



NBP FUNDS
Managing Your Savings

Islamic Savings

Aitemaad اعتماد



اسلامک سیونگز

NAFA ISLAMIC ENERGY FUND

**ANNUAL
REPORT
2018**



MISSION STATEMENT

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

NAFA ISLAMIC ENERGY FUND

FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

Silk Bank Limited
United Bank Limited
BankIslami Pakistan Limited
Meezan Bank Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited
Habib Mertopolitan Bank Limited
Allied Bank Limited
Summit Bank Limited
MCB Bank Limited
JS Bank Limited

NAFA ISLAMIC ENERGY FUND

Auditors

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

Legal Advisor

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

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.nbpffunds.com

Lahore Office:

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

Islamabad Office:

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

Peshawar Office:

1st Floor, Haji Tehmas Centre,
Near KFC, Tehkal Payan
University Road, Peshawar.
Phone: 92-91-5711784, 5711782
Fax: 92-91-5211780

Multan Office:

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

NAFA ISLAMIC ENERGY FUND

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Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Mudassir Husain Khan
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Tariq Jamali
Director



Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director



Mr. Abdul Hadi Palekar
Director



Mr. Wajahat Rasul Khan
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



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



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate
Marketing



Mr. Ozair Khan
Chief Technology Officer



Syed Rizwan Aziez
Country Head Sales Strategy



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



Mr. Taha Khan Javed, CFA
Head of Equity



Mr. Hassan Raza, CFA
Head of Research



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed, CFA
Head of Risk Management



Mr. Zaheer Iqbal - ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head of Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

NAFA ISLAMIC ENERGY FUND

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Third Annual Report for the period ended June 30, 2018, since launch of **NAFA Islamic Energy Fund (NIEF)** on April 21, 2016.

The aim of the Fund is to provide growth to the investment of Unit holders over the long-term in approved shariah compliant energy stocks.

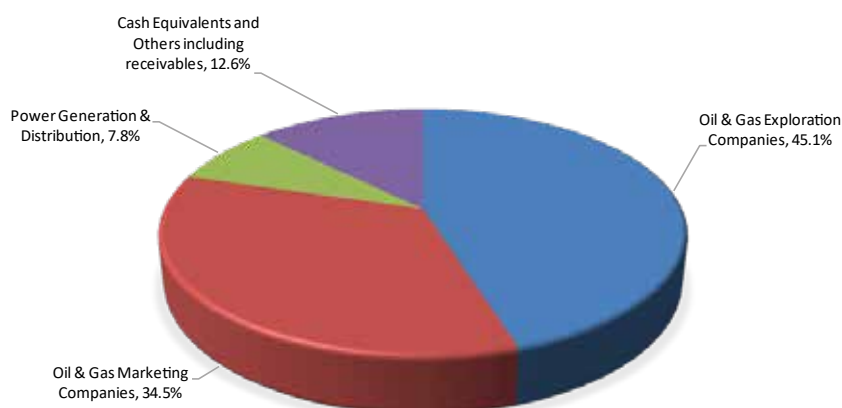
Fund's Performance

The size of the NAFA Islamic Energy Fund has decreased from 2,316 million on June 30, 2017 to Rs. 1,647 million on June 30, 2018, i.e a decrease of 28.89%. During the year, the unit price of Islamic Energy Fund has decreased from Rs. 13.0957 on June 30, 2017 to Rs. 12.6711 on June 30, 2018. Since its inception on April 21, 2016, the return of NAFA Islamic Energy Fund was 40.06%, while the benchmark increased by 20.52%. Thus, the Fund outperformed by 19.54% during the period. The performance of the Fund is net of management fee and all other expenses. During the fiscal year, NAFA Islamic Energy Fund decreased by 3.24% return as against the KMI-30 index decrease by 9.59%, outperforming the benchmark by 6.35% during the year. The Fund outperformed as the fund was overweight in select Energy sector stocks which outperformed the market.

FY2017-18 proved a challenging year for the stock market as the KMI-30 Index dropped by 9.6%. It was the first negative return for equity investors after eight years. A host of factors can be attributed to this lackluster performance of the stock market. Contrary to the market expectations, continued sell-off by the foreign investors in FY18 despite up-gradation of PSX into a widely followed MSCI Emerging Index from Frontier Market, shook investors' confidence. Adding to investors' angst was elevated uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments of Panama Leaks Case, who was later on barred from politics for lifetime. Sit-in by some religious parties in the federal capital and the uncertainty surrounding the elections also took its toll on the stock market. Much awaited Afghan Policy was unveiled by US President, Mr. Donald Trump, signaling tough stance of the US towards Pakistan also perturbed market participants. On the economic front, Current Account Deficit (CAD) sprang up to an unprecedented level of USD18bn during FY18 owing to rising crude oil prices and higher oil & LNG imports, rising imports of industrial raw material, transport vehicles, and machinery that remained a cause of grave concern for the market. To rein in aggregate demand pressures, series of steps were undertaken that included a measured PKR devaluation, deepening and broadening of duties on non-essential imported items, and hike in interest rates. In a bid to shore up the dwindling Foreign exchange reserves and documentation of economy, the government also announced a Foreign & Domestic Assets Declaration Schemes that fell below expectations.

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

NAFA Islamic Energy Fund has incurred a total loss of Rs.18.137 million during the year. After deducting total expenses of Rs. 67.986 million, the net loss is Rs. 86.123 million. The asset allocation of NAFA Islamic Energy Fund as on June 30, 2018 is as follows:



NAFA ISLAMIC ENERGY FUND

Income Distribution

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

Taxation

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

Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2019.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 28 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Company encourages representation of independent non-executive directors on its Board. The Company, being an un-listed company, does not have any minority interest. As at June 30, 2018, the Board included:

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

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive
Date: September 05, 2018
Place: Karachi.

Director

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ڈائریکٹرز رپورٹ

اپنے اجراء 21 اپریل 2016 سے اب تک این بی پی فنڈ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک انرجی فنڈ (NIEF) کی تیسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2018ء پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

اس فنڈ کا مقصد منظور شدہ شریعہ کمپلائنٹ انرجی اسٹاکس میں طویل مدت کے لیے یونٹ ہولڈرز کی سرمایہ کاری کو بڑھانا ہے۔

فنڈ کی کارکردگی

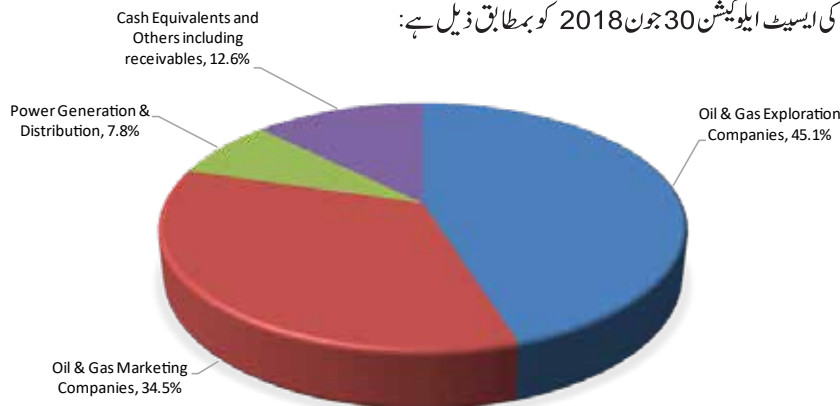
NAFA اسلامک انرجی فنڈ (NIEF) کا سائز 30 جون 2017 کو 2,316 ملین روپے سے کم ہو کر 30 جون 2018 کو 1,647 ملین روپے ہو گیا ہے، یعنی 28.87% کی کمی۔ اس سال کے دوران اسلامک انرجی فنڈ کے یونٹ کی قیمت 30 جون 2017 کو 13.0957 روپے سے کم ہو کر 30 جون 2018 کو 12.6711 روپے ہو چکی ہے۔ اپنے قیام 21 اپریل 2016 سے اب تک NAFA اسلامک انرجی فنڈ (NIEF) کا منافع 40.06% رہا، جبکہ بچ مارک بڑھ کر 20.52% ہو گیا، لہذا فنڈ نے اس مدت کے دوران 19.54% کی بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ مالی سال کے دوران NAFA اسلامک انرجی فنڈ (NIEF) نے KMI-30 انڈیکس کے 9.59% کی کمی کے مقابلے میں 3.24% کی کمی درج کرائی، اس طرح فنڈ نے سال کے دوران بچ مارک کے مقابلے میں 6.35% کی بہتر کارکردگی کا مظاہرہ کیا۔ فنڈ کی اضافی کارکردگی کا سبب انرجی کے شعبہ میں اسٹاک کرنے کا انتخاب تھا جس نے مارکیٹ میں اضافی کارکردگی کا مظاہرہ کیا۔

مالی سال 2017-2018 اسٹاک مارکیٹ کیلئے چیلنج کا سال تھا کیونکہ KMI-30 انڈیکس 9.6% گر گیا۔ یہ آٹھ سال کے عرصے میں ایکوٹی سرمایہ کاروں کے منافع میں پہلی کمی تھی۔ اسٹاک مارکیٹ کی اس ناقص کارکردگی کا سبب کئی عوامل تھے۔ مارکیٹ کی توقعات کے برعکس، PSX کی فرنیچر مارکیٹ کے MSCI ایمریکن انڈیکس میں اپ گریڈنگ کے باوجود سرمایہ کاروں کے اعتماد کو دھچکا لگا اور مالی سال 18 میں غیر ملکی سرمایہ کاروں کی جانب سے فروخت کا سلسلہ جاری رہا۔ اس کے علاوہ سرمایہ کاروں کی تشویش میں ملکی سیاست کی بڑھتی ہوئی غیر یقینی کیفیت سے اور اضافہ ہوا جو پانامہ لیکس کیس میں منتخب وزیر اعظم کو نااہل قرار دینے کے تاریخی فیصلے سے پیدا ہوئی اور بعد میں ان کے عمر بھر کیلئے سیاست میں حصہ لینے پر پابندی کا باعث بنی۔ بعض مذہبی جماعتوں کی طرف سے وفاقی دارالحکومت میں دھرنے اور الیکشن کے قریب غیر یقینی کی فضا سے اسٹاک مارکیٹ پر مزید اثر پڑا۔ امریکی صدر مسٹر ڈونلڈ ٹرمپ نے بڑا خرکانی عرصہ سے متوقع افغان پالیسی کا اعلان کر دیا جس میں امریکہ کی جانب سے پاکستان پر مزید پابندیاں لگانے کا اشارہ دیا گیا تھا جو مارکیٹ کے شرکاء کے لئے مزید پریشانی کا باعث بنا۔ ادھر معاشی منظر نامہ میں، خام تیل کی بڑھتی ہوئی قیمتیں اور آئل اور ایل این جی کے ساتھ ساتھ صنعتی خام مال، ٹرانسپورٹ گاڑیوں اور مشینری کی بڑھتی ہوئی درآمدات کی بنا پر کرنٹ اکاؤنٹ کا خسارہ غیر روایتی سطح کی حد تک 18 بلین یو ایس ڈالر تک پہنچ گیا جو مارکیٹ میں تشویش کا بڑا سبب بنا۔ وسیع طلب کے باوجود کوا بکر نے کیلئے کئی اقدامات اٹھائے گئے جن میں پاکستانی روپے کی قدر میں کمی پر قابو، غیر ضروری درآمد شدہ اشیاء پر زیادہ اور وسیع حد تک ڈیوٹی کا نفاذ اور شرح سود میں اضافہ شامل تھا۔ گرتے ہوئے غیر ملکی زرمبادلہ اور دستاویزی معیشت کو سہارا دینے کے لئے حکومت نے غیر ملکی اور ملکی اثاثہ جات ظاہر کرنے کی اسکیمیں متعارف کروائیں جو قابل توقع نتائج نہ دے سکیں۔

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

NAFA اسلامک انرجی فنڈ (NIEF) کو اس سال کے دوران 18.137 ملین روپے کا مجموعی نقصان ہوا۔ 67.986 ملین روپے کے اخراجات منہا کرنے کے بعد خالص نقصان 86.123 ملین روپے رہا۔

NAFA اسلامک انرجی فنڈ (NIEF) کی ایسیٹ ایلویشن 30 جون 2018 کو برطابق ذیل ہے:



آمدنی کی تقسیم

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

NAFA ISLAMIC ENERGY FUND

ٹیکسیشن

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

آڈیٹرز

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

کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجنت کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شاریاتی 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- انٹرئل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو ہٹی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل 11م مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجنت کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 28 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CEO، CFO، 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 19 میں ظاہر کی گئی ہے۔
- 13- کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدارانہ ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی مائنارٹی انفرسٹ نہیں رکھتی۔ 30 جون 2018 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں۔

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

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجنت کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر یونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہار تشکر کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز

NBP فنڈ منجنت لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

05 ستمبر 2018ء

مقام: کراچی

NAFA ISLAMIC ENERGY FUND

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Energy Fund (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 12, 2018

NAFA ISLAMIC ENERGY FUND

FUND MANAGER REPORT

NAFA Islamic Energy Fund is an Open-ended Shariah Compliant Equity Fund.

Investment Objective of the Fund

The objective of NAFA Islamic Energy Fund is to provide investors with long term capital growth from an actively managed portfolio of Shari'ah Compliant listed equities belonging to the Energy Sector.

Benchmark

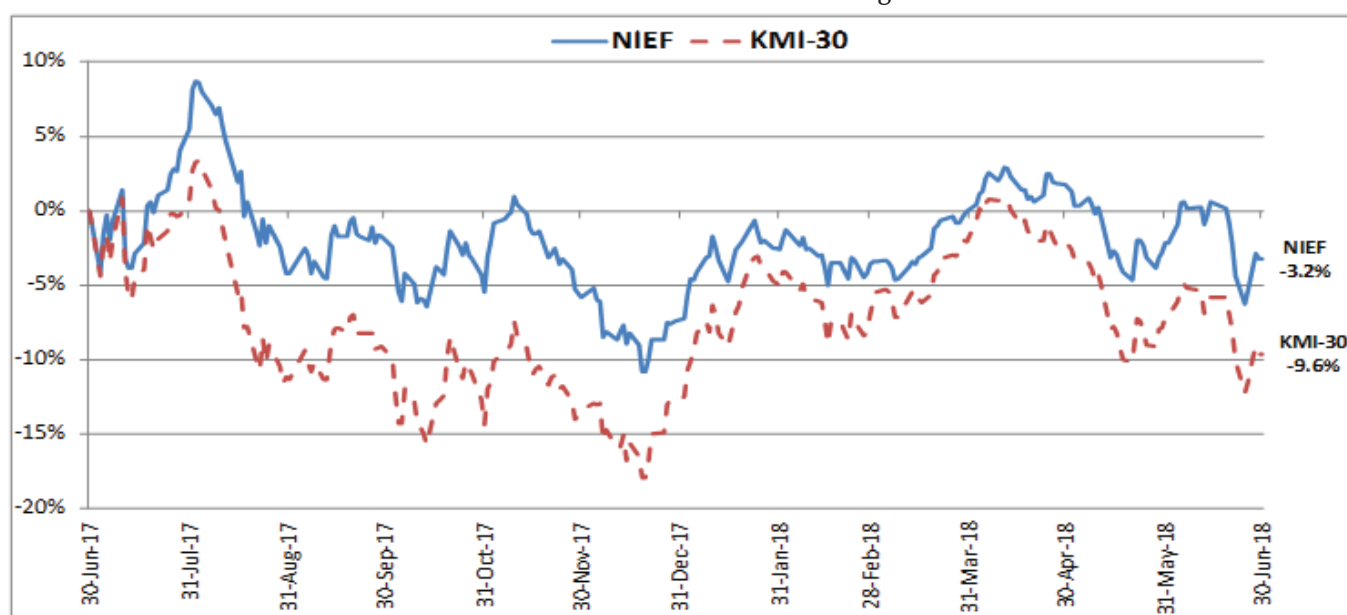
The Benchmark of the Fund is KMI-30 Index.

Fund performance review

This is the third annual report of the Fund. During the fiscal year, NAFA Islamic Energy Fund decreased by 3.24% return as against the KMI-30 index decrease by 9.59%, outperforming the benchmark by 6.35% during the year. Since its inception on April 21, 2016, the return of NAFA Islamic Energy Fund was 40.06%, while the benchmark has increased by 20.52%. Thus, the Fund outperformed by 19.54% during the period. The performance of the Fund is net of management fee and all other expenses. The fund size of NAFA Islamic Energy Fund is Rs.1,647mn as of June 30, 2018.

NIEF outperformed during the year as the Fund was overweight in select Energy sectors stocks which outperformed the market. The chart below shows the performance of NIEF against the Benchmark for the year.

NIEF Performance vs. Benchmark during FY18



FY2017-18 turned out to be a challenging year for the stock market with first negative return since 2009, as the benchmark KMI-30 Index dropped by 9.6% on a yearly basis. This lackluster performance, in sharp contrast to FY2010-17 period, in which market surged at a CAGR of 28.4%, is attributable to a host of factors. The upgrade of Pakistan's market to a widely followed MSCI Emerging Index from Frontier Market status failed to live up to expectations and unabated sell-off by the foreign investors during the year shook investors' confidence. Amplified uncertainty in the domestic politics linked to disqualification of elected PM in the historic judgments surrounding Panama Leaks Case, who was later on barred from politics for lifetime also unnerved the investors. Sit-in by some religious parties in the federal capital and uncertainty surrounding the elections also took its toll on the stock market. Market participants were also perturbed by the US Policy toward Afghanistan, signaling challenges for Pakistan.

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

NAFA ISLAMIC ENERGY FUND

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-18	30-Jun-17
Equities / Stocks	87.4%	103.2%
Cash Equivalents	14.4%	16.3%
Other Net Liabilities	-1.8%	-19.5%
Total	100.0%	100.0%

Distribution for the Financial Year 2018

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

Unit Holding Pattern of NAFA Islamic Energy Fund as on June 30, 2018

Size of Unit Holding (Units)	# of Unit Holders
0-1000	435
1001-5000	358
5001-10000	301
10001-50000	804
50001-100000	288
100001-500000	224
500001-1000000	22
1000001-5000000	15
	2447

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. 14.051 million. If the same were not made the NAV per unit/FY18 return of scheme would be higher by Rs. 0.1081 / 0.82%. For details investors are advised to read note 13.1 of the Financial Statement of the Scheme for the year ended June 30, 2018.

NAFA ISLAMIC ENERGY FUND

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Energy 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, 2018. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 05, 2018
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC ENERGY FUND

Report of the Shari'ah Supervisory Board – NAFA Islamic Energy Fund

September 04, 2018/ Dhu Al-Hijjah 23, 1439

Alhamdulillah, the period from July 1, 2017 to June 30, 2018 was the third year of operations of NAFA Islamic Energy Fund (NIEF). 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 NIEF in light of Shari'ah requirements. Following is a list of top investments of NIEF as on June 30, 2018 and their evaluation according to the screening criteria established by us. (December 31, 2017 accounts of the Investee companies have been used)

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
Company Name	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.06%	20.86%	3.79%	43%	39.29	205.91
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	25.46%	4.60%	39%	63.81	162.79
Mari Petroleum Ltd	Oil & Gas Exploration Companies	6.30%	13.35%	0.63%	43%	(440.91)	
Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	2.00%	72%	(40.74)	
Sui Northern Gas Pipelines Ltd	Oil & Gas Marketing Companies	17.06%	0.00%	1.01%	51%	(297.62)	
Pakistan State Oil*	Oil & Gas Marketing Companies	20.44%	0.57%	0.33%	19%	119.42	293.11

NAFA ISLAMIC ENERGY FUND

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
Hascol Petroleum Ltd	Oil and Gas Marketing Companies	8.05%	0.00%	0.11%	59%	(164.85)	
Attock Petroleum Ltd	Oil and Gas Marketing Companies	0.00%	4.89%	0.68%	44%	(4.70)	
Sui Southern Gas Co. Ltd	Oil and Gas Marketing Companies	17.01%	0.18%	1.73%	37%	(100.62)	

*PSO scrip has been considered compliant due to circular debt issue and restriction on selling government securities.

- ii) On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIEF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii) There are investments made by NIEF 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 NIEF for the year ended June 30, 2018 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 1,885,387/- was created and an amount of Rupees 1,754,337/- was available for disbursement into charity as of June 30, 2018, which is inclusive of Rupees 880,199/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2018 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

NAFA ISLAMIC ENERGY FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NAFA Islamic Energy Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2018, and the related 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 and forming part of 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, 2018, and of its financial performance and 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 are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Amendments to NBFC Regulations, 2008 (Refer note 3.11 to the annexed financial statements) The Securities and Exchange Commission of Pakistan (the SECP) through its notification [SRO 756(I) / 2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund'.	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.

NAFA ISLAMIC ENERGY FUND

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The Fund has changed its accounting policy during the current year in respect of accounting for “element of income” consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a “capital contribution” and taken to the Statement of Movement in Unit Holders’ Fund. Element of income is explained in note 3.11.</p> <p>The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p>	
2	<p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the annexed financial statements)</p> <p>The investments and bank balances constitute the most significant component of the net asset value (NAV). The investments of the Fund as at June 30, 2018 amounted to Rs 1,440.04 million and bank balances aggregated to Rs 235.5 million.</p> <p>The proper valuation of investments and bank balances for the determination of NAV of the Fund as at June 30, 2018 was considered a significant 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 and bank balances as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed. ▪ re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies. ▪ obtained bank reconciliation statements and tested reconciling items on a sample basis.

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 these 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 misstatements, whether due to fraud or error.

NAFA ISLAMIC ENERGY FUND

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.

The Board of directors 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 the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant efficiencies in internal control that we identify during our audit.

We also provide the Board of Directors 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 the Board of Directors, 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 Requirement

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

Dated: September 26, 2018
Place: Karachi

NAFA ISLAMIC ENERGY FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

		2018	2017
	Note	----- Rupees in '000 -----	----- Rupees in '000 -----
Assets			
Bank balances	4	235,501	246,013
Investments	5	1,440,039	2,390,332
Dividend and profit receivable	6	4,251	7,934
Deposits and other receivable	7	5,604	5,604
Preliminary expenses and floatation costs	8	1,285	1,740
Total assets		1,686,680	2,651,623
Liabilities			
Payable to NBP Fund Management Limited - Management Company	10	18,131	21,753
Payable to the Central Depository Company of Pakistan Limited - Trustee	11	257	1,112
Payable to the Securities and Exchange Commission of Pakistan	12	1,963	2,212
Payable against redemption of units		-	250,819
Dividend payable		-	16,017
Accrued expenses and other liabilities	13	19,146	44,184
Total liabilities		39,497	336,097
NET ASSETS		1,647,183	2,315,526
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,647,183	2,315,526
CONTINGENCIES AND COMMITMENTS	14		
		----- Number of units -----	----- Rupees -----
NUMBER OF UNITS IN ISSUE	9	129,995,295	176,815,790
NET ASSET VALUE PER UNIT		12.6711	13.0957

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees in '000	2017
Income			
Profit on bank deposits		12,048	14,704
Dividend income		96,663	79,356
(Loss) / gain on sale of investments - net		(85,678)	77,263
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	(41,170)	401,897
		(126,848)	479,160
Total (loss) / income		(18,137)	573,220
Expenses			
Remuneration of NBP Fund Management Limited - Management Company	10.1	41,319	46,569
Sindh Sales Tax on remuneration of the Management Company	10.2	5,371	6,054
Accounting and operational expenses	10.4	2,066	2,328
Selling and marketing expenses	10.5	8,264	3,933
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1	3,066	3,328
Sindh Sales Tax on remuneration of the Trustee	11.2	399	432
Annual fees to the Securities and Exchange Commission of Pakistan	12.1	1,963	2,212
Auditors' remuneration	15	314	342
Amortisation of preliminary expenses and floatation costs	8	455	455
Annual listing and supervising fee		28	55
Printing charges		102	75
Shariah advisor fee		494	430
Securities transaction cost		3,166	2,936
Settlement and bank charges		914	926
Legal and professional charges		65	3
Total operating expenses		67,986	70,078
Net (loss) / income from operating activities		(86,123)	503,142
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	3.11	-	112,252
Provision for Sindh Workers' Welfare Fund	13.1	-	(14,051)
Net (loss) / profit for the year before taxation		(86,123)	601,343
Taxation	17	-	-
Net (loss) / profit for the year before taxation		(86,123)	601,343
(Loss) / earnings per unit	18		
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 31 form an integral part of these financial statements.

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	----- Rupees in '000 -----	
Net (loss) / profit for the year before taxation	(86,123)	601,343
Other comprehensive income / (loss) for the year	-	-
Total comprehensive (loss) / income for the year	<u>(86,123)</u>	<u>601,343</u>

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	2018				2017			
	Rupees in '000							
	Capital Value	Undistrib- uted income	Unrealised appreciation /(diminution) on 'available for sale' investments	Total	Capital Value	Undistrib- uted income	Unrealised appreciation/ (diminution) on 'available for sale' investments	Total
Net assets at beginning of the year	1,811,540	503,986	-	2,315,526	979,247	53,852	-	1,033,099
Issue of 127,088,875 units (2017: 257,053,810 units)								
- Capital value (at net asset value per unit at the beginning of the year)	1,664,318	-	-	1,664,318				
- Element of loss	(15,178)	-	-	(15,178)				
Total proceeds on issuance of units	1,649,140	-	-	1,649,140	2,711,892	692,245	-	3,404,137
Redemption of 173,909,370 units (2017: 178,162,775 units)								
- Capital value (at net asset value per unit at the beginning of the year)	(2,277,466)	-	-	(2,277,466)				
- Element of income	46,106	-	-	46,106				
Total payments on redemption of units	(2,231,360)	-	-	(2,231,360)	(1,879,599)	(579,993)	-	(2,459,592)
Element of (income) and capital (gains) / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-	(112,252)	-	(112,252)
Total comprehensive (loss) / income for the year	-	(86,123)	-	(86,123)	-	601,343	-	601,343
Distribution during the year	-	-	-	-	-	(151,209)	-	(151,209)
Net income (loss) for the year less distribution	-	(86,123)	-	(86,123)	-	450,134	-	450,134
Net assets at end of the year	1,229,320	417,863	-	1,647,183	1,811,540	503,986	-	2,315,526
Undistributed income brought forward								
- Realised income / (loss)		102,089				(9,347)		
- Unrealised		401,897				63,199		
		503,986				53,852		
Accounting income / (loss) available for distribution								
- Relating to capital gains		-				-		
- Excluding capital gains		-				-		
		-				-		
Net (loss) / profit for the year before taxation		(86,123)				601,343		
Distribution for the year		-				151,209		
Undistributed income carried forward		417,863				503,986		
Undistributed income carried forward								
- Realised income		459,033				102,089		
- Unrealised (loss) / income		(41,170)				401,897		
		417,863				503,986		
			(Rupees)				(Rupees)	
Net assets value per unit at beginning of the year			13.0957				10.5499	
Net assets value per unit at end of the year			12.6711				13.0957	

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Note	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / profit for the year before taxation	(86,123)	601,343
Adjustments for:		
Profit on bank deposits	(12,048)	(14,704)
Dividend income	(96,663)	(79,356)
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2 41,170	(401,897)
Element of (income) and capital (gains) included in the prices of units issued less those in units redeemed - net	-	(112,252)
Amortisation of preliminary expenses and floatation costs	455	455
Provision for Sindh Workers' Welfare Fund	13.1 -	14,051
	(67,086)	(593,703)
Decrease / (increase) in assets		
Investments	909,123	(1,028,641)
Deposits and other receivable	-	(3,004)
	909,123	(1,031,645)
(Decrease) / increase in liabilities		
Payable to NBP Fund Management Limited - Management Company	(3,622)	11,256
Payable to the Central Depository Company of Pakistan Limited - Trustee	(855)	909
Payable to the Securities and Exchange Commission of Pakistan	(249)	2,039
Dividend payable	(16,017)	-
Accrued expenses and other liabilities	(25,038)	20,762
	(45,781)	34,966
	710,133	(989,039)
Dividend received	104,597	74,391
Profit received on bank deposits	7,797	14,501
Net cash generated from / (used in) operating activities	822,527	(900,147)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units	1,649,140	3,607,048
Amount paid on redemption of units	(2,482,179)	(2,448,797)
Dividend paid	-	(135,272)
Net cash (used in) / generated from financing activities	(833,039)	1,022,979
Net (decrease) / increase in cash and cash equivalents	(10,512)	122,832
Cash and cash equivalents at the beginning of the year	246,013	123,181
Cash and cash equivalents at the end of the year	4 235,501	246,013

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Energy Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on March 28, 2016 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 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 "Shariah Compliant Equity Scheme" by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 10 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from April 19, 2016 and are transferable and redeemable by surrendering them to the Fund.

The objective of the Fund is to provide higher risk adjusted returns to investors by investing in diversified portfolio of equity instruments. 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 AM 1 as at June 30, 2018 (2017: AM1) to the Management Company. The Fund has not yet been rated.

The title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited 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 published accounting and reporting standards that are effective in the current year

There are certain amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 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.

NAFA ISLAMIC ENERGY FUND

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

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

Standard	Effective date (accounting periods beginning on or after)
- IFRS 9 - Financial Instruments	July 01, 2018
- IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 - Leases	January 01, 2019

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting 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) and provision for taxation (notes 3.14 and 17).

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 3.11 below.

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

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

NAFA ISLAMIC ENERGY FUND

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

b) Loans and receivables

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

c) Available-for-sale

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

3.3.2 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. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.3 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.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'

Basis of valuation of equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange is valued at the closing price determined by such exchange in accordance with its regulations.

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

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

b) Loans and receivables

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

NAFA ISLAMIC ENERGY FUND

3.3.5 Impairment

The Fund assesses at each reporting date whether there is 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.

a) Available-for-sale financial assets

Impairment loss on equity securities

A significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the Income Statement. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

b) Loans and receivables

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

3.3.6 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.

3.4 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 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.

3.7 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.

3.8 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.

NAFA ISLAMIC ENERGY FUND

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications 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.

3.10 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 a 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.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, 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 revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

NAFA ISLAMIC ENERGY FUND

Had the element of loss been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs. 30.928 million in respect of element of income with no effect on the 'net assets attributable to the unit holders' and NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.12 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.

3.13 Expenses

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis.

3.14 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders in cash.

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

3.15 (Loss) / earnings per unit

(Loss) / earnings per unit is calculated by dividing the net income / (loss) of the year before taxation of the Fund by the weighted average number of units outstanding during the year.

3.16 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	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
	Balances with banks in:			
	Savings accounts	4.1	217,848	228,155
	Current accounts	4.2	17,653	17,858
			<u>235,501</u>	<u>246,013</u>

4.1 This includes balance of Rs 193.650 million (2017: Rs 106.633 million) maintained with BankIslami Pakistan Limited (a related party) that carries profit at 5.60% to 6.50% per annum (2017: 5.60%). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 2.75% to 6.50% per annum (2017: 2.40% to 6.50% per annum).

4.2 This includes balance of Rs 2.312 million (2017: Rs 2.791 million) maintained with Summit Bank Limited (a related party).

5	INVESTMENTS	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
	At fair value through profit or loss - held for trading			
	Quoted equity securities	5.1	<u>1,440,039</u>	<u>2,390,332</u>

NAFA ISLAMIC ENERGY FUND

5.1 Investments in equity securities - listed

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, 2017	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2018	Market value as at June 30, 2018	Market value as a percent age of total invest	Market value as a percent age of net assets	Paid-up value of shares held as a percentag e of total paid-up
----- Number of shares held -----						Rupees in '000	----- Percentage -----		
OIL AND GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	212,150	-	-	91,500	120,650	181,721	12.62	11.03	0.11
Oil & Gas Development Company Limited	1,244,000	941,000	-	889,600	1,295,400	201,590	14.00	12.24	0.03
Pakistan Oilelds Limited	429,900	232,000	-	454,200	207,700	139,531	9.69	8.47	0.09
Pakistan Petroleum Limited	1,529,500	631,500	-	1,134,800	1,026,200	220,530	15.31	13.39	0.05
						743,372	51.62	45.13	
OIL AND GAS MARKETING COMPANIES									
Attock Petroleum Limited	191,900	-	-	47,300	144,600	85,313	5.92	5.18	0.17
Hasco I Petroleum Limited	164,500	107,100	32,900	11,400	293,100	91,963	6.39	5.58	0.20
Hi-Tech Lubricants Limited	423,700	5,000	-	-	428,700	43,436	3.02	2.64	0.37
Pakistan State Oil Company Limited (Note 5.12)	447,500	377,800	66,720	583,600	308,420	98,173	6.82	5.96	0.09
Shell Pakistan Limited	430,400	-	-	240,700	189,700	59,962	4.16	3.64	0.18
Sui Northern Gas Pipelines Limited	1,888,500	1,671,000	-	2,413,300	1,146,200	114,872	7.98	6.97	0.18
Sui Southern Gas Company Limited	2,248,500	3,265,000	-	3,230,500	2,283,000	74,928	5.20	4.55	0.26
						568,647	39.49	34.52	
POWER GENERATION AND DISTRIBUTION									
Hub Power Company Limited	1,244,300	1,069,600	-	1,578,000	735,900	67,820	4.71	4.12	0.06
Kot Addu Power Company Limited	1,429,500	177,500	-	1,141,000	466,000	25,122	1.74	1.53	0.05
K-Electric Limited	2,118,500	8,624,500	-	7,445,000	3,298,000	18,733	1.30	1.14	0.03
Lalpur Power Limited	-	2,019,000	-	1,171,500	847,500	16,280	1.14	0.99	0.22
						127,955	8.89	7.78	
REFINERY									
Attock Refinery Limited	305,300	132,500	-	437,500	300	65	-	-	0.00
National Refinery Limited	97,000	-	-	97,000	-	-	-	-	-
Total as at June 30, 2018						1,440,039	100.00	87.43	
Carrying value as at June 30, 2018						1,481,209			
Market Value as at June 30, 2017						2,390,332			
Carrying value as at June 30, 2017						1,988,435			

5.1.1 Investments include shares with market value of Rs 100.071 million (2017: Rs 99.472 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

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

As at June 30, 2018, 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.

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Name of the Company	2018		2017	
	Bonus Shares			
	Number of shares withheld	Market value as at June 30, 2018	Number of shares	Market value as at June 30, 2017
		Rupees in '000'		Rupees in '000'
Pakistan State Oil Company Limited	3,336	<u>1,062</u>	-	<u>-</u>
		<u>1,062</u>		<u>-</u>

5.2 Unrealised (diminution) / appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss

Note 2018 2017
----- Rupees in '000 -----

Market value of investments	5.1	1,440,039	2,390,332
Carrying value of investments	5.1	(1,481,209)	(1,988,435)
		<u>(41,170)</u>	<u>401,897</u>

6 DIVIDEND AND PROFIT RECEIVABLE

Profit receivable on bank balances	6.1	823	1,134
Dividend receivable		<u>3,428</u>	<u>6,800</u>
		<u>4,251</u>	<u>7,934</u>

6.1 This includes amount of Rs. 0.666 million (2017: Rs. 0.574 million) as profit receivable from BankIslami Pakistan Limited (a related party).

7 DEPOSITS AND OTHER RECEIVABLE

Note 2018 2017
----- Rupees in '000 -----

Security deposit with Central Depository Company of Pakistan Limited		100	100
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Advance tax	7.1	<u>3,004</u>	<u>3,004</u>
		<u>5,604</u>	<u>5,604</u>

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, during the year ended June 30, 2017, withholding tax on profit on bank deposits paid to the Fund was 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 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 profit on bank deposits amounts to Rs 3.004 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 Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC 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 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 Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on bank deposits has been shown as deposits and other receivables as at June 30, 2018 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

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		2018	2017
		----- Rupees in '000 -----	
8	PRELIMINARY EXPENSES AND FLOATATION COSTS		
	At the beginning of the year	1,740	2,195
	Less: amortisation during the year	(455)	(455)
	At the end of the year	<u>1,285</u>	<u>1,740</u>

- 8.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance companies and Notified Entities Regulation, 2008.

		2018	2017
		Number of Units	
9	NUMBER OF UNITS IN ISSUE		
	Total units in issue at the beginning of the year	176,815,790	97,924,755
	Units issued during the year	127,088,875	257,053,810
	Less: units redeemed during the year	<u>173,909,370</u>	<u>178,162,775</u>
	Total units in issue at the end of the year	<u>129,995,295</u>	<u>176,815,790</u>

	Note	2018	2017
		----- Rupees in '000 -----	
10	PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY		
	Management fee payable	10.1	2,898
	Sindh Sales Tax payable on remuneration of the Management Company	10.2	377
	Federal Excise Duty payable on remuneration of the Management Company	10.3	583
	Front end load payable		6,952
	Federal Excise Duty on front end load		1,557
	Sindh Sales Tax on front end load		917
	Accounting and operational charges	10.4	966
	Selling and marketing expenses	10.5	3,865
	Other payable		16
		<u>18,131</u>	<u>21,753</u>

- 10.1** As per the amendments made in the NBFC Regulations, 2008 vide SRO 1160(1)/2015 dated 25 November 2015, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of equity schemes. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2018. The remuneration is payable to the Management Company monthly in arrears.
- 10.2** During the year, an amount of Rs. 5.371 million (2017: Rs 6.054 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 5.599 million (2017: Rs. 5 million) has been paid to the Management Company which acts as a collecting agent.
- 10.3** 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 was 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 Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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During the year ended June 30, 2017, the SHC 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 Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 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.

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 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 0.583 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.005 (2017: Re 0.003) per unit.

- 10.4** In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses at the rate of 0.1% of the average net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.
- 10.5** The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market 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 net assets of the fund or actual expenses whichever is lower. Accordingly, the Management Company has charged selling and marketing expenses amounting to Rs. 8.264 million at the rate of 0.4% of the net assets of the Fund being lower than the actual expenses chargeable to the Fund for the year.

	Note	2018	2017
		----- Rupees in '000 -----	
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee payable	11.1	227	984
Sindh Sales Tax payable on trustee fee	11.2	30	128
		<u>257</u>	<u>1,112</u>

- 11.1** 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:

- upto Rs 1,000 million Rs 0.7 million or 0.2% p.a. of Net Assets, whichever is higher
- on an amount exceeding Rs 1,000 million Rs 2.0 million plus 0.1% p.a. of Net Assets exceeding Rs 1,000 million

- 11.2** During the year, an amount of Rs 0.399 million (2017: Rs. 0.432 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.497 million (2017: Rs. 0.329 million) was paid to the Trustee which acts as a collecting agent.

	Note	2018	2017
		----- Rupees in '000 -----	
12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable	12.1	<u>1,963</u>	<u>2,212</u>

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- 12.1** In accordance with the 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	2018	2017
13	ACCRUED EXPENSES AND OTHER LIABILITIES	----- Rupees in '000 -----	
Auditors' remuneration payable		347	311
Printing charges payable		121	88
Brokerage payable		443	582
Settlement and bank charges		229	307
Charity payable		2,951	1,845
Legal and professional charges payable		29	8
Shariah advisor fee payable		497	513
Withholding tax payable		48	20,889
Capital gain tax payable		430	5,590
Provision for Sindh Workers' Welfare Fund	13.1	14,051	14,051
		19,146	44,184

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

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

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, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.108 per unit (2017: Re 0.080).

14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

		2018	2017
15	AUDITORS' REMUNERATION	----- Rupees in '000 -----	
	Annual audit fee	197	215
	Half yearly review of condensed interim financial statements	71	66
	Out of pocket expenses	46	61
		<u>314</u>	<u>342</u>

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 3.29% (2017: 3.61%) which includes 0.37% (2017: 0.98%) 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% prescribed under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

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17 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 unitholders. 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.

18 EARNINGS / (LOSS) PER UNIT

Earnings / (loss) 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.

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

19.1 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), 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.

19.2 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.

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

19.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

19.5 Details of the transactions with related parties / connected persons during the year are as follows:

	2018	2017
	----- Rupees in '000 -----	
NBP Fund Management Limited - Management Company		
Remuneration for the year	41,319	46,569
Sindh Sales Tax on remuneration of Management Company	5,371	6,054
Units issued during the year 1,573,137 units (2017: 574,695 units)	19,992	7,413
Units redeemed during the year 7,949,251 units (2017: Nil units)	100,660	-
Expense paid by the Management Company on behalf of the Fund		
- Initial deposit on opening of bank accounts	-	30
- Listing fee	-	55
Selling and marketing expense	8,264	3,933
Accounting and operational charges	2,066	2,328
Cash distribution for the year	-	7,413
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	3,066	3,328
Sindh Sales Tax on remuneration	399	432
Settlement charges	557	511

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	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
Employees of the Management Company		
Units issued during the year 965,867 units (2017: 5,068,748 units)	12,758	65,610
Units redeemed during the year 1,685,789 units (2017: 4,420,705 units)	21,789	57,707
Cash distribution for the year	-	732
Key Management Personnel		
Units issued during the year Nil units (2017: 74,921)	-	961
Units redeemed during the year 1,062,162 units (2017: Nil)	13,367	-
Cash distribution for the year	-	731
Taurus Securities Limited (Common Directorship)		
Brokerage expense	186	102
BankIslami Pakistan Limited (Common Directorship)		
Profit income	9,478	9,740
Prosperity Weaving Mills		
Units issued during the year Nil units (2017: 1,040,543)	-	15,716
Cash distribution for the year	-	716
Pakistan Mobile Communication Limited Provident Fund		
Units redeemed during the year Nil units (2017: 998,312)	-	13,623
19.6 Amounts / balances outstanding as at year end		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration payable to the Management Company	2,898	4,653
Sindh Sales Tax on remuneration of Management Company	377	605
Federal Excise Duty on remuneration of the Management Company	583	583
Front-end load payable	6,952	2,789
Sindh Sales Tax on front end load	917	376
Federal Excise Duty on front end load	1,557	1,557
Selling and marketing expense	3,865	3,933
Other payable		
- Initial deposit on opening of bank accounts	-	30
- Listing fee	-	40
- Security deposit paid to National Clearing Company of Pakistan Limited	-	2,500
- Security deposit paid to Central Depository Company of Pakistan Limited	-	100
- Preliminary expenses and floatation costs	-	2,192
Others	16	-
Accounting and operational charges to the Management Company	966	2,328
Units held 4,393,430 units (2017: 10,769,544 units)	55,670	141,035
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee	227	984
Sindh Sales Tax on the remuneration of trustee	30	128
Security deposit	100	100
Settlement charges	65	279
Employees of the Management Company		
Units held 485,385 units (2017: 1,205,307 units)	6,150	15,784

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	2018	2017
	----- Rupees in '000 -----	
Summit Bank Limited (Common Directorship)		
Bank balances	2,312	2,791
BankIslami Pakistan Limited (Common Directorship)		
Bank balances	193,650	106,633
Profit receivable	666	574
Taurus Securities Limited - Subsidiary of Parent Company		
Brokerage payable	30	20
Prosperity Weaving Mills		
Units held 1,040,543 units (2017: 1,040,543)	13,185	13,627
Key Management Personnel		
Units held Nil units (2017: 1,062,162)	-	13,910
Net amount payable against redemption of units to:		
NAFA Riba Free Saving Fund	-	50
NAFA Islamic Asset Allocation Fund	-	515
NAFA Islamic Income Fund	-	248,835

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

20 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	----- 2018 -----			
	Loans and receivables	At fair value through profit or loss	Available-for- sale	Total
	----- Rupees in '000 -----			
Bank balances	235,501	-	-	235,501
Investments	-	1,440,039	-	1,440,039
Dividend and profit receivable	4,251	-	-	4,251
Deposits and other receivable	2,600	-	-	2,600
	<u>242,352</u>	<u>1,440,039</u>	<u>-</u>	<u>1,682,391</u>

Financial liabilities

	----- 2018 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
Payable to NBP Fund Management Limited - Management Company	-	18,131	18,131
Payable to the Central Depository Company of Pakistan - Trustee	-	257	257
Accrued expenses and other liabilities	-	4,617	4,617
	<u>-</u>	<u>23,005</u>	<u>23,005</u>

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Financial assets

	2017		
	Loans and receivables	At fair value through profit or loss	Available-for-sale
	Rupees in '000		
Bank balances	246,013	-	-
Investments	-	2,390,332	-
Dividend and profit receivable	7,934	-	-
Deposits and other receivable	2,600	-	-
	<u>256,547</u>	<u>2,390,332</u>	<u>-</u>
			<u>2,646,879</u>

Financial liabilities

	2017		
	At fair value through profit or loss	At amortised cost	Total
	Rupees in '000		
Payable to NBP Fullerton Asset Management Limited - Management Company	-	21,753	21,753
Remuneration payable to the Central Depository Company of Pakistan Limited - Trustee	-	1,112	1,112
Payable against redemption of units	-	250,819	250,819
Dividend payable	-	16,017	16,017
Accrued expenses and other liabilities	-	3,654	3,654
	<u>-</u>	<u>293,355</u>	<u>293,355</u>

21 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.

21.1 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 of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. 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 mark-up on 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 higher / lower by Rs. 0.008 million (2017: Rs. 0.011 million).

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b) Sensitivity analysis for fixed rate instruments

As at 30 June 2018, the Fund does 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, 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.

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

----- 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	More than one year		
----- Rupees in '000 -----					
Financial assets					
Bank balances	217,848	-	-	17,653	235,501
Investments	-	-	-	1,440,039	1,440,039
Dividend and profit receivable	-	-	-	4,251	4,251
Deposits and other receivable	-	-	-	2,600	2,600
	217,848	-	-	1,464,543	1,682,391
Financial liabilities					
Payable to NBP Fund Management Limited - Management Company	-	-	-	18,131	18,131
Payable to the Central Depository Company of Pakistan - Trustee	-	-	-	257	257
Accrued expenses and other liabilities	-	-	-	4,617	4,617
	-	-	-	23,005	23,005
On-balance sheet gap	217,848	-	-	1,441,538	1,659,386
Total profit rate sensitivity gap	217,848	-	-		
Cumulative profit rate sensitivity gap	217,848	-	-		

----- 2017 -----						
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	More than one year			
----- Rupees in '000 -----						
Financial assets						
Bank balances	2.40% - 6.50%	228,155	-	-	17,858	246,013
Investments		-	-	-	2,390,332	2,390,332
Dividend and profit receivable		-	-	-	7,934	7,934
Deposits and other receivable		-	-	-	2,600	2,600
		228,155	-	-	2,418,724	2,646,879
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		-	-	-	21,753	21,753
Remuneration payable to the Central Depository Company of Pakistan		-	-	-	1,112	1,112
Payable against redemption of units		-	-	-	250,819	250,819
Dividend payable		-	-	-	16,017	16,017
Accrued expenses and other liabilities		-	-	-	3,654	3,654
		-	-	-	293,355	293,355
On-balance sheet gap		228,155	-	-	2,125,369	2,353,524
Total profit rate sensitivity gap		228,155	-	-		
Cumulative profit rate sensitivity gap		228,155	-	-		

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(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. There is no sector exposure limit on sector specific fund under NBFC Regulations.

In case of 5% increase / decrease in KMI 30 index on June 30, 2018, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 72.002 million (2017: Rs. 119.517 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, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

21.2 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 and are considered readily realisable.

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:

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2018						
Within 1 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 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
Financial assets						
Bank balances	235,501	-	-	-	-	235,501
Investments	1,440,039	-	-	-	-	1,440,039
Dividend and profit receivable	4,251	-	-	-	-	4,251
Deposits and other receivable	2,600	-	-	-	-	2,600
	1,682,391	-	-	-	-	1,682,391
Financial liabilities						
Payable to NBP Fund Management Limited - Management Company	18,131	-	-	-	-	18,131
Payable to the Central Depository Company of Pakistan - Trustee	257	-	-	-	-	257
Accrued expenses and other liabilities	4,617	-	-	-	-	4,617
	23,005	-	-	-	-	23,005
Net assets	1,659,386	-	-	-	-	1,659,386

2017						
Within 1 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 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
Financial assets						
Bank balances	246,013	-	-	-	-	246,013
Investments	2,390,332	-	-	-	-	2,390,332
Dividend and profit receivable	7,934	-	-	-	-	7,934
Deposits and other receivable	2,600	-	-	-	-	2,600
	2,646,879	-	-	-	-	2,646,879
Financial liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company	21,753	-	-	-	-	21,753
Remuneration payable to the Central Depository Company of Pakistan Limited - Trustee	1,112	-	-	-	-	1,112
Payable against redemption of units	250,819	-	-	-	-	250,819
Dividend payable	16,017	-	-	-	-	16,017
Accrued expenses and other liabilities	3,654	-	-	-	-	3,654
	293,355	-	-	-	-	293,355
Net assets	2,353,524	-	-	-	-	2,353,524

21.3 Credit risk

21.3.1 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.

21.3.2 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 mark-up accrued thereon. The credit rating profile of balances with banks is as follows:

NAFA ISLAMIC ENERGY FUND

Rating	% of financial assets exposed to credit risk	
	2018	2017
AAA	0.98	2.87
AA+	0.46	0.17
AA-	0.88	0.03
AA	0.00	1.45
A+	11.51	5.51
A-	0.17	0.14
	<u>14.00</u>	<u>10.17</u>

22 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 statement of assets and liabilities 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 June 30, 2018, the Fund held the following financial instruments measured at fair values:

	----- 2018 -----		
	Level 1	Level 2	Level 3
	----- Rupees in '000 -----		
Financial assets			
At fair value through profit or loss	<u>1,440,039</u>	<u>-</u>	<u>-</u>
	----- 2017 -----		
Financial assets			
At fair value through profit or loss	<u>2,390,332</u>	<u>-</u>	<u>-</u>

23 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.

NAFA ISLAMIC ENERGY FUND

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 21, 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.

24 UNIT HOLDING PATTERN OF THE FUND

Category	2018			2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Associated companies	1	55,670	3.39	1	141,035	6.09
Directors	-	-	-	2	13,883	0.60
Individuals	2,405	1,339,347	81.31	2,282	1,775,450	76.68
Insurance companies	-	-	-	1	9,981	0.43
Public Limited companies	4	39,564	2.40	4	197,764	8.54
Retirement funds	10	82,582	5.01	17	90,116	3.89
Others	27	130,020	7.89	14	87,297	3.77
	2,447	1,647,183	100.00%	2,321	2,315,526	100.00%

25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2018		2017	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Taurus Securities Limited	6.88%	Shajar Capital Pakistan (Private) Limited	14.69%
Arif Habib Securities Limited	6.03%	(formerly Burj Capital (Private) Limited)	
Topline Securities Private Limited	4.71%	Optimus Capital Management Limited	11.42%
EFG Hermes Securities Private Limited	4.39%	Arif Habib Securities Limited	6.14%
Optimus Capital Management Limited	3.76%	IGI Finex Securities Limited	4.96%
BMA Capital Management Limited	3.73%	BMA Capital Management Limited	4.30%
Alfalah Securities Private Limited	3.72%	Taurus Securities Limited	4.19%
Next Capital Limited	3.61%	D.J.M Securities (Private) Limited	3.88%
Elixir Securities Pakistan Private Limited	3.54%	J.S. Global Capital Limited	3.79%
J.S. Global Capital Limited	3.53%	First Capital Equities Limited	3.69%
		Elixir Securities Pakistan (Private) Limited	3.38%

26 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
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	30
Sajjad Anwar	Chief Investment Officer	CFA / MBA	18
Muhammad Ali Bhaba	Head of Fixed Income	CFA / MBA / FRM / MS	23
Hassan Raza	Head of Research	ACCA / BSC / CFA	7
Taha Khan Javed	Fund Manager	MBA / CFA	12

NAFA ISLAMIC ENERGY FUND

27 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other Funds managed by the Fund Manager
Taha Khan Javed	Fund Manager	MBA / CFA	NAAF, NMAF, NSF, NFSF, NIAAF, NIAAEF

28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mudassir Husain Khan	4	4	-	-
Tariq Jamali	4	3	1	67th
Abdul Hadi Palekar	4	4	-	-
Lui Mang Yin (Martin Lui) [note 28.1]	2	2	-	-
FOO Chiah Shiung (Kelvin Foo)	4	3	1	65th
Kamal Amir Chinoy	4	4	-	-
Shehryar Faruque	4	4	-	-
Humayun Bashir	4	4	-	-
Wajahat Rasul Khan [note 28.2]	-	-	-	-
Dr. Amjad Waheed	4	4	-	-

28.1 Lui Mang Yin (Martin Lui) resigned as director on the Board with effect from December 21, 2017.

28.2 Wajahat Rasul Khan appointed as director on the Board in 67th Board meeting with effect from April 30, 2018.

29 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.

30 DATE OF AUTHORISATION FOR ISSUE

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

31 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

NAFA ISLAMIC ENERGY FUND

PERFORMANCE TABLE

Particulars	For the year ended June 30, 2018	For the year ended June 30, 2017	For the the period from April 19, 2016 to June 30, 2016
Net assets at the year / period ended (Rs '000)	1,647,183	2,315,526	1,033,099
Net income for the year / period ended (Rs '000)	(86,123)	601,343	88,784
Net Asset Value per unit at the year / period ended (Rs)	12.6711	13.0957	10.5499
Offer Price per unit	13.1007	13.5396	10.9684
Redemption Price per unit	12.6711	13.0957	10.5499
Ex - Highest offer price per unit (Rs.)	14.7179	15.5854	11.3450
Ex - Lowest offer price per unit (Rs.)	12.0731	10.2984	9.6356
Ex - Highest redemption price per unit (Rs.)	14.2353	15.0743	10.9121
Ex - Lowest redemption price per unit (Rs.)	11.6772	10.0673	9.6356
Fiscal Year Opening Ex NAV	13.0957	9.9054	9.6356
Total return of the fund	-3.24%	32.21%	9.49%
Capital growth	-3.24%	23.82%	5.71%
Income distribution as a % of e x nav		8.39%	3.78%
Income distribution as a % of par value		8.31%	4.00%
Distribution			
Interim distribution per unit		0.8310	0.4000
Final distribution per unit			-
Distribution Dates			
Interim		21-Jun-17	30-Jun-16
Final			
Total return of the fund (launch date January 09, 2015)			
(Since inception to June 30, 2018)	16.61%		
(Since inception to June 30, 2017)		36.39%	
(Since inception to June 30, 2016)			9.49%
Portfolio Composition (Please see Fund Manager Report)			
Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up			

NAFA ISLAMIC ENERGY FUND

PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

NAFA ISLAMIC ENERGY FUND				
	Resolutions	For	Against	Abstain*








Number	2	2	Nil	N/A
(%)	100%	100%	-	-



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