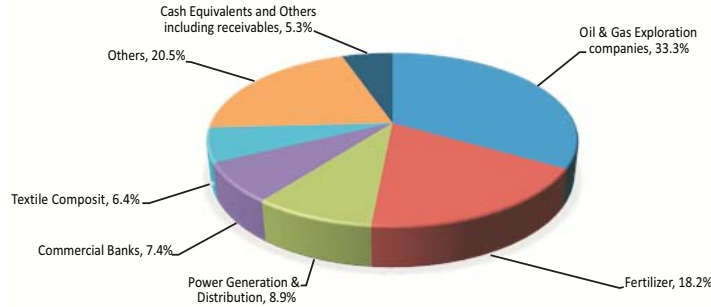
مہنگائی پر قابو پانے اور بیرونی اکاؤنٹ کے عدم توازن کو کم کرنے کے مقاصد کے ساتھ مشکل اقتصادی حالات سے دوچار موجودہ حکومت نے امریکی ڈالر کے برعکس روپیہ کی قدر میں خاطر خواہ کمی، پالیسی شرح میں تیز ترین اضافہ، غیر ضروری پریشانی درآمدی اشیاء کی ڈیوٹی میں اضافہ اور عوامی اخراجات میں کمی جیسی سخت پالیسیوں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

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

مالی سال کے دوران، NAFA اسلامک فنڈ میں KMI-30 انڈیکس کی 23.8% کمی کے مقابلے میں 20.1% کمی ہوئی، سال کے دوران بیچ مارک کی 3.7% کی بہتر کارکردگی دکھائی، فنڈ نے کرسٹل نیٹوں، کیپیکلز اور ٹیکنالوجی اینڈ کمیونیکیشن سیکٹرز میں کلیدی ہولڈنگز کو زیادہ اہمیت دی جس نے مارکیٹ سے بہتر کارکردگی دکھائی اور ریٹائرمنٹ، آئل اینڈ گیس مارکیٹنگ کمپنیوں، فارماسیوٹیکل اور آٹوموبائل اسمبلر سیکٹرز کو کم اہمیت دی جس نے مارکیٹ سے اتر کارکردگی کا مظاہرہ کیا، جس کے باعث کارکردگی بہتر رہی۔ فنڈ کے آغاز کے بعد سے NAFA اسلامک اسٹاک فنڈ 3.2% کے بیچ مارک KMI-30 انڈیکس منافع کے مقابلے میں 16.1% منافع کمایا۔ لہذا فنڈ نے زبردستی جازہ مدت کے دوران 12.9% کی بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ 30 جون 2019 کو فنڈ کا سائز 4,121 ملین روپے ہے۔

NAFA اسلامک اسٹاک فنڈ (NISF) کو اس مدت کے دوران 1047.66 ملین روپے کا خسارہ ہوا۔ 179.96 ملین روپے کے اخراجات منہا کرنے کے بعد خالص خسارہ 1227.62 ملین روپے ہے۔ سال کے دوران، NAFA اسلامک اسٹاک فنڈ کے پونٹ کی قیمت 30 جون 2018 کو 11.3973 روپے سے کم ہو کر 30 جون 2019 کو 9.1077 روپے ہو گئی۔ جس کے نتیجے میں نی پونٹ خسارہ 2.2896 روپے (20.1%) ہے۔

30 جون 2019 کو NAFA اسلامک اسٹاک فنڈ کی ایٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

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

ٹیکسیشن

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

آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف فرگن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹ کی کچھٹی میں اپنے پانچ سالوں کی مدت پوری کر لی ہے۔ نان بینکنگ فنانس کمپنیز کی ریگولیشنز 38(i) اور نوٹیفائیڈ اینڈ ریگولیشنز 2008 کی ضروریات کے مطابق، ان کی تبدیلی ضروری ہے۔ بورڈ نے، میسرز KPMG تاثر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو 30 جون 2020 کو ختم ہونے والے سال کے لئے تقرری کی منظوری دی ہے۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اینڈ مینجمنٹ

1. مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
2. فنڈ کے اکاؤنٹس کھاتے درست انداز میں رکھے ہوئے ہیں۔
3. مالی 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. کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
8. پرفارمنس ٹیمپل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیویڈنڈ، جھجھولت اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں کی گئی ہے۔
11. یونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
12. ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 18 میں ظاہر کی گئی ہے۔
13. مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔

30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

نام	کیٹگری
<ul style="list-style-type: none"> •1 جناب کمال عامر چنائے •2 جناب شہر یار فاروق •3 جناب ہمایوں بشیر 	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
<ul style="list-style-type: none"> •1 شیخ محمد عبدالواحد سہٹھی (چیئرمین) •2 جناب ناصر حسین •3 جناب عبدالہادی پالیکر •4 جناب علی سیدگل •5 جناب عمران ظفر 	نان ایگزیکٹو ڈائریکٹرز

اظہار تشکر

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

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

منجانب بورڈ آف ڈائریکٹرز

NBP مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 30 اگست 2019

مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Stock Fund (formerly NAFA Islamic 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, 2019 in accordance with the provisions of the following:

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

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

FUND MANAGER REPORT

NBP Islamic Stock Fund (Formerly; NAFA Islamic Stock Fund)

NBP Islamic Stock Fund (Formerly; NAFA Islamic Stock Fund) is a Shari'ah Compliant Open-end Equity Fund.

Investment Objective of the Fund

The objective of NBP Islamic Stock Fund (Formerly; NAFA Islamic Stock Fund) is to provide investors with long term capital growth from an actively managed portfolio invested primarily in Shari'ah Compliant listed companies in Pakistan.

Benchmark

The Benchmark of the Fund is KMI-30 Index.

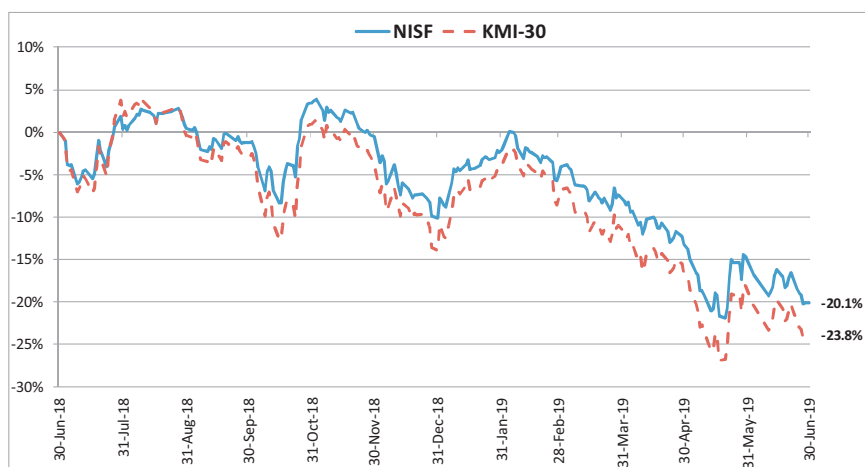
Fund performance review

This is the fifth annual report of the Fund. During the fiscal year, NBP Islamic Stock Fund (Formerly; NAFA Islamic Stock Fund) decreased by 20.1% as against the KMI-30 index decreased by 23.8%, outperforming the benchmark by 3.7% during the year. Since the inception of the Fund, the return on NBP Islamic Stock Fund (Formerly; NAFA Islamic Stock Fund) was 16.1% as against the benchmark KMI-30 index return of 3.2%. Thus, the Fund outperformed by 12.9% during the period. This outperformance is net of management fee and all other expenses. The size of NBP Islamic Stock Fund (Formerly; NAFA Islamic Stock Fund) is Rs.4,121 million as of June 30, 2019.

NISF outperformed during the year as the Fund was overweight in key stocks in Commercial Banks, Chemical, and Technology & Communication sectors that outperformed the market and underweight in key stocks in Refinery, Oil & Gas Marketing Companies, Pharmaceutical, and Automobile Assembler sectors that underperformed the market, which contributed to the outperformance.

The chart below shows the performance of NISF against the Benchmark for the year.

NISF Performance vs. Benchmark during FY19



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

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

especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

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

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-19	30-Jun-18
Equities / Stocks	94.6%	85.8%
Cash Equivalents	6.5%	15.8%
Other Net (Liabilities) / Assets	(1.1%)	(1.6%)
Total	100.0%	100.0%

Distribution for the Financial Year 2019

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

Unit Holding Pattern

Size of Unit Holding (Units)	# of Unit Holders
1-1000	867
1001-5000	609
5001-10000	465
10001-50000	1142
50001-100000	424
100001-500000	354
500001-1000000	29
1000001-5000000	28
5000001-10000000	7
10000001-100000000	8
Total	3,933

During the period under question:

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

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs.44.44 million. If the same were not made the NAV per unit/FY19 return of scheme would be higher by Rs. 0.0982/0.86%. For details investors are advised to read note 12.2 of the Financial Statement of the Scheme for the year ended June 30, 2019.

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

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

For and behalf of the board

Date: **August 30, 2019**
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

REPORT OF THE SHARIAH ADVISOR

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

Alhamdulillah, the period from July 1, 2018 to June 30, 2019 was the Fifth year of operations of NBP Islamic Stock Fund (NISF). This report is being issued in accordance with clause 3.7.1 of the offering document of the Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activity.

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

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

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

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Petroleum Limited.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
Engro Corporation Limited.	Fertilizer	33.98%	20.80%	3.52%	66%	(144.42)	
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.25	128
Engro Fertilizer Limited.	Fertilizer	25.93%	6.57%	0.43%	76%	(32.97)	
The Hub Power Company Limited. *	Power Generation & Distribution Co.	31.38%	0.00%	0.43%	41%	(29.25)	
Pakistan Oilfields Limited.	Oil & Gas Exploration Companies	0.00%	0.01%	3.20%	52%	(9.26)	

* Debt is considered excluding circular debt.

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

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

During the year a provision of Rupees 4,316,239/- was created and an amount of Rupees 3,315,011/- was available for disbursement into charity as of June 30, 2019, which is inclusive of Rupees 2,047,455/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2019 will be adjusted after the availability of the respective annual financial statements.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waqar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of NBP Islamic Stock Fund (Formerly: NAFA Islamic Stock Fund)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NBP Islamic Stock Fund (Formerly: NAFA Islamic Stock Fund) (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of 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. Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Net Asset Value (NAV) (Refer note 5 to the financial statements)</p> <p>The investments constitute the most significant component of the NAV. The investments of the Fund as at June 30, 2019 amounted to Rs 3,900.022 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • tested the design and operating effectiveness of the key controls for valuation of investments; • obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and • re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

Other Information

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

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

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

Responsibilities of Management and Board of Directors of the Management Company 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.

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with board of directors of the Management Company regarding, among other matters, the planned

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: September 27, 2019

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019

	2019	2018
Note	------(Rupees in '000)-----	
Assets		
Bank balances	4 266,185	989,555
Investments	5 3,900,022	5,494,948
Dividend and profit receivable	6 4,458	12,278
Receivable against sale of investments	39,695	-
Advances, deposits and other receivables	7 4,200	12,211
Total assets	4,214,560	6,508,992
Liabilities		
Payable to NBP Fund Management Limited - the Management Company	9 33,914	42,184
Payable to the Central Depository Company of Pakistan Limited - the Trustee	10 501	721
Payable to the Securities and Exchange Commission of Pakistan	11 5,301	7,015
Accrued expenses and other liabilities	12 54,054	55,146
Total liabilities	93,770	105,066
NET ASSETS	4,120,790	6,403,926
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	4,120,790	6,403,926
CONTINGENCIES AND COMMITMENTS	13	
	-----Number of units-----	
NUMBER OF UNITS IN ISSUE	8 452,452,689	561,880,644
	-----Rupees-----	
NET ASSET VALUE PER UNIT	9.1077	11.3973

The annexed notes from 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		------(Rupees in '000)-----	
Income			
Profit on bank deposits		59,212	48,171
Dividend income		246,881	319,444
Loss on sale of investments - net		(433,758)	(846,481)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.2	(919,998)	(489,131)
		(1,353,756)	(1,335,612)
Total loss		(1,047,663)	(967,997)
Expenses			
Remuneration of NBP Fund Management Limited - the Management Company	9.1	111,590	147,695
Sindh sales tax on remuneration of the Management Company	9.2	14,507	19,200
Allocated expenses	9.4	5,580	7,385
Selling and marketing expense	9.5	22,318	29,539
Remuneration of the Central Depository Company of Pakistan Limited - the Trustee	10.1	6,580	8,385
Sindh sales tax on remuneration of the Trustee	10.2	855	1,090
Annual fees to the Securities and Exchange Commission of Pakistan	11.1	5,301	7,015
Auditors' remuneration	14	562	500
Annual listing fee		28	28
Printing charges		25	69
Shari'ah advisor fee		963	494
Securities transaction cost		9,455	13,169
Settlement and bank charges		1,905	1,953
Legal and professional charges		68	42
Mutual fund rating fee		220	181
Total operating expenses		179,957	236,745
Net loss from operating activities		(1,227,620)	(1,204,742)
Provision against Sindh Workers' Welfare Fund	12.2	-	-
Net loss for the year before taxation		(1,227,620)	(1,204,742)
Taxation	16	-	-
Net loss for the year after taxation		(1,227,620)	(1,204,742)
(Loss) / earnings per unit	17		
Allocation of net income for the year			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		-	-

The annexed notes from 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

	2019	2018
	----- Rupees in '000 -----	
Net loss for the year after taxation	(1,227,620)	(1,204,742)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u><u>(1,227,620)</u></u>	<u><u>(1,204,742)</u></u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Note	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(1,227,620)	(1,204,742)
Adjustments for:		
Profit on bank deposits	(59,212)	(48,171)
Dividend income	(246,881)	(319,444)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.2 919,998	489,131
	613,905	121,516
Decrease / (increase) in assets		
Advances, deposits and other receivables	8,011	(8,120)
Receivable against sale of investments	(39,695)	28,893
Investments	674,928	1,524,043
	643,244	1,544,816
(Decrease) / increase in liabilities		
Payable to NBP Fund Management Limited - the Management Company	(8,270)	(5,928)
Payable to the Central Depository Company of Pakistan Limited - the Trustee	(220)	(165)
Payable to the Securities and Exchange Commission of Pakistan	(1,714)	1,645
Accrued expenses and other liabilities	(1,092)	(117,422)
	(11,296)	(121,870)
Dividend received	253,809	330,621
Profit received on bank balances with banks	60,104	48,002
Net cash generated from operating activities	332,146	718,343
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance of units	4,517,706	6,245,434
Net payments against redemption of units	(5,573,222)	(6,957,762)
Dividend paid	-	(31,052)
Net cash used in financing activities	(1,055,516)	(743,380)
Net decrease in cash and cash equivalents	(723,370)	(25,037)
Cash and cash equivalents at the beginning of the year	989,555	1,014,592
Cash and cash equivalents at the end of the year	4 266,185	989,555

The annexed notes from 1 to 30 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Islamic Stock Fund (Formerly: NAFA Islamic Stock Fund) (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on November 18, 2014 between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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 a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended 'Shari'ah compliant equity scheme' by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009.

The objective of the fund is to provide investors with long-term capital growth from an actively managed portfolio of Shari'ah compliant listed equities securities. The investment objectives and policies are explained in the Fund's offering document.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 as at June 30, 2019 (June 30, 2018: AM1) to the Management Company and performance ranking of "4-Star" to the fund (June 30, 2018: "4-Star").

The title to the assets of the Fund is held in the name of the 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 VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

2.2 Standards, interpretations and amendments to the published accounting and reporting standards that are effective in the current year

- 2.2.1** Effective from July 1, 2018, the Fund has adopted IFRS 9: 'Financial instruments' which has replaced IAS 39: 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of the ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

All equity investments are required to be measured in the statement of assets and liabilities at fair value, with gains and losses recognised in the income statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at fair value through other comprehensive income (FVOCI). The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognised as fair value through profit and loss (FVPL). The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio in equity securities continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost.

The adoption of IFRS 9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption.

- 2.2.2** There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2018 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.3 Standards, interpretations and amendments to the published accounting and reporting standards that are not yet effective

- 2.3.1** The following amendments to the published accounting and reporting standards would be effective from the dates mentioned below against the respective amendments:

Standards, amendments and interpretations	Effective from accounting period beginning on or after:
- IFRS 9 - 'Financial instruments' (amendments)	January 1, 2019
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 1, 2020

The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

- 2.3.2** There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in accordance with the approved accounting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for Federal Excise Duty (note 9.3) and provision for taxation (notes 3.13 and 16).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

2.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistan Rupee, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in note 2.2.1 above.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the statement of assets and liabilities at fair value, with gains and losses recognised in the income statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVPL is recognised in the income statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the income statement.

3.3.2 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. 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 the recoverable amount.

3.3.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.3.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 recognised in the income statement.

3.3.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the income statement.

3.3.6 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.

3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the income statement.

3.5 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.

3.6 Provisions

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

3.7 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption application during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

3.9 Distributions to unit holders

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

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

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

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. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net 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.

3.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Profit on bank balances is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.

3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company and the Trustee and annual fee of SECP are recognised in the income statement on an accrual basis.

3.13 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 as cash dividend to the unit holders.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

3.14 Earnings / (loss) per unit

Earnings / (loss) per unit (EPU) has not been disclosed in these financial statements as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

4	BANK BALANCES	Note	2019	2018
			Rupees in '000	
	Balances with banks			
	Savings accounts	4.1	221,758	953,412
	Current accounts	4.2	44,427	36,143
			266,185	989,555

4.1 These includes a balance of Rs 84.372 million (2018: 389.539 million) maintained with BankIslami Pakistan Limited (a related party) and balance of Rs. 0.492 million (2018: 0.475 million) with Summit Bank Limited (a related party) that carry profit at the rate of 13.5% per annum (2018: 6.5% per annum) and 10.25% per annum (2018: 2.75% per annum) respectively. Other profit and loss accounts carry profit rates ranging from 9.5% to 13.5% per annum (2018: 2.75% to 7.5% per annum).

4.2 These include a balance of Rs 8.178 million (2018: 7.574 million) maintained with Summit Bank Limited (a related party).

5	INVESTMENTS	Note	2019	2018
			Rupees in '000	
	Financial assets 'at fair value through profit or loss'			
	Quoted equity securities	5.1	3,900,022	5,494,948

5.1 Listed equity securities

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each unless stated other wise.

Name of the investee company	As at July 01, 2018	Acquired during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments	Market value as a percentage of net assets	Holding as a percentage of Paid up capital of the investee company
----- Number of shares held -----						Rupees in '000	----- Percentage -----		
AUTOMOBILE ASSEMBLER									
Baluchistan Wheels Limited	10,000	-	-	-	10,000	612	0.02	0.01	0.07
Indus Motor Company Limited	16,610	-	-	16,610	-	-	-	-	-
Millat Tractors Limited	45,350	26,860	-	72,210	-	-	-	-	-
Sazgar Engineering Works	4	-	-	-	4	1	-	-	0.00
						613	0.02	0.01	
AUTOMOBILE PARTS & ACCESSORIES									
Agriauto Industries Limited*	105,900	700	-	80,500	26,100	5,219	0.13	0.13	0.09
Thal Limited*	29,550	-	-	29,550	-	-	-	-	-
						5,219	0.13	0.13	
CABLE & ELECTRICAL GOODS									
Pak Elektron Limited	226,050	2,252,500	-	2,478,550	-	-	-	-	-
						-	-	-	-
CEMENT									
Attock Cement Pakistan Limited	702,200	-	-	702,200	-	-	-	-	-
Cherat Cement Company Limited**	780,300	-	-	780,300	-	-	-	-	-
D.G. Khan Cement Company Limited	965,700	1,442,000	-	2,216,700	191,000	10,799	0.28	0.26	0.04
Fauji Cement Company Limited	-	700,000	-	-	700,000	11,011	0.28	0.27	0.05
Kohat Cement Company Limited	462,500	-	94,110	178,900	377,710	19,841	0.51	0.48	0.19
Lucky Cement Limited	266,000	633,250	-	518,550	380,700	144,845	3.71	3.51	0.12
Maple Leaf Cement Factory Limited	383,587	6,684,000	-	5,541,587	1,526,000	36,456	0.93	0.88	0.23
Pioneer Cement Limited	530,100	2,133,500	-	2,218,500	445,100	10,082	0.26	0.24	0.20
						233,034	5.97	5.64	

NBP ISLAMIC STOCK FUND (FORMERLY; NAFA ISLAMIC STOCK FUND)



Name of the investee company	As at July 01, 2018	Acquired during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments	Market value as a percentage of net assets	Holding as a percentage of Paid up capital of the investee company
	----- Number of shares held -----					Rupees in '000 -----		----- Percentage -----	
CHEMICAL									
Engro Polymer & Chemicals Limited	3,606,480	4,666,000	-	6,027,000	2,245,480	60,538	1.55	1.47	0.25
Lotte Chemical Pakistan Limited	8,278,500	7,884,000	-	12,972,500	3,190,000	48,648	1.25	1.18	0.21
Sitara Peroxide Limited	-	634,000	-	634,000	-	-	-	-	-
						109,186	2.80	2.65	
COMMERCIAL BANKS									
Meezan Bank Limited	1,336,550	2,216,000	632,381	701,500	3,483,431	303,616	7.78	7.37	0.27
						303,616	7.78	7.37	
ENGINEERING									
Amreli Steels Limited	228,600	-	-	228,600	-	-	-	-	-
Crescent Steel & Allied Products Limited	16,400	-	-	16,400	-	-	-	-	-
International Industries Limited**	96,600	140,600	-	70,700	166,500	12,832	0.33	0.31	0.14
International Steels Limited**	1,410,400	2,538,200	-	3,553,700	394,900	15,681	0.40	0.38	0.09
Ittefaq Iron Industries Limited	631,500	-	-	631,500	-	-	-	-	-
Mughal Iron and Steel Industries Limited	371,408	682,000	-	722,585	330,823	8,324	0.21	0.20	0.13
						36,837	0.94	0.89	
FERTILIZER									
Dawood Hercules Corporation Limited	260,400	-	-	248,400	12,000	1,335	0.03	0.03	0.00
Fatima Fertilizer Company Limited	-	147,000	-	137,500	9,500	284	0.01	0.01	0.00
Engro Fertilizers Limited	5,179,000	3,733,000	-	3,769,500	5,142,500	328,966	8.43	7.98	0.39
Engro Corporation Limited	1,540,500	672,000	157,720	793,200	1,577,020	418,857	10.74	10.16	0.27
						749,442	19.21	18.18	
FOOD & PERSONAL CARE PRODUCTS									
Al Shaheer Corporation Limited	1,091,338	132,000	-	-	1,223,338	15,414	0.40	0.37	0.86
Al-Tahur Limited	-	1,105,865	-	596,500	509,365	10,040	0.26	0.24	0.35
						25,454	0.66	0.61	
GLASS & CERAMICS									
Shabbir Tiles & Ceramics Limited*	1,199,500	-	-	1,173,000	26,500	273	0.01	0.01	0.01
Tariq Glass Industries Ltd	1,087,600	214,500	-	646,300	655,800	50,254	1.29	1.22	0.89
						50,527	1.30	1.23	
OIL & GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	185,950	48,660	22,801	34,980	222,431	224,506	5.76	5.45	0.18
Oil & Gas Development Company Limited	3,012,500	1,846,300	-	807,400	4,051,400	532,719	13.66	12.93	0.09
Pakistan Oilfields Limited	528,150	403,200	96,890	568,200	460,040	186,726	4.79	4.53	0.16
Pakistan Petroleum Limited	2,484,900	1,087,000	352,110	967,300	2,956,710	427,038	10.95	10.36	0.13
						1,370,989	35.16	33.27	
OIL & GAS MARKETING COMPANIES									
Attock Petroleum Limited	101,250	37,750	12,550	117,600	33,950	9,795	0.25	0.24	0.03
Hascol Petroleum Limited	112,748	55,000	47,780	194,495	21,033	1,443	0.04	0.04	0.01
Pakistan State Oil Company Limited	648,820	635,500	80,024	753,300	611,044	103,651	2.66	2.52	0.16
Sui Northern Gas Pipelines Limited	1,333,200	1,609,500	-	1,950,500	992,200	68,948	1.77	1.67	0.16
						183,837	4.72	4.47	
OIL REFINERY									
Attock Refinery Limited	-	163,500	-	94,300	69,200	5,347	0.14	0.13	0.06
						5,347	0.14	0.13	
PAPER & BOARD									
Century Paper & Board Mills Limited	496,700	-	-	496,700	-	-	-	-	-
Cherat Packaging Limited**	246,551	109,400	42,608	105,000	293,559	23,673	0.61	0.57	0.76
						23,673	0.61	0.57	
PHARMACEUTICALS									
Abbott Laboratories (Pakistan) Limited	47,550	-	-	25,400	22,150	10,512	0.27	0.26	0.02
AGP Limited	372,125	226,500	-	598,625	-	-	-	-	-
Ferozsons Laboratories Limited	170,600	-	-	104,700	65,900	7,369	0.19	0.18	0.22
Glaxosmithkline Pakistan Limited	106,700	-	-	3,500	103,200	9,837	0.25	0.24	0.03
The Searle Company Limited	64,625	258,000	30,250	350,960	1,915	280	0.01	0.01	-
						27,998	0.72	0.69	

Name of the investee company	As at July 01, 2018	Acquired during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments	Market value as a percentage of net assets	Holding as a percentage of Paid up capital of the investee company
	----- Number of shares held -----					Rupees in '000 -----		Percentage -----	
POWER GENERATION & DISTRIBUTION									
The Hub Power Company Limited	3,086,500	3,304,000	460,283	2,410,500	4,440,283	349,672	8.97	8.49	0.34
Kot Addu Power Company Limited	655,500	-	-	655,500	-	-	-	-	-
K-Electric Limited*	10,260,500	12,844,000	-	19,153,000	3,951,500	17,347	0.44	0.42	0.02
						367,019	9.41	8.91	
TECHNOLOGY & COMMUNICATION									
Avanceon Limited	624,625	26,000	105,850	493,000	263,475	12,921	0.33	0.31	0.14
NetSol Technologies Limited	833,500	528,500	-	608,100	753,900	49,674	1.27	1.21	0.84
Systems Limited	880,500	16,000	50,150	395,000	551,650	52,942	1.36	1.28	0.45
Pakistan Telecommunication Limited	-	750,000	-	750,000	-	-	-	-	-
						115,537	2.96	2.80	
TEXTILE COMPOSITE									
Kohinoor Textile Mills Limited	1,613,033	-	-	757,500	855,533	21,431	0.55	0.52	0.29
Interloop Limited	-	946,662	-	-	946,662	41,909	1.07	1.02	0.11
Nishat Mills Limited	1,528,600	2,028,800	-	1,432,500	2,124,900	198,338	5.09	4.81	0.60
						261,678	6.71	6.35	
TRANSPORT									
Pakistan National Shipping Corporation	117,500	-	-	100,500	17,000	1,084	0.03	0.03	0.01
						1,084	0.03	0.03	
VANASPATI & ALLIED INDUSTRIES									
Unity Foods Limited	-	1,734,000	3,846,495	5,580,495	-	-	-	-	-
						-	-	-	-
MISCELLANEOUS									
EcoPack Limited	1,811	-	272	-	2,083	28	-	-	0.01
Synthetic Products Enterprises Limited	1,409,600	7,000	-	114,000	1,302,600	28,904	0.74	0.70	1.53
						28,932	0.74	0.70	
TOTAL						3,900,022	100	94.63	
Carrying cost as at June 30, 2019						4,820,020			
Total as at June 30, 2018						5,494,948	100	94.63	
Carrying cost as at June 30, 2018						5,984,079			

* All shares have a nominal face value of Rs 10 each except for shares of Thal Limited, Agriauto Industries Limited, Shabbir Tiles & Ceramics Limited which have a face value of Rs 5 each and K-Electric Limited which have a face value of Rs 3.5 each.

** These represent transactions with related parties.

5.1.1 Investments include shares with market value of Rs 137.164 million (2018: 206.5 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the SECP.

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

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

During the year ended June 30, 2018, the Honourable Supreme Court of Pakistan (HSC) passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the current year. Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2019, the following bonus shares of the Fund have been withheld by certain companies at the time of declaration of bonus shares. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Name of the company	2019		2018	
	Bonus Shares			
	Number of shares with held	Market value as at June 30, 2019	Number of shares withheld	Market value as at June 30, 2018
	Rupees in '000'		Rupees in '000'	
The Searle Company Limited	1,917	281	1,665	565
Al-Shaheer Corporation Limited	18,376	232	18,376	501
Avanceon Limited	10,335	507	7,381	489
EcoPack Limited	2,083	28	1,811	38
Hascol Petroleum Limited	1,582	109	1,149	361
Mughal Iron and Steel Industries Limited	4,241	107	4,241	260
Synthetic Products Enterprises Limited	7,405	164	7,405	378
Kohinoor Textile Mills Limited	4,811	121	4,811	265
Pakistan State Oil Company Limited	7,778	1,319	6,481	2,063
Sazgar Engineering Works	4	-	4	-
		<u>2,868</u>		<u>4,920</u>

	Note	2019 -----Rupees in '000-----	2018
5.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net			
Market value of investments	5.1	3,900,022	5,494,948
Carrying value of investments	5.1	4,820,020	5,984,079
		(919,998)	(489,131)
6 DIVIDEND AND PROFIT RECEIVABLE			
Profit accrued on bank balances		3,274	4,166
Dividend receivable		1,184	8,112
		4,458	12,278
7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Security deposit with the Central Depository Company of Pakistan Limited		103	103
Security deposit with National Clearing Company of Pakistan Limited		2,530	2,530
Advance tax	7.1	1,458	1,458
Mutual fund rating fee		109	-
Advance against Pre IPO - Subscription		-	8,120
		4,200	12,211
7.1	As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposit paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at the applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on dividends and profit on bank deposits as at June 30, 2019 amounts to Rs 1.458 million (2018: Rs. 1.458 million).		
	For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by HCS in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court (HSC) through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the HSC by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the HSC granted the petitioners leave to appeal from the initial judgement of HCS. Pending resolution of the matter, the amount of withholding tax so deducted has been shown as other receivables as at June 30, 2019 as, in the opinion of the management, the amount of tax deducted at source will be refunded.		
8 NUMBER OF UNITS IN ISSUE		2019	2018
		Number of Units	
Total units in issue at the beginning of the year		561,880,644	632,814,636
Units issued during the year		412,871,633	515,643,943
Less: units redeemed during the year		(522,299,588)	(586,577,935)
Total units in issue at the end of the year		452,452,689	561,880,644

9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - THE MANAGEMENT COMPANY

	Note	2019 Rupees in '000	2018
Management fee payable	9.1	7,225	11,125
Sindh sales tax payable on remuneration of the Management Company	9.2	939	1,446
Federal Excise Duty payable on remuneration of the Management Company	9.3	8,209	8,209
Allocated charges payable	9.4	2,598	3,710
Selling and marketing expenses payable	9.5	10,394	14,841
Sales load payable to The Management Company		2,202	507
Federal excise duty on sales load		2,327	2,327
Other payable		20	19
		33,914	42,184

9.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of an equity scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% per annum of the average net assets of the Fund during the year June 30, 2019. The remuneration is payable to the Management Company monthly in arrears.

9.2 During the year, an amount of Rs.14.507 million (2018: 19.2 million) was charged on account of sales tax on management fee levied through Sindh sales tax on Services Act, 2011.

9.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration and sales load were already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Honourable High Court of Sindh (HCS) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, HCS passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Honourable Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from January 7, 2015 till June 30, 2016 amounting to Rs 8.209 million (2018: Rs 8.209 million) is being retained in these financial statements of the Fund as the matter is pending before the Honourable Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2019 would have been higher by Re 0.018 (2018: Re 0.015) per unit.

9.4 Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

- 9.5 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

	Note	2019 Rupees in '000	2018
10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE			
Trustee fee payable	10.1	443	638
Sindh sales tax payable on trustee fee	10.2	58	83
		<u>501</u>	<u>721</u>

- 10.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

On net assets:

- up to Rs 1,000 million Rs 0.7 million or 0.20% per annum of net assets, whichever is higher
- over Rs 1,000 million Rs 2 million plus 0.10% per annum of net assets, on amount exceeding Rs 1,000 million

- 10.2 During the year, an amount of Rs 0.855 million (2018: Rs.1.09 million) was charged on account of sales tax on remuneration of the Trustee levied through Sindh Sales Tax on Services Act, 2011.

	Note	2019 Rupees in '000	2018
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable	11.1	<u>5,301</u>	<u>7,015</u>

- 11.1 In accordance with NBFC Regulations, 2008, a collective investment scheme classified as an equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

	Note	2019 Rupees in '000	2018
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		458	380
Brokerage payable		311	1,023
Settlement charges		133	43
Legal fee		12	31
Mutual fund rating fee		-	90
Charity payable	12.1	7,489	7,674
Shari'ah advisor fee payable		950	483
Provision for Sindh Worker's Welfare Fund	12.2	44,440	44,440
Withholding tax payable-others		150	558
Capital gain tax payable		8	338
Payable against printing charges		61	81
Bank charges		42	5
		<u>54,054</u>	<u>55,146</u>

- 12.1** According to the instructions of the Shari'ah advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the current period, non Shari'ah compliant income amounting to Rs 4.316 million was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of Shari'ah Advisor of the Fund. The dividend income is recorded net of charity expense.

- 12.2** 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 MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP has recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015). Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.098 per unit (2018: Re 0.079).

13 CONTINGENCIES AND COMMITMENTS

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

14 AUDITORS' REMUNERATION

	2019	2018
	Rupees in '000	
Annual audit fee	332	288
Half yearly review fee	132	132
Other certification	67	-
Out of pocket expenses	31	80
	562	500

15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.23% (2018: 3.21%) which includes 0.37% (2018: 0.37%) representing government levies on the Fund such as sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% (4.5% w.e.f. June 20, 2019 as amended by S.R.O 639 dated June 20, 2019) prescribed under the NBFC Regulations for a collective investment scheme categorised as 'Shari'ah compliant equity scheme'.

16 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. The Fund has not recorded any tax liability as the Fund has incurred a net loss during the year.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on Funds as per Section 4B of the Income Tax Ordinance, 2001.

17 (Loss) / earnings per unit

(Loss) / earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

18.1 Connected persons include NBP Fund Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons and Baltoro Growth Fund being the sponsors, NAFA Pension Fund and NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, 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, directors and their close family members and key management personnel of the Management Company.

18.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

18.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

18.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

	2019	2018
	Rupees in '000	
NBP Fund Management Limited - the Management Company		
Remuneration of the management company	111,590	147,695
Sindh sales tax on remuneration of the Management Company	14,507	19,200
Accounting and operational charges	5,580	7,385
Selling and marketing charges	22,318	29,539
Issue of Nil units (2018: 10,120 units)	-	119
Redemption of Nil Units (2018: 4,115,414 Units)	-	47,753
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration of the Trustee	6,580	8,385
Sindh sales tax on remuneration of the Trustee	855	1,090
CDS charges	1,424	1,347
Employees of the Management Company		
Issue of 21,014,666 units (2018: 10,787,894 units)	224,969	128,371
Redemption of 22,160,039 units (2018: 12,522,993 units)	241,474	147,875
Muhammad Murtaza Ali - Chief Operating Officer / Company Secretary		
Issue of 8,798 units (2018: 222,626 units)	100	2,502
Redemption of 68,300 units (2018: 240,315 units)	764	2,924
NAFA Islamic Principal Preservation Fund*		
Issue of Nil units (2018: 1,135,748 units)	-	13,322
Redemption of Nil units (2018: 1,915,378 units)	-	22,252

NBP ISLAMIC STOCK FUND

(FORMERLY; NAFA ISLAMIC STOCK FUND)



	2019	2018
	Rupees in '000	
NBP Fund Management Limited - Employees Provident Fund		
Issue of Nil units (2018: 1,113,969 units)	-	13,447
Redemption of 280,828 units (2018: 2,028,875 units)	2,898	23,544
Portfolio Managed by the Management Company		
Issue of 26,731,489 units (2018: 2,820,028 units)	296,377	34,300
Redemption of 9,461,322 units (2018: 36,038 units)	92,164	400
Bank Islami Pakistan Limited - common directorship		
Profit on bank deposits	27,755	36,533
National Bank of Pakistan - parent company		
Profit on bank deposits	13	-
Summit Bank Limited - common directorship		
Profit on bank deposits	14	15
Akhuwat*		
Issue of Nil units (2018: 2,076 units)	-	24
Redemption of Nil units (2018: 832,958 units)	-	9,758
Taurus Securities Limited - common directorship		
Brokerage expense	518	784
Jubilee Life Insurance Company Limited - common directorship		
Purchase of 22,662,170 shares (2018: Nil shares)	250,000	-
Cherat Packaging Limited - common directorship		
Purchase of 109,400 shares (2018: 77,400 shares)	17,003	14,722
Sale of 105,000 shares (2018: 60,800 shares)	17,830	10,703
Bonus shares 42,608 (2018: Nil)	-	-
Dividend income	2,154	1,845
Cherat Cement Company Limited - common directorship		
Purchase of Nil shares (2018: 364,700 shares)	-	54,928
Sale of 780,300 shares (2018: 1,045,000 shares)	52,909	130,888
Dividend income	1,977	6,983
International Steel Limited - common directorship		
Purchase of 2,538,200 shares (2018: 2,482,100 shares)	211,038	296,414
Sale of 3,553,700 shares (2018: 1,782,200 shares)	248,784	192,747
Dividend income	5,910	3,218
International Industries Limited - common directorship		
Purchase of 140,600 shares (2018: 123,600 shares)	22,688	35,063
Sale of 70,700 shares (2018: 26,500 shares)	8,026	7,709
Dividend income	1,221	246

18.6 Amounts / balances outstanding as at year end	2019	2018
	Rupees in '000	
NBP Fund Management Limited - the Management Company		
Remuneration payable to the Management Company	7,225	11,125
Sindh sales tax payable on remuneration of the Management Company	939	1,446
Federal excise duty payable on remuneration of the Management Company	8,209	8,209
Accounting and operational charges payable to the Management Company	2,598	3,710
Selling and marketing expenses payable to the Management Company	10,394	14,841
Sales load payable	2,202	507
Federal excise duty payable on sales load	2,327	2,327
Other payable	20	19
Central Depository Company of Pakistan Limited - The Trustee		
Trustee fee payable	443	638
Sindh sales tax payable	58	83
Security deposit	103	102
Employees of the Management Company		
Units held: 1,384,419 units (2018: 2,256,965 units)	12,609	25,723
Muhammad Murtaza Ali - Chief Operating Officer / Company Secretary		
Units held: 42 units (2018: 59,544 units)	-	679
NBP Fund Management Limited - employees provident fund		
Units held: 114,845 units (2018: 395,673 units)	1,046	4,510
Bank Islami Pakistan Limited - common directorship		
Bank balances	84,372	389,539
Profit receivable	2,668	3,462
National Bank of Pakistan - parent company		
Bank balances	6,784	10,558
Summit Bank Limited - common directorship		
Bank balances	8,670	8,049
Profit receivable	4	-
Taurus Securities Limited - common directorship		
Brokerage Payable	17	15
Portfolio Managed by the Management Company		
Units held: 36,992,244 units (2018: 5,413,491 units)	336,915	61,699

	2019	2018
	Rupees in '000	
Jubilee Life Insurance Company Limited - common directorship		
Units held: 22,662,170 units (2018: Nil units)	206,400	-
Cherat Packaging Limited - common directorship		
Shares held: 293,559 shares (2018: 246,551 shares)	23,673	35,427
Cherat Cement Company Limited - common directorship		
Shares held: Nil shares (2018: 807,651 shares)	-	75,869
International Steel Limited - common directorship		
Shares held: 394,900 shares (2018: 1,410,400 shares)	15,681	143,438
International Industries Limited - common directorship		
Shares held: 166,500 shares (2018: 96,600 shares)	12,832	22,439

* Balances outstanding have not been presented as the person has ceased to be a related party / connected person of the Fund as at June 30, 2019.

18.7 Other balances due to / from related parties / connected persons are included in the respective notes to these financial statements.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	----- 2019 -----		
	At fair value through profit or loss	At ammortised cost	Total
	-----Rupees in '000-----		
Financial assets			
Bank balances	-	266,185	266,185
Investments	3,900,022	-	3,900,022
Dividend and profit receivable	-	4,458	4,458
Receivable against sale of investments	-	39,695	39,695
Advances, deposits and other receivables	-	2,742	2,742
	<u>3,900,022</u>	<u>313,080</u>	<u>4,213,102</u>

	----- 2019 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
Financial liabilities			
Payable to NBP Fund Management Limited - the Management Company	-	33,914	33,914
Payable to the Central Depository Company of Pakistan- the Trustee	-	501	501
Accrued expenses and other liabilities	-	9,456	9,456
	<u>-</u>	<u>43,871</u>	<u>43,871</u>

Financial assets

Bank balances
Investments
Dividend and profit receivable
Receivable against sale of investments
Advances, deposits and other receivables

----- 2018 -----		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		
-	989,555	989,555
5,494,948	-	5,494,948
-	12,278	12,278
-	-	-
-	10,753	10,753
<u>5,494,948</u>	<u>1,012,586</u>	<u>6,507,534</u>

Financial liabilities

Payable to NBP Fund Management Limited - the Management Company
Payable to the Central Depository Company of Pakistan- the Trustee
Accrued expenses and other liabilities

----- 2018 -----		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		
-	42,184	42,184
-	721	721
-	9,810	9,810
-	52,715	52,715

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund 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 the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

20.1 Market risk

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / profit rate risk, currency risk, and price risk.

(i) Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As at June 30, 2019, the Fund is exposed to such risk on its balance held with bank and term deposit receipt. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.2218 million (2018: Rs. 0.8256 million)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019 and June 30, 2018, the Fund did not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 and June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2019 can be determined as follows:

----- 2019 -----						
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in '000 -----						
Financial assets						
Bank balances	9.5% - 13.5%	221,758	-	-	44,427	266,185
Investments		-	-	-	3,900,022	3,900,022
Dividend and profit receivable		-	-	-	4,458	4,458
Receivable against sale of investments		-	-	-	39,695	39,695
Advances, deposits and other receivables		-	-	-	2,742	2,742
		221,758	-	-	3,991,344	4,213,102
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	33,914	33,914
Payable to the Central Depository Company of Pakistan Limited - the Trustee		-	-	-	501	501
Accrued expenses and other liabilities		-	-	-	9,456	9,456
		-	-	-	43,871	43,871
On-balance sheet gap		221,758	-	-	3,947,473	4,169,231
Total profit rate sensitivity gap		221,758	-	-		
Cumulative profit rate sensitivity gap		221,758	221,758	221,758		

----- 2018 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

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

Financial assets						
Bank balances	2.75%-7.5%	953,412	-	-	36,143	989,555
Investments		-	-	-	5,494,948	5,494,948
Dividend and profit receivable		-	-	-	12,278	12,278
Receivable against sale of investments		-	-	-	-	-
Advances, deposits and other receivables.		-	-	-	10,753	10,753
		953,412	-	-	5,554,122	6,507,534
Financial liabilities						
Payable to NBP Fund Management Limited - the Management Company		-	-	-	42,184	42,184
Payable to the Central Depository Company of Pakistan Limited - the Trustee		-	-	-	721	721
Accrued expenses and other liabilities		-	-	-	9,810	9,810
		-	-	-	52,715	52,715
On-balance sheet gap		953,412	-	-	5,501,407	6,454,819
Total profit rate sensitivity gap		953,412	-	-		
Cumulative profit rate sensitivity gap		953,412	953,412	953,412		

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) 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 profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 20% of net assets and no sector exposure limit on sector specific fund.

In case of 5% increase / decrease in KMI 30 index on June 30, 2019, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs.195.001 million (2018: Rs. 274.747 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or 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 KMI 30

Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

20.2 Liquidity risk

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

The Fund is exposed to daily settlement of equity securities and daily 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. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

----- 2019 -----						
Within one month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than five years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
Financial assets						
Bank balances	266,185	-	-	-	-	266,185
Investments	-	-	-	-	3,900,022	3,900,022
Dividend and profit receivable	4,458	-	-	-	-	4,458
Receivable against sale of investments	39,695	-	-	-	-	39,695
Advances, deposits and other receivables	2,742	-	-	-	-	2,742
	313,080	-	-	-	3,900,022	4,213,102
Financial liabilities						
Payable to NBP Fund Management Limited the Management Company	33,914	-	-	-	-	33,914
Payable to Central Depository Company of Pakistan Limited - the Trustee	501	-	-	-	-	501
Accrued expenses and other liabilities	9,456	-	-	-	-	9,456
	43,871	-	-	-	-	43,871
Net assets	269,209	-	-	-	3,900,022	4,169,231

----- 2018 -----						
Within one month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than five years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
Financial assets						
Bank balances	989,555	-	-	-	-	989,555
Investments	-	-	-	-	5,494,948	5,494,948
Dividend and profit receivables	12,278	-	-	-	-	12,278
Receivable against sale of investments	-	-	-	-	-	-
Advances, deposits and other receivables	10,753	-	-	-	-	10,753
	1,012,586	-	-	-	5,494,948	6,507,534
Financial liabilities						
Payable to NBP Fund Management Limited the Management Company	42,184	-	-	-	-	42,184
Payable to Central Depository Company of Pakistan Limited - the Trustee	721	-	-	-	-	721
Accrued expenses and other liabilities	9,810	-	-	-	-	9,810
	52,715	-	-	-	-	52,715
Net assets	959,871	-	-	-	5,494,948	6,454,819

20.3 Credit risk

20.3.1 There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments' guidelines approved by the Investment Committee.

20.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2019	2018
AAA	0.43	2.03
AA+	0.45	0.32
AA	3.10	0.02
AA-	0.11	0.02
A+	2.00	2.51
A-	0.03	10.30
BBB-	0.21	-
	6.33	15.21

21 FAIR VALUE MEASUREMENT

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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair value measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at the reporting date, the Fund held the following financial instruments measured at fair values:

	----- 2019 -----		
	Level 1	Level 2	Level 3
	----- Rupees in '000 -----		
Financial assets			
At fair value through profit or loss	3,900,022	-	-
	----- 2018 -----		
	Level 1	Level 2	Level 3
	----- Rupees in '000 -----		
Financial assets			
At fair value through profit or loss	5,494,948	-	-

22 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends 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 restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

23 UNIT HOLDING PATTERN OF THE FUND

Category	2019			2018		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	3,828	1,512,747	36.71	4,344	2,621,223	40.93
Associated companies / directors	1	1,046	0.03	1	4,509	0.07
Insurance companies	8	582,454	14.13	11	445,347	6.95
Retirement funds	57	486,484	11.81	90	761,330	11.89
Public limited companies	2	610,506	14.82	2	763,982	11.93
Others	37	927,554	22.51	62	1,807,532	28.23
	<u>3,933</u>	<u>4,120,790</u>	<u>100%</u>	<u>4,510</u>	<u>6,403,923</u>	<u>100%</u>

24 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2019		2018	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Taurus Securities Limited	6.58%	Taurus Securities Limited	7.03%
Arif Habib Securities Limited	5.67%	Arif Habib Securities Limited	6.11%
Alfalah Securities (Private) Limited	4.66%	Topline Securities (Private) Limited	4.49%
Optimus Capital Management Limited	3.95%	Alfalah Securities (Private) Limited	4.28%
Topline Securities (Private) Limited	3.71%	Optimus Capital Management Limited	3.78%
Foundation Securities	3.53%	BMA Capital Management Limited	3.66%
Next Capital Limited	3.51%	J.S. Global Capital Limited	3.56%
Aqeel Karim Dehdi Securities (Private) Limited	3.46%	Elixir Securities Pakistan (Private) Limited	3.50%
BMA Capital Management Limited	3.45%	Next Capital Limited	3.48%
EFG Hermes Pakistan Limited	3.44%	EFG Hermes Pakistan Limited (Formerly Invest & Finance Securities Limited)	3.36%

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	31
Sajjad Anwar	Chief Investment Officer	CFA / MBA	19
Muhammad Ali Bhabha	Head of Fixed Income	CFA / MBA / FRM / MS (CS)	24
Hassan Raza	Head of Research	ACCA / BSC / CFA	8
Taha Khan Javed	Fund Manager	MBA / CFA	13

26 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Mr. Sajjad Anwar	Chief Investment Officer	CFA / MBA	NIPPF-II, NIAAF-I, NIAAF-II, NIAAF-III, NIPF, NPF

27 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of director	Number of meetings			Meetings not attended
	Held / applicable	Attended	Leave granted	
Mudassir Husain Khan [note 27.1]	2	1	1	69th
Tariq Jamali [note 27.2]	2	-	2	68th and 69th
Abdul Hadi Palekar	4	3	1	70th
Foo Chiah Chiung (Kelvin Foo) [note 27.3]	2	1	1	69th
Kamal Amir Chinoy	4	3	1	70th
Shehryar Faruque	4	3	1	68th
Hamayun Bashir	4	4	-	-
Wajahat Rasul Khan [note 27.4]	2	2	-	-
Amjad Waheed	4	4	-	-
Shaikh Muhammad Abdul Wahid Sethi [note 27.5]	2	2	-	-
Nasir Husain [note 27.5]	2	2	-	-
Ali Saigol [note 27.5]	2	2	-	-
Imran Zaffar [note 27.5]	2	2	-	-

27.1 Mr. Mudassir Husain Khan resigned from the Board with effect from October 12, 2018

27.2 Mr. Tariq Jamali resigned from the Board with effect from October 12, 2018

27.3 Mr. Foo Chiah Chiung (Dr. Kelvin Foo) resigned from the Board with effect from October 08, 2018

27.4 Mr. Wajahat Rasul Khan resigned from the Board with effect from October 08, 2018

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

28 CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

29 DATE OF AUTHORISATION FOR ISSUE

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

30 GENERAL

Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

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

Chief Financial Officer

Chief Executive Officer

Director

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2019	For the year ended June 30, 2018	For the year ended June 30, 2017	For the year ended June 30, 2016	For the the period from January 07, 2015 to June 30, 2015
Net assets at the year / period ended (Rs '000)	4,120,790	6,403,926	8,292,693	1,752,387	1,251,505
Net loss / income for the year / period ended (Rs '000)	(1,227,620)	(1,204,742)	1,908,452	175,090	117,766
Net Asset Value per unit at the year / period ended (Rs)	9.1077	11.3973	13.1045	11.4401	11.0214
Offer Price per unit	9.4171	11.7837	13.5487	11.8940	11.4625
Redemption Price per unit	9.1077	11.3973	13.1045	11.4401	11.0214
Ex - Highest offer price per unit (Rs.)	12.2350	13.7611	17.5864	12.2366	11.5485
Ex - Lowest offer price per unit (Rs.)	9.2067	10.8435	12.1402	9.7911	9.1008
Ex - Highest redemption price per unit (Rs.)	11.8338	13.3099	14.6687	11.7697	11.1042
Ex - Lowest redemption price per unit (Rs.)	8.9048	10.4880	9.9859	9.4175	8.7476
Opening Nav of Fiscal Year	11.3973	13.0678	9.8933	10.1340	9.7766
Total return of the fund	-20.09%	-12.78%	32.46%	12.89%	11.39%
Capital growth	-20.09%	-12.78%	11.47%	5.43%	8.80%
Income distribution as a % of e x nav			20.99%	7.46%	2.59%
Income distribution as a % of par value			20.77%	8.50%	2.53%
Distribution					
Interim distribution per unit		-	2.0765	0.8500	0.1160
Final distribution per unit		-	0.0332	-	0.1369
Distribution Dates					
Interim			19-Jun-17	30-Jun-16	30-Jun-15
Final			15-Sep-17		14-Jul-15
Average annual return of the fund (launch date January 09, 2015)					
(Since inception to June 30, 2019)	3.39%				
(Since inception to June 30, 2018)		11.35%			
(Since inception to June 30, 2017)			22.90%		
(Since inception to June 30, 2016)				16.81%	
(Since inception to June 30, 2015)					11.40%
Portfolio Composition (Please see Fund Manager Report)					
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>					

PROXY ISSUED BY THE FUND

The proxy voting policy of **NBP Islamic Stock Fund** (Formerly; NAFA Islamic 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.nbpfunds.com. A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP Islamic Stock Fund				
	Resolutions	For	Against	Abstain*
Number	8	8	Nil	N/A
(%)	100%	100%	-	-








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Head Office

7th Floor, Clifton Diamond Building, Block No.4,
Scheme No.5, Clifton, Karachi.

UAN: 021-111-111-632

Toll Free: 0800-20002

Sms: INVEST to 9995

Fax: 021-35825335

Email: info@nbpfunds.com

Website: www.nbpfunds.com

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