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NBP Fullerton
Asset Management Ltd.
A Subsidiary of
National Bank of Pakistan

NAFA ISLAMIC ENERGY FUND

ANNUAL REPORT 2017



Your investments & "NAFA" grow together



**FULLERTON FUND
MANAGEMENT**

Joint - Venture Partners

MISSION STATEMENT

To rank in the top quartile
in performance of
NAFA 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 Fullerton Asset Management Limited – Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

Mr. Kamal Amir Chinoy	Chairman
Mr. Lui Mang Yin (Martin Lui)	Member
Mr. Abdul Hadi Palekar	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

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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: 111-111NFA (111-111-632),
(Toll Free): 0800-20001,
Fax: (021) 35825329
Website: www.nafafunds.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

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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. Lui Mang Yin (Martin Lui)
Director



Mr. Tariq Jamali
Director



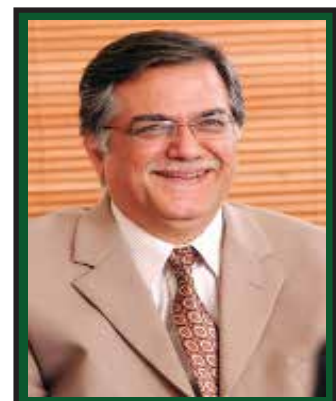
Mr. Shehryar Faruque
Director



Dr. Foo Chiah Shiung (Kelvin Foo)
Director

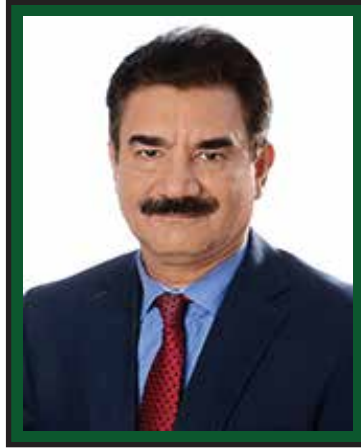


Mr. Abdul Hadi Palekar
Director



Mr. Humayun Bashir
Director

Senior Management



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Sajjad Anwar, CFA
Chief Investment 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



Mr. Hassan Raza, CFA
Head of Research



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



Mr. Taha Khan Javed, CFA
Head of Equity



Syed Ali Azhar Hasani
Head of Internal Audit



Mr. Salman Ahmed
Head of Risk Management



Mr. Raheel Rehman, ACA
Senior Manager Compliance



Mr. Shahbaz Umer
Head of Human Resource &
Administration

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DIRECTORS' REPORT

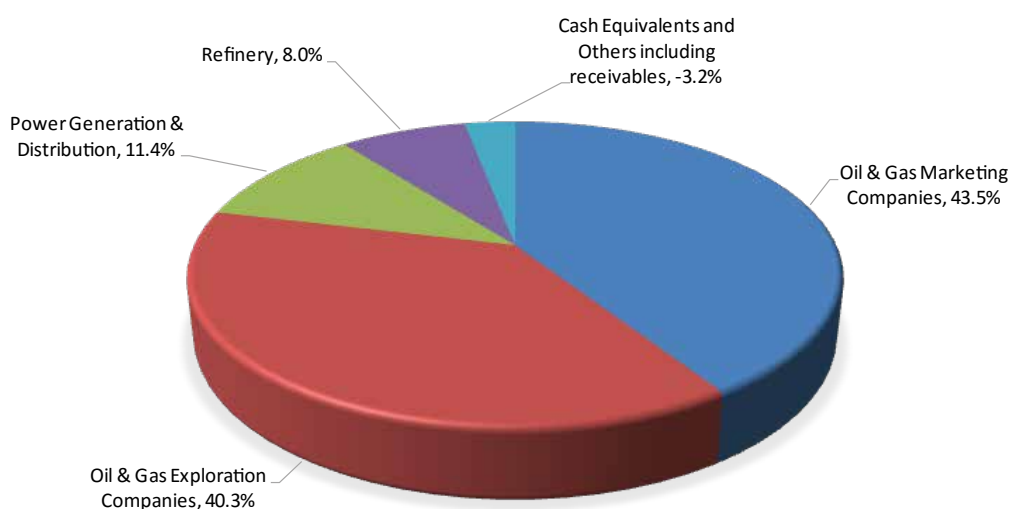
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of **NAFA Islamic Energy Fund** for the year ended June 30, 2017.

Fund's Performance

Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by a hefty 26.5% during 1HFY17 while in the later half the market declined by 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half of the fiscal year began to fade on the back of many negatives : (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking concern in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MSCI Emerging Market Index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

During the fiscal year, NAFA Islamic Energy Fund delivered 32.21% return as against KMI-30 index return of 18.80%, outperforming the benchmark by 13.41% during the year. The Fund outperformed as the fund was overweight in select Energy sector stocks which outperformed the market. Since its inception on April 21, 2016, the return of NAFA Islamic Energy Fund was 44.75%, while the benchmark increased by 33.30%. Thus, the Fund outperformed by 11.45% 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.2,316 mn as of June 30, 2017.

NAFA Islamic Energy Fund has earned a total income of Rs.685.47 million during the year. After deducting total expenses of Rs.84.13 million, the net income is Rs.601.34 million. During the year, the unit price of Islamic Energy Fund has increased from Rs.9.9054 (Ex-Div) on June 30, 2016 to Rs.13.0957 on June 30, 2017. The resultant per unit gain is Rs.3.1903 (32.21%). The asset allocation of NAFA Islamic Stock Fund as on June 30, 2017 is as follows:



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Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 7.88% of opening ex-NAV (8.31% of the par value) during the year.

Taxation

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

Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2018.

Directors' Statement in Compliance with Code of Corporate Governance

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the period. The attendance of all directors is disclosed in the note 24 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 20 to these financial statements.

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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 Fullerton Asset Management Limited

Chief Executive

Director

Date: September 15, 2017
Place: Karachi.

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ڈائریکٹرز رپورٹ

این بی پی فلٹرٹن ایسیٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA اسلامک انرجی فنڈ (NIEF) کی دوسری سالانہ رپورٹ برائے سال ختمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

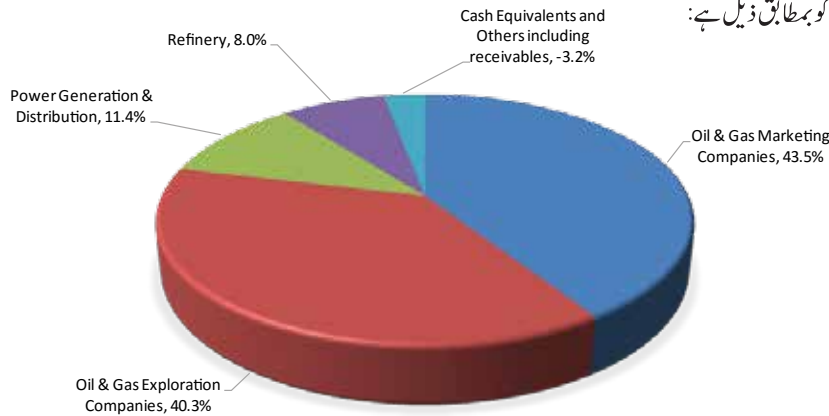
فنڈ کی کارکردگی

مالی سال 2016-17 کو دو ششماہیوں میں منقسم کیا جاسکتا ہے۔ سال 17 کی پہلی ششماہی میں مارکیٹ میں 26.5% کا شاندار اضافہ ہوا جب کہ دوسری ششماہی میں نسبتاً اتار چڑھاؤ کے ساتھ مارکیٹ گر کر 2.6% پر آگئی۔ مالی سال 17 کا آغاز بڑے مثبت انداز میں ہوا جس میں سرمایہ کار سرگرم رہے جس کی وجہ مختلف مثبت پیش رفت تھی جیسے (i) معاشی نمو میں اضافہ کی بدولت سرمایہ کاری کے لئے موافق پس منظر، افراط زر اور سود کی شرح پر کنٹرول، کارپوریٹ کی آمدنی میں بڑا اضافہ اور اسٹاک مارکیٹ کی پرکشش قدر و قیمت (ii) MSCI ایمریکن اسٹاک مارکیٹ انڈیکس میں جون 2017ء میں پاکستان کی دوبارہ درج بندی؛ (iii) چین پاکستان اقتصادی راہداری (CPEC) سے متعلق سرمایہ کاری کی سرگرمیوں میں تیزی کا رجحان اور (iv) حصص پر مبنی میوچل فنڈز کے پرکشش ہونے کے سبب داخلی بہاؤ میں نمایاں اضافہ جس کی وجہ فلسفہ انکم ذرائع میں معمولی آمدنی کا حصول تھا۔ بعد ازاں مالی سال کی پہلی ششماہی کے مثبت رجحانات مختلف منفی وجوہات کی بنا پر معدوم پڑنے لگیں۔ جیسے (i) پانامہ لیکس کیس میں وزیر اعظم کے خلاف عدالتی کارروائی کے آغاز سے ملک میں سیاسی غیر یقینی کی کیفیت (ii) عالمی سطح پر تیل کی قیمتوں میں دوبارہ کمی جس سے آئل اور گیس اور بینکنگ کے شعبہ جات کے انڈیکس پر دباؤ پڑا (iii) سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے ان ہاؤس بدلہ فنانسنگ میں رکاوٹ ڈالنے سے مارکیٹ میں تشویش پائی گئی اور (iv) تجارت اور کرنٹ اکاؤنٹ میں بڑھتے ہوئے خسارے کے سبب توازن ادائیگی (BoP) میں بڑھتے ہوئے خدشات۔ سرمایہ کاروں کو اس وقت بہت مایوسی ہوئی جب MCSI ایمریکن اسٹاک مارکیٹ انڈیکس میں پاکستان اسٹاک ایکسچینج (PSX) کی دوبارہ درج بندی کے باوجود با مقصد خالص بیرون ملک زرمبادلہ نہ حاصل ہو پایا۔ پورے سال میں بیرونی سرمایہ کار خالص فروخت کنندہ رہے اور مالی سال 17 کے دوران 652 ملین یو ایس ڈالر کی ایکویٹی فروخت ہوئی جو زیادہ تر میوچل فنڈز اور بیمہ کمپنیوں میں جذب ہو گئی۔

مذکورہ مالی سال کے دوران میں NAFA اسلامک انرجی فنڈ نے KMI-30 کے 18.80% کے مقابلے میں 32.21% منافع دج کر لیا، اس طرح فنڈ نے سال کے دوران مارکیٹ کے مقابلے میں 13.41% کی اضافی 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۔ اپنے قیام (21 اپریل 2016ء) سے اب تک NAFA اسلامک انرجی فنڈ نے 44.75% کا اضافہ ہوا ہے، جبکہ KMI-30 انڈیکس بڑھ کر 33.30% سے بڑھ گیا۔ لہذا اب تک فنڈ نے 11.45% بہتر کارکردگی دکھائی۔ یہ کارکردگی منیجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ NAFA اسلامک انرجی فنڈ کا ساؤتھ جون 2017 کو 2,316 ملین روپے ہے۔

NAFA اسلامک انرجی فنڈ (NIEF) نے اس سال کے دوران 685.47 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 84.13 ملین روپے کے اخراجات منہا کرنے کے بعد خالص آمدنی 601.34 ملین روپے رہی۔ اس سال کے دوران NAFA اسلامک انرجی فنڈ (NIEF) کے یونٹ کی قیمت 30 جون 2016 کو 9.9054 روپے (Ex-Div) سے بڑھ کر 30 جون 2017 کو 13.0597 روپے ہو چکی ہے۔ اس کے نتیجے میں فی یونٹ منافع 3.1903 روپے یعنی 32.21% ہے۔

فنڈ کی ایسیٹ ایلوکیشن 30 جون 2017 کو برطابق ذیل ہے:



آمدنی کی تقسیم

منیجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے اس سال کے دوران میں اوپننگ ex-NAV کے 7.88% (بنیادی قدر کا 8.31%) نقد ڈیویڈنڈ کی منظوری دی ہے۔

ٹیکسیشن

درج بالا منافع، سال کے دوران میں حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپیٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سیکشن 107 کے تحت 99% کے تحت ٹیکس لاگو نہیں ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز اے ایف فرگن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر انہوں نے خود کو 30 جون 2018 کو ختم ہونے والے سال میں دوبارہ تقرر کیلئے پیش کیا ہے۔

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کوڈ آف کارپوریٹ گورننس کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور یونٹ ہولڈرز فنڈ میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- انٹرنل کنٹرول کا نظام مستحکم اور موثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 6- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی پہلو تہی نہیں کی گئی۔
- 8- پرفارمنس ٹیبل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہے۔
- 9- ٹیکسوں، ڈیوٹیز، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- اس مدت کے دوران منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CFO، CEO، کمپنی سیکرٹری اور ان کی بیویوں اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 20 میں ظاہر کی گئی ہے۔

اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ 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 اظہارِ تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

15 ستمبر 2017ء

مقام: کراچی

NAFA ISLAMIC ENERGY FUND

TRUSTEE REPORT TO THE UNIT HOLDERS NAFA ISLAMIC ENERGY FUND

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 Fullerton Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 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 26, 2017

NAFA ISLAMIC ENERGY FUND

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors (the Board) of NBP Fullerton Asset Management Limited (the Company), the Management Company of **NAFA Islamic Energy Fund** (the Fund) to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

NBP Fullerton Asset Management Limited, the Management Company, is not listed and hence, the CCG is not applicable to it. However, the Fund being listed on Pakistan Stock Exchange comes under the ambit of the CCG. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and appoints the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

The Company has applied the principles contained in the CCG in the following manner:

1. 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, 2017, the Board included:

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. Nausherwan Adil (Chairman) 2. Mr. Aamir Sattar 3. Mr. Abdul Hadi Palekar 4. Mr. Lui Mang Yin 5. Dr. Kelvin Foo

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies were occurred on the board on November 21, 2016 and March 17, 2017 which were filled up on the same dates.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

NAFA ISLAMIC ENERGY FUND

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board. There is no other executive-director of the Company besides Chief Executive Officer (CEO).
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are conversant of the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. As of 30 June 2017, four directors of the Company had acquired the director's training certificate as required under the CCG. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Head of Internal Audit of the Company with remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Chief Financial Officer (CFO) during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in note 20 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The committee has formed the terms of reference for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members. All the members are non-executive directors and the chairman of the committee is an independent director.

NAFA ISLAMIC ENERGY FUND

18. The Board has set up an effective internal audit function headed by the Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions was determined and intimated to directors, employees and stock exchange except for 60th and 61st meeting of the Board of Directors.
22. Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with expect the following:
 - the mechanism was required to put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e. April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.
 - the Company has not complied with the requirements relating to maintenance of register of persons employed having access to inside information nor any senior management officer has been designated by the Company responsible for maintaining proper record including basis for inclusion or exclusion of names of persons from the said list.

For and behalf of the Board

September 15, 2017
Karachi

Dr. Amjad Waheed
Chief Executive Officer

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

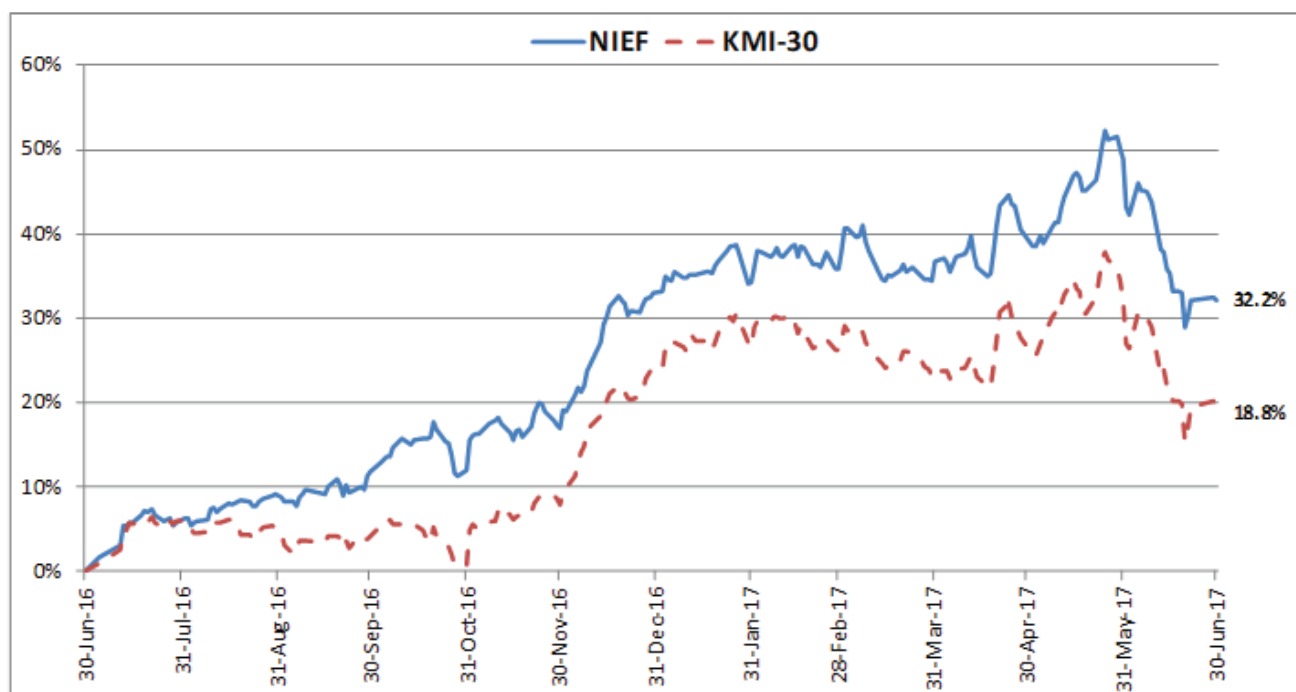
The Benchmark of the Fund is KMI-30 Index.

Fund performance review

This is the second annual report of the Fund. During the fiscal year, NAFA Islamic Energy Fund delivered 32.21% return as against KMI-30 index return of 18.80%, outperforming the benchmark by 13.41% during the year. Since its inception on April 21, 2016, the return of NAFA Islamic Energy Fund was 44.75%, while the benchmark has increased by 33.30%. Thus, the Fund outperformed by 11.45% 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.2,316 mn as of June 30, 2017.

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 FY17



Fiscal Year 2016-17 can be characterized as a tale of two halves where the market surged by hefty 26.5% during 1HFY17 while in the later half the market surrendered return of 2.6% amid lot of volatility. FY17 started on a positive note as investors remained upbeat on various positive developments: (i) supportive investment backdrop with rising economic growth, controlled inflation & interest rates, healthy corporate earnings growth and attractive stock market valuations; (ii) Pakistan's re-classification to MSCI Emerging Market Index effective June 2017; (iii) CPEC related investment activity gaining traction; and (iv) equity related mutual funds attracting hefty inflows on account of paltry yields on fixed income avenues. The optimism of the first half began to fade on the back of many negatives: (i) rising domestic political uncertainty with the start of court proceeding against the Prime Minister in the Panama Leaks Case; (ii) renewed decline in the global oil prices that weighed in on the index heavy Oil & Gas and Banking sectors; (iii) SECP's drive to curb in-house badla financing sparking panic in the market; and (iv) rising risks to the Balance of Payment (BoP) position from widening trade and current account deficits. A big disappointment for investors was absence of meaningful net foreign portfolio inflows during PSX reclassification into MCSI Emerging Market index. Foreign investors remained net sellers throughout the year, offloading equity stakes worth USD652mn in FY17 that was mainly absorbed by Mutual Funds and Insurance Companies.

NAFA ISLAMIC ENERGY FUND

During the year, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from launch date of the fund, based on recommendation by MUFAP to all its members. For further details, refer note 14.1 to the financial statements.

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

Asset Allocation of the Fund (% of NAV)

Particulars	30-Jun-17	30-Jun-16
Equities / Stocks	103.2%	92.9%
Cash Equivalents	16.3%	11.9%
Other Net Liabilities	(19.5%)	(4.8%)
Total	100.00%	100.00%

Distribution for the Financial Year 2017

Interim Period/Quarter	Dividend as % of Par Value (Rs.10)	Cumulative Div. Price/Unit	Ex- Div. Price
Interim	8.310	0.8310	12.7721

Unit Holding Pattern of NAFA Islamic Energy Fund as on June 30, 2017

Size of Unit Holding (Units)	# of Unit Holders
1-1000	103
1001-5000	332
5001-10000	321
10001-50000	909
50001-100000	333
100001-500000	268
500001-1000000	24
1000001-5000000	21
5000001-10000000	1
10000001-100000000	1
Total	2,313

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 14.5 million. If the same were not made the NAV per unit/FY17 return of scheme would be higher by Rs. 0.0795/0.8%. For details investors are advised to read note 14.1 of the Financial Statement of the Scheme for the year ended June 30, 2017.

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 year ended June 30, 2017. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 15, 2017
Karachi.

Dr. Amjad Waheed, CFA
Chief Executive Officer

NAFA ISLAMIC ENERGY FUND

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

August 21, 2017 /Dhu Al-Qi'dah 28, 1438

Alhamdulillah, the period from July 1, 2016 to June 30, 2017 was the second 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, 2017 and their evaluation according to the screening criteria established by us. (December 31, 2016 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii) Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Mari Petroleum	Oil & Gas Exploration Companies	5.85	0.00	0.17	37.5	-52.49	
Sui Northern Gas	Oil & Gas Marketing Companies	20.7	0.00	1.39	58	-231.74	
Shell Pakistan	Oil & Gas Marketing Companies	0.00	0.00	0.09	54.7	-113.46	
Pakistan Petroleum Limited	Oil and Gas Exploration Companies	0.10	26	3.14	49	32.76	188.18
Pakistan Oilfields	Oil & Gas Exploration Companies	0.00	0.22	1.43	73	-42.56	
OGDC	Oil & Gas Exploration Companies	0.00	25.07	6.21	39	59.07	165.35

NAFA ISLAMIC ENERGY FUND

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
PSO *	Oil & Gas Marketing Companies	33.64	13.03	1.10	20	95.40	434.21
The Hub Power Co.	Power Generation & Distribution Companies	29.47	0.00	0.18	39.00	-26.82	
Attock Petroleum	Oil & Gas Marketing Companies	0.00	5.16	0.73	33.00	58.42	685

*OGDC & 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, 2017 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 983,162/- was created and an amount of Rupees 779,182/- was available for disbursement into charity as of June 30, 2017. However, the provisional amount 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

REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of NBP Fullerton Asset Management Limited, the Management Company of **NAFA Islamic Energy Fund** (the Fund) for the year ended June 30, 2017 to comply with clause 5.19 of the Pakistan Stock Exchange Limited Regulations where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company (NBP Fullerton Asset Management Limited) of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2017.

Further, we highlight below the instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these have been stated in the Statement of Compliance:

Paragraph reference	Description
23	A mechanism for an evaluation of the Board's own performance is in place. However, the Management Company is in the process of completion of the annual evaluation of the Board.
21	As per the Code, there should be announcement of 'closed period' prior to the announcement of interim / final results and any business decisions, however such 'closed period' was not announced before 60th and 61st board meeting.
23	No register is maintained enlisting persons employed under contract or otherwise who have access to inside information.

A.F. Ferguson & Co.
Chartered Accountants
Dated: September 15, 2017
Karachi

NAFA ISLAMIC ENERGY FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NAFA Islamic Energy Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (NBP Fullerton Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2017 and of its financial performance, its cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 15, 2017
Karachi

NAFA ISLAMIC ENERGY FUND

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2017

		2017	2016
		----Rupees in '000-----	
	Note		
ASSETS			
Balances with banks	4	246,013	123,181
Investments	5	2,390,332	959,794
Receivable against issue of units	6	-	202,911
Dividend and profit receivable	7	7,934	2,766
Deposits and other receivable	8	5,604	2,600
Preliminary expenses and floatation costs	9	1,740	2,195
Total assets		<u>2,651,623</u>	<u>1,293,447</u>
LIABILITIES			
Payable to NBP Fullerton Asset Management Limited - Management Company	10	21,753	10,497
Remuneration payable to the Central Depository Company of Pakistan Limited - Trustee	11	1,112	203
Payable to the Securities and Exchange Commission of Pakistan	12	2,212	173
Payable against redemption of units	13	250,819	240,024
Dividend payable		16,017	80
Accrued expenses and other liabilities	14	44,184	9,371
Total liabilities		<u>336,097</u>	<u>260,348</u>
NET ASSETS		<u>2,315,526</u>	<u>1,033,099</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>2,315,526</u>	<u>1,033,099</u>
CONTINGENCIES AND COMMITMENTS	15	-----Number of units-----	
NUMBER OF UNITS IN ISSUE	16	<u>176,815,790</u>	<u>97,924,755</u>
NET ASSET VALUE PER UNIT	3.12	<u>13.0957</u>	<u>10.5499</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016
------(Rupees in '000)-----			
INCOME			
Capital gain on sale of investments - net		77,263	15,032
Profit on bank deposits		14,704	2,079
Dividend income		79,356	1,812
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.2	401,897	63,199
Total income		573,220	82,122
EXPENSES			
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	46,569	3,645
Sindh Sales Tax on remuneration of the Management Company	10.2	6,054	592
Federal Excise Duty on remuneration of the Management Company	10.3	-	583
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1	3,328	346
Sindh Sales Tax on remuneration of the Trustee	11.2	432	48
Annual fee of the Securities and Exchange Commission of Pakistan	12.1	2,212	173
Auditors' remuneration	17	342	305
Amortisation of preliminary expenses and floatation costs	9	455	87
Annual listing and supervisory fee		55	40
Printing charges		75	90
Shariah advisor fee		430	83
Accounting and operational charges	10.4	2,328	182
Securities transaction cost		2,936	1,293
Settlement and bank charges		926	210
Selling and marketing expenses	10.5	3,933	-
Legal and professional charges		3	17
Total expenses		70,078	7,694
Net income for the year / period from operating activities		503,142	74,428
Element of income and capital gains included in the prices of units issued less those in units redeemed - net		112,252	14,356
Provision for Sindh Workers' Welfare Fund	14.1	(14,051)	-
Net income for the year / period before taxation		601,343	88,784
Taxation	18	-	-
Net income for the year / period after taxation		601,343	88,784
Earnings per unit	3.13		

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

For NBP Fullerton Asset 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, 2017

	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016
--	---	--

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

Net income for the year / period after taxation	601,343	88,784
Other comprehensive income for the year / period	-	-
Total comprehensive income for the year / period	<u>601,343</u>	<u>88,784</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016
------(Rupees in '000)-----		
Undistributed income at the beginning of the year / period comprising of:		
Realised loss	(9,347)	-
Unrealised income	63,199	-
	<u>53,852</u>	<u>-</u>
Net income for the year / period after taxation	601,343	88,784
Distribution made during the year / period		
Cash distribution of Re 0.8310 per unit declared on June 21, 2017 (2016: Re 0.40 per unit)	(151,209)	(34,932)
Undistributed income carried forward	<u>503,986</u>	<u>53,852</u>
Undistributed income at the end of the year / period comprising of:		
Realised income / (loss)	102,089	(9,347)
Unrealised income	401,897	63,199
	<u>503,986</u>	<u>53,852</u>

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2017

	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016
	------(Rupees in '000)-----	
Net assets at the beginning of the year / period	1,033,099	-
Issue of 257,053,810 units (2016: 163,104,830 units)	3,404,137	1,712,743
Redemption of 178,162,775 units (2016: 65,180,075 units)	(2,459,592)	(719,140)
	944,545	993,603
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	(112,252)	(14,356)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	401,897	63,199
Capital gain on sale of investments - net	77,263	15,032
Other net income for the year / period	122,183	10,553
	601,343	88,784
Distribution made during the year / period		
Cash distribution of Re 0.8310 per unit declared on June 21, 2017 (2016: Re 0.40 per unit)	(151,209)	(34,932)
Net assets at the end of the year / period	2,315,526	1,033,099

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

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
------(Rupees in '000)-----			
Net income for the year / period before taxation		601,343	88,784
Adjustments for:			
Profit on balances with banks		(14,704)	(2,079)
Dividend income		(79,356)	(1,812)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(401,897)	(63,199)
Element of income and capital gain included in prices of units issued less those in units redeemed		(112,252)	(14,356)
Amortisation of preliminary expenses and floatation costs		455	87
Provision for Sindh Workers' Welfare Fund		14,051	-
Federal Excise Duty on the remuneration of the Management Company		-	583
		(593,703)	(80,776)
Increase in assets			
Investments		(1,028,641)	(896,595)
Deposits and other receivable		(3,004)	(2,600)
		(1,031,645)	(899,195)
Increase in liabilities			
Payable to NBP Fullerton Asset Management Limited - Management Company		11,256	7,632
Payable to the Central Depository Company of Pakistan Limited - Trustee		909	203
Payable to the Securities and Exchange Commission of Pakistan		2,039	173
Accrued expenses and other liabilities		20,762	5,768
		34,966	13,776
Dividend received		74,391	-
Profit received on balances with banks		14,501	1,148
Net cash used in operating activities		(900,147)	(876,263)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received on issuance of units		3,607,048	1,478,560
Dividend paid		(135,272)	-
Amount paid on redemption of units		(2,448,797)	(479,116)
Net cash generated from financing activities		1,022,979	999,444
Net increase in cash and cash equivalents during the year / period		122,832	123,181
Cash and cash equivalents at the beginning of the year / period		123,181	-
Cash and cash equivalents at the end of the year / period	4	246,013	123,181

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

For NBP Fullerton Asset 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, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Energy Fund (the Fund) was established under a Trust Deed executed between NBP Fullerton Asset Management Limited (NAFA) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on March 28, 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 7, 2016 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund's pre-IPO investment was received on April 19, 2016. It is an open-ended mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units of the Fund are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an Open-End "Shariah Compliant Equity Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CISs).

The core objective of the Fund is to provide investors with long term capital growth from an actively managed portfolio of shariah compliant listed equities belonging to the energy sector

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM 1 as at April 21, 2017 (2016: AM2++) 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 Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in offering document of the Fund.

2 BASIS OF PREPARATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Supervisory Council.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

NAFA ISLAMIC ENERGY FUND

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

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2016 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

There are certain new and amended standards and interpretations that are mandatory for the accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS 9 – Financial Instruments	January 1, 2018
- IFRS 15 – Revenue from contracts with customers	January 1, 2018
- IFRS 16 – Leases	January 1, 2019

2.3.1 The SECP vide its SRO 756(1) / 2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations which will be applicable on the financial statements of the Fund from the accounting year ending June 30, 2018. 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, 2008. In addition there are certain changes in the disclosure requirements relating to the Income Statement and the Statement of Movement in Unit Holders' Fund. The management is currently in the process of assessing the impact of these changes on the financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These 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 areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follow:

- Classification and valuation of financial assets (notes 3.2.1 and 5.1)
- Taxation (notes 3.7 and 18)
- Impairment of financial assets (note 3.2.5)
- Amortisation of preliminary expenses and floatation cost (notes 3.5 and 9)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

2.6 Functional and Presentation Currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

NAFA ISLAMIC ENERGY FUND

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

3.2 Financial assets

3.2.1 Classification

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

Investments are classified as follows:

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

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

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

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (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.

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

Subsequent to initial recognition, financial assets 'at fair value through profit or loss' and available for sale are revalued at fair value.

- Basis of valuation of equity securities

Investments in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising from the changes in the fair value and on sale of financial assets '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 available for sale financial assets are taken to 'other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in 'other comprehensive income' is shown as part of net income for the year.

b) Loans and receivables

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

NAFA ISLAMIC ENERGY FUND

Gains or losses on these instruments are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment of financial assets

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', 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 shown as part of income before taxation. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For other financial assets, 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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

3.2.6 Derecognition

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

3.3 Financial liabilities

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

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

3.4 Offsetting of financial assets and 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 realise the assets and settle the liabilities simultaneously.

3.5 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.

3.6 Provisions

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

3.7 Taxation

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

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

3.8 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the period in which such distributions are declared.

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

Units redeemed are recorded at the redemption price, as per the constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the dealing day less any back end load, provisions for transaction costs and any provision for duties and charges, if applicable.

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element arising as a result of unrealised appreciation / (diminution) on available for sale securities is recognised in the distribution statement. The remaining portion of the element is recognised in the income statement.

3.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income on equity securities is recognised when the right to receive the dividend is established.
- Unrealised appreciation / (diminution) in the value of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

3.12 Net asset value per unit

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

3.13 Earnings per unit

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

3.14 Expenses

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

	Note	2017	2016
-----Rupees in '000-----			
4	BALANCES WITH BANKS		
	Profit and loss sharing accounts	4.1 228,155	122,615
	Current accounts	4.2 17,858	566
		246,013	123,181
4.1	This includes balance of Rs 106.633 million (2016: Rs 115.507 million) maintained with BankIslami Pakistan Limited (a related party) that carries profit at 5.60% per annum (2016: Nil). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 2.40% to 6.50% per annum (2016: 2.40% to 6.1% per annum).		
4.2	This includes balance of Rs 2.791 million (2016: Rs 0.566 million) maintained with Summit Bank Limited (a related party).		
		Note	2017
			2016
-----Rupees in '000-----			
5	INVESTMENTS		
	Financial assets 'at fair value through profit or loss'		
	- Listed equity securities	5.1	
		2,390,332	959,794

NAFA ISLAMIC ENERGY FUND

5.1 Listed equity securities

All shares have a nominal face value of Rs 10 per share except for the shares of K-Electric Limited which have a face value of Rs 3.5 per share.

Name of the investee company	Number of shares				Market value as at June 30, 2017	Market value as a percentage of		Nominal value as a percentage of Paid up capital of the investee company
	As at July 1, 2016	Purchases during the year	Sales during the year	As at June 30, 2017		Net assets	Total investments	
-----Number of shares -----					(Rupees in '000)	----- % -----		
OIL AND GAS EXPLORATION COMPANIES								
Mari Petroleum Company Limited	157,550	75,400	20,800	212,150	334,272	14.44	13.98	0.19
Oil & Gas Development Company Limited	499,300	1,136,600	391,900	1,244,000	175,018	7.56	7.32	0.03
Pakistan Oilfields Limited	317,900	262,200	150,200	429,900	196,959	8.51	8.24	0.18
Pakistan Petroleum Limited	677,500	1,260,900	408,900	1,529,500	226,580	9.79	9.48	0.08
					932,829	40.30	39.02	
OIL AND GAS MARKETING COMPANIES								
Attock Petroleum Limited	96,100	107,500	11,700	191,900	120,212	5.19	5.03	
Hascol Petroleum Limited	-	185,500	21,000	164,500	56,111	2.42	2.35	
Hi-Tech Lubricants Limited		716,200	292,500	423,700	46,188	1.99	1.93	
Pakistan State Oil Company Limited	340,900	330,800	224,200	447,500	173,339	7.49	7.25	0.23
Shell (Pakistan) Limited	176,600	373,200	119,400	430,400	247,639	10.69	10.36	0.16
Sui Northern Gas Pipelines Limited	1,625,000	1,420,000	1,156,500	1,888,500	281,235	12.15	11.77	0.40
Sui Southern Gas Company Limited	-	2,659,000	410,500	2,248,500	81,868	3.54	3.42	0.30
					1,006,592	43.47	42.11	
POWER GENERATION AND DISTRIBUTION								
Hub Power Company Limited	386,300	1,238,000	380,000	1,244,300	146,117	6.31	6.11	0.11
Kot Addu Power Company Limited	757,000	1,032,500	360,000	1,429,500	102,953	4.45	4.31	0.16
K-Electric Limited	6,429,000	11,987,500	16,298,000	2,118,500	14,618	0.63	0.61	0.01
					263,688	11.39	11.03	
REFINERY								
Attock Refinery Limited	183,600	238,800	117,100	305,300	116,802	5.04	4.89	0.36
National Refinery Limited	73,200	84,100	60,300	97,000	70,421	3.04	2.95	0.12
					187,223	8.08	7.84	
Total as at June 30, 2017					2,390,332	103.24	100.00	
Carrying Amount as at June 30, 2017					1,988,435			

5.1.1 Investments include shares with market value of Rs 99.472 million (2016: Rs 84.807 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.

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

5.2 Unrealised appreciation on re-measurement of investments classified as 'financial assets' at fair value through profit or loss - net

Market value of investments	5.1	2,390,332	959,794
Carrying value of investments		(1,988,435)	(896,595)
		<u>401,897</u>	<u>63,199</u>

6 RECEIVABLE AGAINST ISSUE OF UNITS

This represented net receivable against units issued to the unit holders based on their request for transfer of units from other collective investment schemes managed by the Management Company of the Fund.

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

7 DIVIDEND AND PROFIT RECEIVABLE

Accrued profit on profit and loss sharing accounts	7.1	1,134	931
Dividend receivable		6,800	1,835
		<u>7,934</u>	<u>2,766</u>

7.1 This includes amount of Rs 0.574 million (2016: Rs 0.900 million) as profit receivable from BankIslami Pakistan Limited (a related party).

2017
-----Rupees in '000-----

8 DEPOSITS AND OTHER RECEIVABLE

Security deposit with:		2,500	2,500
- National Clearing Company of Pakistan Limited		100	100
- Central Depository Company of Pakistan Limited		3,004	-
Tax withheld on dividend		<u>5,604</u>	<u>2,600</u>

NAFA ISLAMIC ENERGY FUND

	2017	2016
	-----Rupees in '000-----	
9 PRELIMINARY EXPENSES AND FLOATATION COSTS		
At the beginning of the year / period	2,195	-
Preliminary expenses and floatation costs incurred	-	2,282
Less: amortisation during the year / period	(455)	(87)
At the end of the year / period	<u>1,740</u>	<u>2,195</u>

9.1 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.

	Note	2017	2016
		-----Rupees in '000-----	
10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	10.1	4,653	1,926
Sindh Sales Tax on the remuneration of the Management Company	10.2	605	313
Federal Excise Duty on the remuneration of the Management Company	10.3	583	583
Front end load payable		2,789	793
Federal Excise Duty on front end load		1,624	1,624
Sindh Sales Tax on front end load		376	129
Accounting and operational charges	10.4	2,328	182
Selling and marketing expenses	10.5	3,933	-
Other payable		4,862	4,947
		<u>21,753</u>	<u>10,497</u>

10.1 The Management company has charged remuneration at the rate of 2% (2016: 2%) per annum based on the daily net assets of the Fund. The remuneration is payable to the Management Company monthly in arrears.

10.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

10.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

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.

Further with effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016. In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 aggregating Rs 0.583 million (2016: Rs 0.583 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, Net Asset Value per unit of the Fund as at June 30, 2017 would have been higher by Re 0.0033 (2016: Re 0.0060) per unit.

10.4 In accordance with the provisions of the NBFC Regulations, 2008 (amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled for reimbursement of fee and expenses in relation to registrar service, accounting, operation and valuation services related to Collective Investment Schemes upto a maximum of 0.1% of the average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged accounting and operating expenses to the Fund at a rate of 0.1% per annum of the average annual net assets of the Fund being lower than the actual.

10.5 In connection with Regulation 60(3)(v) of the NBFC Regulations, 2008, the SECP has issued circular no. 40 of 2016 dated December 30, 2016 (later amended vide circular no. 05 of 2017 dated February 13, 2017) whereby it has prescribed certain conditions on Asset Management Companies (AMCs) for charging selling and marketing expenses to collective investment schemes (CISs). In accordance with the provisions contained in these circulars, selling and marketing expenses will be allowed initially for a period of three years (from January 1, 2017 till December 31, 2019) to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund or actual expenses, whichever is less. The circulars also state that AMCs will only be allowed to charge these expenses on their CISs if they open at least two new branches in cities except Karachi, Lahore, Islamabad and Rawalpindi by June 30, 2017.

NAFA ISLAMIC ENERGY FUND

The SECP has also provided certain guidelines in the above mentioned circulars for the allocation of expenses to the funds, which prescribe that selling and marketing expenses can only be used in respect of the following:

1. cost pertaining to opening and maintenance of new branches by asset management companies in cities except Karachi, Lahore, Islamabad and Rawalpindi;
2. payment of salaries to sales team posted at new branches;
3. payment of commission to sales team and distributors in all cities of Pakistan; and
4. payment of advertising and publicity of these funds.

In addition, the above circulars also specify that asset management companies which intend to charge the above mentioned expenses to the funds, shall submit their annual plan to their Board of Directors for approval which amongst others, shall state the name of the funds in which such expenses will be charged and nature of expenses that will be charged.

Keeping in view the aforementioned guidelines provided by the SECP, the Board of Directors of the Management Company have approved the plan as required by the above mentioned circular in March 2017 and have approved selling and marketing expenses to be charged to the Fund. Furthermore, in respect of the above, two new branches have been opened in Faisalabad and Sialkot before June 30, 2017 in order to comply with the requirements of the above mentioned circulars.

The management has also carried out an exercise to identify expenses of the Management Company (on the basis of criteria mentioned in the above circular) that can be charged to the Fund. As the actual expenses incurred by the Management Company that are allowable to be allocated to the Fund for the year ended June 30, 2017 are higher than 0.4% per annum of net assets of the Fund, accordingly, with effect from March 1, 2017 the Management Company has charged expenses at the rate of 0.4% per annum of net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.

	Note	2017 -----Rupees in '000-----	2016
11 REMUNERATION PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration	11.1	984	178
Sindh Sales Tax on the remuneration of trustee	11.2	128	25
		<u>1,112</u>	<u>203</u>

- 11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid on a monthly basis in arrears. There has been no change in the tariff structure during the year.

Net Assets	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of Net Assets, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of Net Assets exceeding Rs 1,000 million

- 11.2** Sindh Sale Tax at 13% (2016: 14%) is charged on Trustee fee.

	Note	2017 -----Rupees in '000-----	2016
12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	12.1	<u>2,212</u>	<u>173</u>

- 12.1** Under the provisions of the NBFC Regulations, a collective investment scheme categorised as Shariah Compliant Equity Scheme is required to pay an annual fee to SECP at an amount equal to 0.095% of the average annual net assets of the Fund.

13 PAYABLE AGAINST REDEMPTION OF UNITS

This includes net payable against units redeemed to the unit holders based on their request for transfer of units from the Fund to other collective investment schemes managed by the Management Company of the Fund.

NAFA ISLAMIC ENERGY FUND

	Note	2017	2016
-----Rupees in '000-----			
14 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		311	305
Provision for Sindh Workers' Welfare Fund	14.1	14,051	-
Legal fee		8	17
Bank charges		28	10
Withholding tax payable		20,889	4,469
Haram portion of dividend income	14.2	1,845	50
Capital gain tax		5,590	3,584
Brokerage payable		582	735
Settlement charges		279	28
Printing charges		88	90
Shariah advisor fee		513	83
		44,184	9,371

14.1 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, is 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 has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. However, as a matter of abundant caution provision in respect of SWWF is being made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re 0.0795 per unit.

14.2 Total haram portion of dividend for the year / period amounted to Rs 1.845 million (2016: Rs 0.050 million). The dividend income is recorded net of haram portion.

15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2017 and June 30, 2016.

	2017	2016
-----Rupees in '000-----		
16 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year / period	97,924,755	-
Units issued during the year / period	257,053,810	163,104,830
Less: units redeemed during the year / period	178,162,775	65,180,075
Total units in issue at the end of the year / period	176,815,790	97,924,755
	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016

17 AUDITORS' REMUNERATION

	-----Rupees in '000-----	
Annual audit fee and other certification	215	250
Half yearly review fee	66	-
Out of pocket expenses	61	55
	342	305

18 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 as cash dividend. Furthermore, regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

NAFA ISLAMIC ENERGY FUND

19 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2017 is 3.61% which includes 0.98% representing government levies on the Fund such as sales taxes, Sindh Workers' Welfare Fund, annual fee payable 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.

20 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include NBP Fullerton Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and key management personnel of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

- 20.1 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 20.2 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 20.3 Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 20.4 Details of the transactions with related parties / connected persons during the year / period are as follows:

	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016
NBP Fullerton Asset Management Limited - Management Company		
Remuneration for the year / period	46,569	3,645
Sindh Sales Tax on remuneration of Management Company	6,054	592
Federal Excise Duty on remuneration of the Management Company	-	583
Units issued during the year / period 574,695 units (2016: 10,194,849 units)	7,413	102,129
Expense paid by the Management Company on behalf of the Fund		
- Initial deposit on opening of bank accounts	30	25
- Listing fee	55	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	-	2,282
Selling and marketing expense	3,933	-
Accounting and operational charges	2,328	182
Cash distribution for the year / period (note 20.5)	7,413	3,947
Employees of the Management Company		
Units issued during the year / period 5,068,748 units (2016: 665,397 units)	65,610	7,112
Units redeemed during the year / period 4,420,705 units (2016: 254,830 units)	57,707	2,843
Cash distribution for the year (note 20.5)	732	127
Key Management Personnel		
Units issued during the year / period 74,921 units (2016: Nil)	961	-
Cash distribution for the year (note 20.5)	731	-
Gul Ahmed Textile Mills Limited Employee Provident Fund (Common Directorship)		
Units issued during the year / period Nil (2016: 274,783 units)	-	3,000
Units redeemed during the year / period Nil (2016: 274,783 units)	-	2,956
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year / period	3,328	346
Sindh Sales Tax on remuneration	432	48
Settlement charges	511	130
Taurus Securities Limited (Common Directorship)		
Brokerage expense	102	31
BankIslami Pakistan Limited (Common Directorship)		
Profit income	9,740	1,903

NAFA ISLAMIC ENERGY FUND

	For the year ended June 30, 2017	For the period from April 19, 2016 to June 30, 2016
Prosperity Weaving Mills (note 20.6)		
Units issued during the year / period 1,040,543 units (2016: Nil)	15,716	-
Cash distribution for the year (note 20.5)	716	-
Pakistan Mobile Communication Limited Provident Fund (note 20.6)		
Units redeemed during the year / period 998,312 units (2016: Nil)	13,623	-
20.5	The dividend given by the Fund during the year has been reinvested in units of the Fund.	
20.6	A connected person / related party of the Fund during the current year.	
	2017	2016
	-----Rupees in '000-----	
20.7 Amounts outstanding as at year / period end		
NBP Fullerton Asset Management Limited - Management Company		
Remuneration payable to the Management Company	4,653	1,926
Sindh Sales Tax on remuneration of Management Company	605	313
Federal Excise Duty on remuneration of the Management Company	583	583
Front-end load payable	2,789	793
Sindh Sales Tax on front end load	376	129
Federal Excise Duty on front end load	1,624	1,624
Selling and marketing expense	3,933	-
Other payable		
- Initial deposit on opening of bank accounts	30	25
- Listing fee	40	40
- Security deposit paid to National Clearing Company of Pakistan Limited	2,500	2,500
- Security deposit paid to Central Depository Company of Pakistan Limited	100	100
- Preliminary expenses and floatation costs	2,192	2,282
Accounting and operational charges to the Management Company	2,328	182
Units held 10,769,544 units (2016: 10,194,849 units)	141,035	107,555
Employees of the Management Company		
Units held 1,205,307 units (2016: 410,567 units)	15,784	4,331
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee	984	178
Sindh Sales Tax on the remuneration of trustee	128	25
Security deposit	100	100
Settlement charges	279	28
Summit Bank Limited (Common Directorship)		
Bank balances	2,791	566
BankIslami Pakistan Limited (Common Directorship)		
Bank balances	106,633	115,507
Profit receivable	574	900
Taurus Securities Limited - Subsidiary of Parent Company		
Brokerage payable	20	-
Prosperity Weaving Mills		
Units held 1,040,543 units (2016: Nil)	13,627	-
Key Management Personnel		
Units held 1,062,162 units (2016: Nil)	13,910	-
Net amount receivable against issuance of units from:		
NAFA Islamic Aggressive Income Fund	-	202,496
NAFA Islamic Principal Protected Fund - II	-	416
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	-
NAFA Financial Sector Income Fund	-	3,971
NAFA Government Securities Liquid Fund	-	5,171
NAFA Islamic Asset Allocation Fund	-	214,029
NAFA Islamic Stock Fund	-	2,139
NAFA Money Market Fund	-	509
NAFA Stock Fund	-	14,205

NAFA ISLAMIC ENERGY FUND

21 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the investment committee of the Fund as at June 30, 2017 are as follows:

S.No.	Name	Qualification	Experience in years
1	Dr. Amjad Waheed	MBA, Doctorate in Business Administration, CFA	29
2	Mr. Sajjad Anwar	CFA / MBA Finance	17
3	Mr. Muhammad Ali Bhaba	CFA / MBA / FRM / MS	22
4	Mr. Hassan Raza	ACCA / BSC / CFA	6
5	Mr. Taha Khan Javed*	MBA / CFA	11

*Mr. Taha Khan Javed is the manager of the Fund. He is also the Fund manager of NAFA Asset Allocation Fund, NAFA Islamic Asset Allocation Fund, NAFA Multi Asset Fund, NAFA Stock Fund and NAFA Islamic Active Allocation Equity Fund.

22 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2017

S. No.	Particulars	Percentage
1	Shajar Capital Pakistan (Private) Limited (formerly Burj Capital (Private) Limited)	14.69%
2	Optimus Capital Management Limited	11.42%
3	Arif Habib Securities Limited	6.14%
4	IGI Finex Securities Limited	4.96%
5	BMA Capital Management Limited	4.30%
6	Taurus Securities Limited	4.19%
7	D.J.M Securities (Private) Limited	3.88%
8	J.S. Global Capital Limited	3.79%
9	First Capital Equities Limited	3.69%
10	Elixir Securities Pakistan (Private) Limited	3.38%

List of top 10 brokers by percentage of commission charged during the period ended June 30, 2016

S. No.	Particulars	Percentage
1	Arif Habib Limited	14.12%
2	Optimus Capital Management (Private) Limited	8.27%
3	Invest & Finance Securities Limited	7.71%
4	Global Securities Pakistan Limited	6.78%
5	Concordia Securities (Private) Limited	6.50%
6	BMA Capital Management Limited	5.08%
7	Alfalah Securities (Private) Limited	4.88%
8	Foundation Securities (Private) Limited	3.57%
9	SAAO Capital (Private) Limited	3.30%
10	Topline Securities (Private) Limited	3.29%

23 PATTERN OF UNIT HOLDING

-----June 30, 2017-----

Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Associated companies	1	141,035	6.09%
Directors	2	13,883	0.60%
Individuals*	2,282	1,775,450	76.68%
Insurance companies	1	9,981	0.43%
Public Limited companies	4	197,764	8.54%
Retirement funds	17	90,116	3.89%
Others	14	87,297	3.77%
	2,321	2,315,526	100.00%

* This includes investment amount Rs 15.811 million of related parties / connected persons.

NAFA ISLAMIC ENERGY FUND

-----June 30, 2016-----

Category	Number of unit holders	Investment amount	Percentage of investment
(Rupees in '000)			
Associated companies / Directors	1	107,555	10.41%
Bank / DFI	1	99,115	9.59%
Individuals*	656	627,054	60.70%
Insurance companies	1	1,240	0.12%
Retirement funds	13	113,764	11.01%
Others	8	84,371	8.17%
	680	1,033,099	100.00%

* This includes investment amount Rs 4.331 million of related parties / connected persons.

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

The 60th, 61st, 62nd, 63rd Board meetings were held on September 23, 2016, October 28, 2016, February 28, 2017, April 28, 2017, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	4	4	-	-
Mr. Aamir Sattar	4	4	-	-
Mr. Abdul Hadi Palekar	4	3	1	61st
Mr. Koh Boon San [note 24.1]	2*	2	-	-
Mr. Lui Mang Yin (Martin Lui)	4	4	-	-
Dr. Foo Chiah Shiung (Kelvin Foo) [note 24.2]	2*	1	1	63rd
Mr. Kamal Amir Chinoy	4	4	-	-
Mr. Shehryar Faruque	4	3	1	62nd
Mr. Saiyed Hashim Ishaque [note 24.3]	3*	3	-	-
Mr. Humayun Bashir [note 24.4]	1*	1	-	-
Dr. Amjad Waheed	4	4	-	-

24.1 Mr. Koh Boon San retired in Extra Ordinary General Meeting held on November 21, 2016.

24.2 Dr. Foo Chiah Shiung (Kelvin Foo) was appointed as director on the Board with effect from November 21, 2016.

24.3 Mr. Saiyed Hashim Ishaque retired in Extra Ordinary General Meeting held on March 17, 2017.

24.4 Mr. Humayun Bashir was appointed as director on the Board with effect from March 17, 2017.

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

25 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30, 2017-----

Particulars	Loans and receivables	Financial assets 'at fair value through profit or loss	Total
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-----Rupees in '000-----

Financial assets

Balances with banks	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
	256,547	2,390,332	2,646,879

NAFA ISLAMIC ENERGY FUND

-----June 30, 2017-----

Particulars	Liabilities 'at fair value through profit and loss	At amortised cost	Total
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Financial assets

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>

-----June 30, 2016-----

Particulars	Loans and receivables	Financial assets 'at fair value through profit or loss	Total
-------------	-----------------------	--	-------

Financial assets

Balances with banks	123,181	-	123,181
Investments	-	959,794	959,794
Receivable against issue of units	202,911	-	202,911
Dividend and profit receivable	2,766	-	2,766
Security deposits	2,600	-	2,600
	<u>331,458</u>	<u>959,794</u>	<u>1,291,252</u>

-----June 30, 2016-----

Particulars	Liabilities 'at fair value through profit and loss	At amortised cost	Total
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Financial assets

Payable to NBP Fullerton Asset Management Limited - Management Company	-	10,497	10,497
Remuneration payable to the Central Depository Company of Pakistan Limited - Trustee	-	203	203
Payable against redemption of units	-	240,024	240,024
Dividend payable	-	80	80
Accrued expenses and other liabilities	-	1,318	1,318
	<u>-</u>	<u>252,122</u>	<u>252,122</u>

26 FINANCIAL RISK MANAGEMENT

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

26.1 Market risk

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

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the SECP.

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

NAFA ISLAMIC ENERGY FUND

26.1.1 Currency risk

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

26.1.2 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. The Fund is mainly exposed to profit rate risk on balances held with banks.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument except for balances in profit and loss sharing accounts which carry profit at rates ranging from 2.40% to 6.50% (2016: 2.40% to 6.1%) per annum.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs 2.282 million (2016: Rs 1.226 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument that exposes the Fund to any material profit rate risk.

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

As at June 30, 2017

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
	%		------(Rupees in '000)-----			

On-balance sheet financial instruments

Financial Assets

Balances with banks	2.40 - 6.50	246,013	228,155	-	-	17,858
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	228,155	-	-	2,418,724

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 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

On-balance sheet gap		<u>2,353,524</u>	<u>228,155</u>	<u>-</u>	<u>-</u>	<u>2,125,369</u>
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Total yield / profit rate sensitivity gap		<u>2,353,524</u>	<u>228,155</u>	<u>-</u>	<u>-</u>	<u>2,125,369</u>
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Cumulative yield / profit rate sensitivity gap			<u>228,155</u>	<u>228,155</u>	<u>228,155</u>	
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NAFA ISLAMIC ENERGY FUND

As at June 30, 2016

Particulars	Yield / profit rate	Total	Exposed to Yield/Interest rate risk			Not exposed to yield/Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
		%	------(Rupees in '000)-----			
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	2.40 - 6.10	123,181	122,615	-	-	566
Investments		959,794	-	-	-	959,794
Receivable against issue of units		202,911	-	-	-	202,911
Dividend and profit receivable		2,766	-	-	-	2,766
Security deposits		2,600	-	-	-	2,600
		1,291,252	122,615	-	-	1,168,637
Financial Liabilities						
Payable to NBP Fullerton Asset Management Limited - Management Company		10,497	-	-	-	10,497
Remuneration payable to the Central Depository Company of Pakistan Limited - Trustee		203	-	-	-	203
Payable against redemption of units		240,024	-	-	-	240,024
Dividend payable		80	-	-	-	80
Accrued expenses and other liabilities		1,318	-	-	-	1,318
		252,122	-	-	-	252,122
On-balance sheet gap		1,039,130	122,615	-	-	916,515
Total yield / profit rate sensitivity gap		1,039,130	122,615	-	-	916,515
Cumulative yield / profit rate sensitivity gap			122,615	122,615	122,615	

26.1.3 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry environment and / or the economy in general.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unit holders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the Securities and Exchange Commission of Pakistan. Further, it is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. As at June 30, 2017, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI 30).

The net assets of the Fund will increase / (decrease) by Rs 35.519 million (2016: Rs 2.812 million) if the prices of equity vary due to increase / decrease in KMI 30 by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30, 2017. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

26.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to balances with banks, receivable against issue of units, deposits and other receivable and profit receivable. The credit risk on balances with banks is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the Investment Committee) require the Fund to invest in Shariah compliant equity instruments that have been rated by a well known rating agency. Credit risk on dividends receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets. The Fund's maximum exposure to credit risk as of June 30, 2017 amounts to Rs 256.547 million (2016: Rs 331.458 million).

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

NAFA ISLAMIC ENERGY FUND

26.2.1 Credit ratings

-----June 30, 2017-----			
Name of Bank	Rating agency	Latest available published rating	Percentage
Allied Bank Limited	PACRA	A1+	0.04%
Habib Bank Limited	JCR-VIS	A1+	7.50%
Habib Metropolitan Bank Limited	PACRA	A1+	1.63%
JS Bank Limited	PACRA	A1+	5.83%
MCB Bank Limited	PACRA	A1+	0.48%
Meezan Bank Limited	JCR-VIS	A1+	14.28%
United Bank Limited	JCR-VIS	A1+	14.92%
BankIslami Pakistan Limited	PACRA	A1	43.34%
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A1	10.83%
Summit Bank Limited	JCR-VIS	A1	0.66%
Silkbank Limited	JCR-VIS	A2	0.49%
			100%

-----June 30, 2016-----			
Name of Bank	Rating agency	Latest available published rating	Percentage
United Bank Limited*	JCR-VIS	AAA	-
BankIslami Pakistan Limited	PACRA	A+	93.78%
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A+	5.76%
Meezan Bank Limited*	JCR-VIS	AA	-
Silkbank Limited*	JCR-VIS	A-	-
Summit Bank Limited	JCR-VIS	A-	0.46%
			100%

*Nil value due to rounding off difference

26.2.2 Concentration of credit risk

The concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

26.2.3 Liquidity risk

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

The Fund is exposed to the daily settlement of equity securities and to daily cash redemptions, if any at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is, therefore, to invest the majority of its assets in investments that can be readily realised. The Fund's listed securities are considered readily realisable as they are listed on the Pakistan Stock Exchange.

In addition, the Fund has the ability to borrow, with prior approval of the trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 10% of net assets at the time of borrowing with repayments within 90 days of such borrowings. During the year ended June 30, 2017, the Fund has obtained a Commodity Murabahah Facility of Rs 470 million from BankIslami Pakistan Limited on March 15, 2017. The facility is secured against shariah compliant shares with prescribed margins and can be availed at a profit rate of respective KIBOR plus 0.75% per annum. However, the facility has not been availed by the Fund during the year.

In order to manage the Fund's overall liquidity, the Fund may withhold daily redemption requests in excess of ten percent of 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 indicates the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

NAFA ISLAMIC ENERGY FUND

	-----June 30, 2017-----			Total
	Maturity up to			
	Upto three months	Over three months and upto one year	More than one year	
----- (Rupees in '000) -----				
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
	<u>293,355</u>	<u>-</u>	<u>-</u>	<u>293,355</u>

	-----June 30, 2016-----			Total
	Maturity up to			
	Upto three months	Over three months and upto one year	More than one year	
----- (Rupees in '000) -----				
Financial liabilities				
Payable to NBP Fullerton Asset Management Limited - Management Company	10,497	-	-	10,497
Remuneration payable to the Central Depository Company of Pakistan Limited - Trustee	203	-	-	203
Payable against redemption of units	240,024	-	-	240,024
Dividend payable	80	-	-	80
Accrued expenses and other liabilities	1,318	-	-	1,318
	<u>252,122</u>	<u>-</u>	<u>-</u>	<u>252,122</u>

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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.

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

27.1 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:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities. (Level 1)
- Fair value measurements using 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). (Level 2)
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs). (Level 3)

As at June 30, 2017, the Fund held the following financial instruments measured at fair value:

	As at June 30, 2017			Total
	Level 1	Level 2	Level 3	
----- (Rupees in '000) -----				
Assets				
Financial assets at fair value through profit or loss - Investment in listed equity securities	2,390,332	-	-	2,390,332

	As at June 30, 2016			Total
	Level 1	Level 2	Level 3	
----- (Rupees in '000) -----				
Assets				
Financial assets at fair value through profit or loss - Investment in listed equity securities	959,794	-	-	959,794

NAFA ISLAMIC ENERGY FUND

28 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, 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 maintained and complied with the requirement of minimum fund size during the current year.

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

In accordance with the risk management policies stated in note 26, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

29 GENERAL

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

29.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements.

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 15, 2017.

For NBP Fullerton Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NAFA ISLAMIC ENERGY FUND

PERFORMANCE TABLE

Particulars	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)	2,315,526	1,033,099
Net income for the year / period ended (Rs '000)	601,343	88,784
Net Asset Value per unit at the year / period ended (Rs)	13.0957	10.5499
Offer Price per unit	13.5396	10.9684
Redemption Price per unit	13.0957	10.5499
Ex - Highest offer price per unit (Rs.)	15.5854	11.3450
Ex - Lowest offer price per unit (Rs.)	10.2984	9.6356
Ex - Highest redemption price per unit (Rs.)	15.0743	10.9121
Ex - Lowest redemption price per unit (Rs.)	10.0673	9.6356
Fiscal Year Opening Ex NAV	9.9054	9.6356
Total return of the fund	32.21%	9.49%
Capital growth	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		-
Distrubution Dates		
Interim	21-Jun-17	30-Jun-16
Final		
Total return of the fund (launch date January 09, 2015)		
(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 Fullerton Asset Management Limited i.e. www.nafafunds.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:








	Resolutions	For	Against	Abstain
Number	4	4	-	-
(%ages)	100%	100%	-	-



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