

**AM2++**  
Rated by PACRA



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

## **NAFA ISLAMIC ENERGY FUND**

# **ANNUAL REPORT 2016**



*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. Nausherwan Adil	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Nigel Poh Cheng	Director
Mr. Koh Boon San	Director
Mr. Kamal Amir Chinoy	Director
Mr. Shehryar Faruque	Director
Mr. Aamir Sattar	Director
Mr. Abdul Hadi Palekar	Director

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

Mr. Shehryar Faruque	Chairman
Mr. Koh Boon San	Member
Mr. Aamir Sattar	Member

### Human Resource and Remuneration Committee

Mr. Nausherwan Adil	Chairman
Mr. Nigel Poh Cheng	Member
Mr. Kamal Amir Chinoy	Member

### Trustee

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

### Bankers to the Fund

Silk Bank Limited  
United Bank Limited  
BankIslami Pakistan Limited  
Meezan Bank Limited  
Dubai Islamic Bank Pakistan Limited

# NAFA ISLAMIC ENERGY FUND

## **Auditors**

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

## **Legal Advisor**

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

## **Head Office:**

7th Floor Clifton Diamond Building, Block No. 4,  
Scheme No. 5, Clifton Karachi.  
UAN: 111-111NFA (111-111-632),  
(Toll Free): 0800-20001,  
Fax: (021) 35825329  
Website: [www.nafafunds.com](http://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

# NAFA ISLAMIC ENERGY FUND

## Contents

DIRECTORS' REPORT	05
TRUSTEE REPORT TO THE UNIT HOLDERS	10
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	11
FUND MANAGER REPORT	14
STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES	16
REPORT OF THE SHARIAH ADVISOR	17
REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE	19
INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS	20
STATEMENT OF ASSETS AND LIABILITIES	21
INCOME STATEMENT	22
STATEMENT OF COMPREHENSIVE INCOME	23
DISTRIBUTION STATEMENT	24
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND	25
CASH FLOW STATEMENT	26
NOTES TO THE FINANCIAL STATEMENTS	27
PERFORMANCE TABLE	42
PROXY ISSUED BY THE FUND	43

# Board of Directors



Mr. Nausherwan Adil  
Chairman



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Kamal Amir Chinoy  
Director



Mr. Koh Boon San  
Director



Mr. Aamir Sattar  
Director



Mr. Shehryar Faruque  
Director



Mr. Nigel Poh Cheng  
Director



Mr. Abdul Hadi Palekar  
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**



**Syed Suleman Akhtar CFA**  
**Head of Research**



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



**Mr. Asim Wahab Khan, CFA**  
**Head of Equity**



**Mr. Salman Ahmed**  
**Head of Risk Management**



**Mr. Raheel Rehman ACA, CICA**  
**Senior Manager Compliance**

# NAFA ISLAMIC ENERGY FUND

## DIRECTORS' REPORT

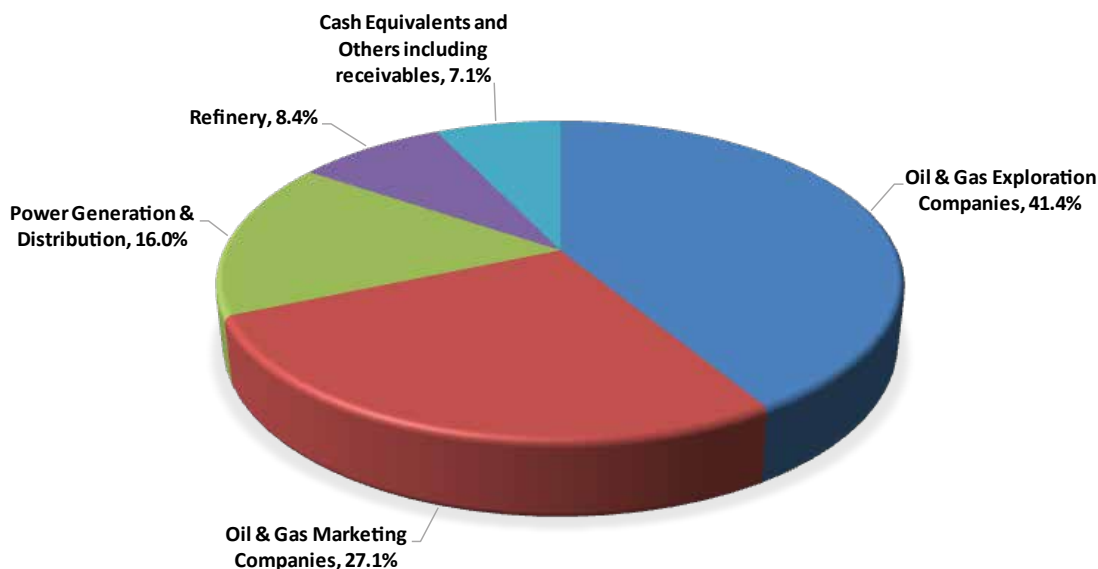
The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the First Annual Report of **NAFA Islamic Energy Fund** for the period from April 21, 2016 to June 30, 2016.

### Fund's Performance

The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

Since launch on April 21, 2016, the Fund has gradually built its position in energy stocks. Key holdings of the Fund belong to Oil & Gas Exploration Companies, Oil & Gas Marketing, Re-refinery, and Power Generation & Distribution Companies sectors. Since inception (April 21, 2016), NIEF has risen by 9.49%, whereas the KMI-30 index has increased by 12.21%, thus to date under-performance is 2.72%. This underperformance is net of management fee and all other expenses.

The size of NAFA Islamic Energy Fund as on June 30, 2016 is Rs.1,033 million. The Fund has earned a total income of Rs.96.48 million during the year. After deducting total expenses of Rs.7.70 million, the net income is Rs.88.78 million. During the year, the unit price of Islamic Energy Fund has increased from Rs.9.6356 (Ex-Div) on April 21, 2016 to Rs.10.5499 on June 30, 2016. The resultant per unit gain is Rs.0.9143 (9.49%). The asset allocation of NAFA Islamic Stock Fund as on June 30, 2016 is as follows:





# NAFA ISLAMIC ENERGY FUND

## Income Distribution

The Board of Directors of the Management Company has approved cash dividend of 4.00% 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, 2017.

## 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 two 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.

# NAFA ISLAMIC ENERGY FUND

## 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 23, 2016  
Place: Karachi.

# NAFA ISLAMIC ENERGY FUND

## ڈائریکٹرز رپورٹ

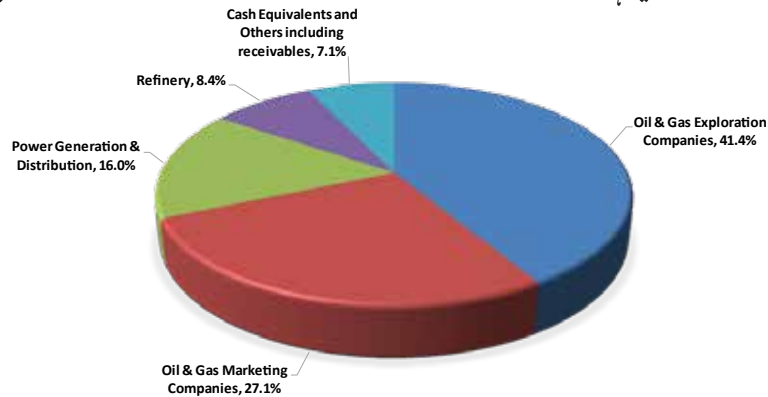
NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز صدمسرت 21 اپریل 2016ء سے 30 جون 2016ء کی مدت کے لیے NAFA اسلامک انرجی فنڈ کی پہلی سالانہ رپورٹ پیش کرتا ہے۔

### فنڈ کی پرفارمنس

اسٹاک مارکیٹ نے کموڈٹی میں زبردست مندی اور چین کی زیر قیادت عالمی نمو پر خدشات کے زیر اثر علاقائی اور عالمی مارکیٹس کے مطابق غیر متاثر کارکردگی سے مالی سال 2015-16 کا آغاز کیا۔ لیکن سال کے دوسرے نصف میں ایک زبردست بحالی کے نتیجے میں مقامی اسٹاک آپیکس سال کے آخر میں 9.8 فی صد منافع کے ساتھ بند ہوئے۔ سال کے پہلے نصف کے دوران مارکیٹ آئل اینڈ گیس سیکٹر میں خام تیل کی قیمتوں میں تیزی سے کمی اور غیر ملکی سرمایہ کاروں کی طرف سے بلا روک ٹوک حصص کی فروخت کے نتیجے میں پر دباؤ میں رہی۔ تاہم مارکیٹ نے دوسرے نصف میں خساروں سے کہیں زیادہ ازالہ کر لیا، جیسا کہ خام تیل کی قیمتوں کی بحالی کا نتیجہ بھاری سرمائے والے انرجی اسٹاکس کی طرف سے زبردست منافع جات کی صورت میں برآمد ہوا اور پاکستان کی آئندہ سال سے MSCI EM میں دوبارہ شمولیت کی خبر سامنے آئی۔ NBFCs، انفرادی اور میوچل فنڈز خالصتاً خریدار رہے اور انہوں نے غیر ملکی سرمایہ کاروں کی طرف سے حصص کی فروخت کے بڑے حصے کو جذب کر لیا۔ اتار چڑھاؤ سے بھرپور مالی سال 2015-16 کے بعد MSCI ایمریکنگ مارکیٹس انڈیکس میں شمولیت، قیمتوں کے معقول تعین اور حکومت کی طرف سے سی پیک پروڈیکٹس کے نفاذ کے ساتھ انفراسٹرکچر پر خرچ پر توجہ مرکوز کرنے کی وجہ سے پاکستانی ایکویٹیز زبردست منافع جات پیش کرنے کے لیے عمدہ پوزیشن میں ہیں۔

21 اپریل 2016ء میں اپنے لانچ ہونے سے فنڈ نے انرجی اسٹاکس میں اپنی پوزیشن رفتہ رفتہ مستحکم بنالی ہے۔ فنڈ میں اہم ہولڈنگز آئل اینڈ گیس ایکسپلوریشن کمپنیز، آئل اینڈ گیس مارکیٹنگ، ریفائنری اور پاور جنریشن اینڈ ڈسٹری بیوٹن کمپنیز کے شعبوں کے پاس ہیں۔ اپنے قیام (21 اپریل 2016ء) سے NIEF میں 9.49% اضافہ ہوا ہے جب کہ KMI-30 میں 12.21% اضافہ ہوا ہے، لہذا تاحال انڈر پرفارمنس 2.72% ہے۔ یہ انڈر پرفارمنس منجمنٹ فیس اور دیگر اخراجات کا خالص نتیجہ ہے۔

NAFA اسلامک انرجی فنڈ کا حجم، 30 جون 2016ء کے مطابق 1,033 ملین روپے ہے۔ فنڈ نے سال کے دوران 96.48 ملین روپے کی مجموعی آمدنی کمائی ہے۔ 7.70 ملین روپے کے مجموعی اخراجات منہا کرنے کے بعد خالص آمدنی 88.78 ملین روپے ہے۔ اس سال کے دوران اسلامک انرجی فنڈ کے یونٹ کی قیمت 21 اپریل 2016ء کو 9.6356 روپے (Ex-Div) سے بڑھ کر 30 جون 2016ء پر 10.5499 روپے ہو چکی ہے۔ اس کا نتیجہ فی یونٹ 0.9143 روپے (9.49%) منافع کی شکل میں سامنے آیا ہے۔ NAFA اسلامک انرجی فنڈ کی ایسیٹ ایلوکیشن 30 جون 2016ء کو برعکس ذیل ہے:



### آمدنی کی تقسیم

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے سال کے دوران مساوی ویلیو کا 4.00% کیش ڈیویڈنڈ منظور کیا ہے۔

### ٹیکسیشن

جیسا کہ مندرجہ بالا کیش ڈیویڈنڈ، انویسٹمنٹس کے تصروف شدہ اور غیر تصروف شدہ (realized and unrealized) مالیاتی منافع جات کے علاوہ، انویسٹمنٹس پر سال کے دوران کمائی گئی آمدنی کے 90% سے زائد ہے، انکم ٹیکس آرڈیننس 2001 کے دوسرے شیڈول کے حصہ 1 کی شق 99 کے تحت فنڈ پر ٹیکس لاگو نہیں ہے۔

# NAFA ISLAMIC ENERGY FUND

## آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے ہیں اور بر بنائے اہلیت، خود کو تختہ سال 30 جون 2017 کے لیے دوبارہ تقرری کے لیے پیش کرتے ہیں۔

## 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۔ شاریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، کی پیروی کی گئی ہے۔
- 5- 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 دو اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کی گئی ہے۔
- 11- یونٹ ہولڈنگ کا تفصیلی پیٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔
- 12- ڈائریکٹرز، CEO، CFO، کمپنی 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 اظہار تشکر کرتا ہے۔ بورڈ اپنے اسٹاف اور ٹرسٹی کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراج تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلرٹن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

23 ستمبر 2016

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 period from April 19, 2016 to June 30, 2016 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.

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 30, 2016

# NAFA ISLAMIC ENERGY FUND

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM APRIL 19, 2016 TO JUNE 30, 2016

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.

The Company, though an un-listed Public Limited Company complies with the CCG as the Fund under its management is listed on Pakistan Stock Exchange Limited.

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, 2016, the Board included:

Category	Names
Independent Directors	1. Mr. Kamal Amir Chinoy 2. Mr. Shehryar Faruque
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. Nigel Poh Cheng 5. Mr. Koh Boon San

The independent directors meets 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, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
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 2016, three directors of the Company had acquired the director's training certificate as required under the Code. The Company plans to arrange a Director's Training Program in future, for the remaining directors.
10. The Board has approved the appointment of Chief Financial Officer (CFO) of the Company with their remuneration and terms and conditions of employment. There has been no new appointment of the Company Secretary and Head of Internal Audit 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 including an independent director and the chairman of the committee is non-executive director.

# NAFA ISLAMIC ENERGY FUND

18. The Board has set up an effective internal audit function.
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. Since there is no practical implication of closed period on the announcement of interim and final results of open end Fund. Therefore, there was no 'closed period' prior to the announcement of interim / final results.
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 except the following:
  - As per the Code, 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.

For and behalf of the Board

Karachi  
September 23, 2016

Dr. Amjad Waheed  
Chief Executive Officer



# NAFA ISLAMIC ENERGY FUND

## FUND MANAGER REPORT

### NAFA ISLAMIC ENERGY FUND

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

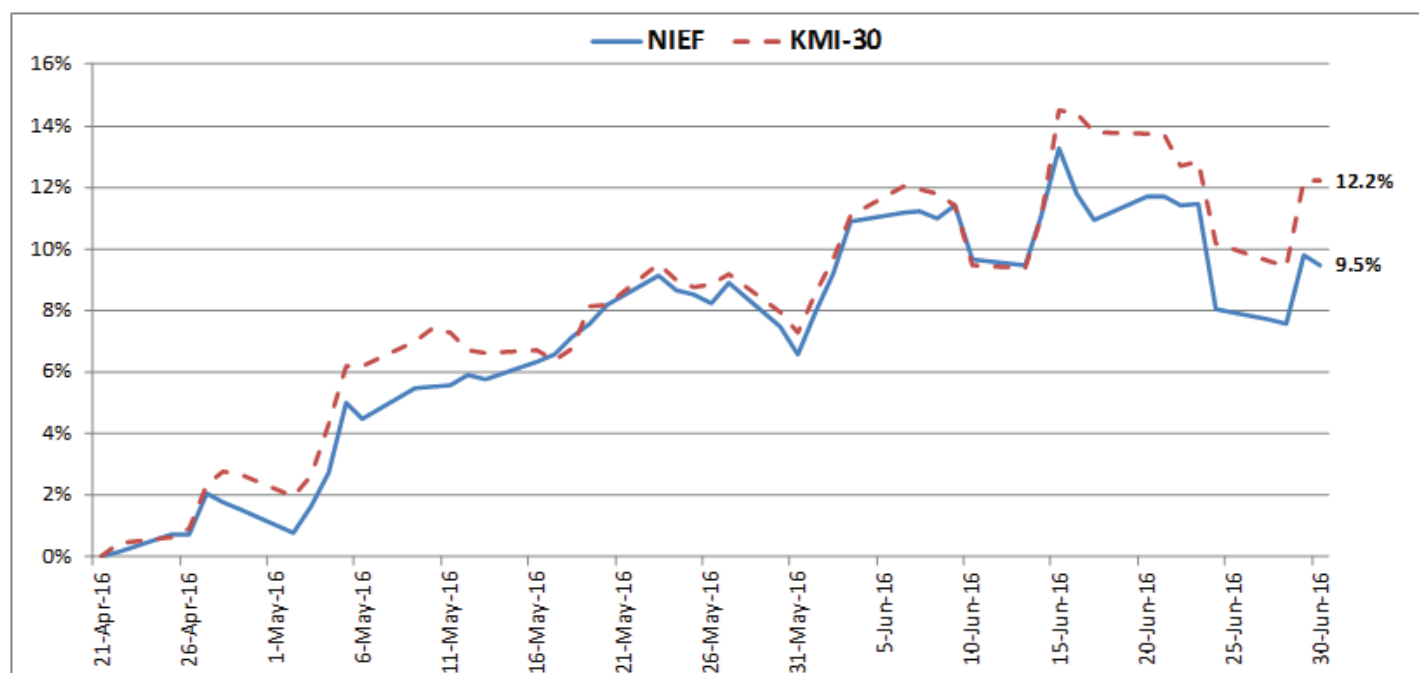
The Benchmark of the Fund is KMI-30 Index.

#### Fund performance review

This is the first annual report of NAFA Islamic Energy Fund since its launch on April 21, 2016. During the period, NAFA Islamic Energy Fund delivered 9.49% return as against KMI-30 index return of 12.21%, underperforming the market by 2.72% during the period. This performance is net of management fee and all other expenses. The size of NAFA Islamic Energy Fund is Rs.1,033 million as of June 30, 2016.

NIEF underperformed as the Fund gradually built its position in a rising market. The chart below shows the performance of NIEF against the Benchmark for the year.

NIEF Performance vs Benchmark during FY16



The stock market started FY2015-16 on a lackluster note in sync with the regional and global markets, driven by a rout in commodities and concerns on global growth led by China. But in the aftermath of a strong rally in the second half of the year, the local bourse closed the year with a 9.8% return. During the first half of the year, the market remained under pressure led by Oil & Gas Sector amid sharp decline in crude oil prices and unabated foreign selling. However, the market more than made up for the losses in the second half as recovery in crude oil prices led to strong returns from the large cap energy stocks, and news of Pakistan's re-entry in the MSCI EM Index from next year. NBFCs, Individuals, and Mutual Funds remained net buyers, absorbing majority of the foreign selling. After a volatile FY2015-16, Pakistan equities are well poised to post stronger returns this fiscal year due to inclusion in MSCI Emerging Markets Index, relatively reasonable valuations, and improving growth prospects driven by government focus on infrastructure spending coupled with implementation of CPEC projects.

# NAFA ISLAMIC ENERGY FUND

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

Particulars	30-Jun-16
Equities / Stocks	92.9%
Cash Equivalents	11.9%
Other Net (Liabilities) / Assets	(4.8%)
<b>Total</b>	<b>100.00%</b>

## Distribution for the Financial Year 2016

Interim / Final	Dividend as a % of Par Value (Rs.10)	Cum Dividend Price Per Unit (Rs.)	Ex- Dividend Price Per Unit (Rs.)
Final	4%	10.9781	10.5781

## Pattern of Unit Holders for NAFA ISLAMIC ENERGY FUND as on June 30, 2016

Size of Unit Holding (Units)		# of Unit Holders
1	1,000	14
1,001	5,000	74
5,001	10,000	88
10,001	50,000	269
50,001	100,000	96
100,001	500,000	102
500,001	1,000,000	16
1,000,001	5,000,000	18
5,000,001	10,000,000	2
<b>Total:</b>		<b>679</b>

## During the period under question:

- There have been no significant changes in the state of affairs of the Fund
- The Management Company or its delegates did not receive any soft commission (i.e. goods and services) from its broker(s)/dealer(s) by virtue of transactions conducted by the Fund.

# 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 for the period from April 19, 2016 to June 30, 2016. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: September 23, 2016  
Karachi.

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC ENERGY FUND

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

Sep 20, 2016/Dhu al-Hijjah 17, 1437

**Alhamdulillah**, the period from April 19, 2016 to June 30, 2016 was the first 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, 2016 and their evaluation according to the screening criteria established by us. (December 31, 2015 accounts of the Investee companies have been used)

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
Company Name	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
K-Electric Ltd	Power Generation and Distribution	10.06	0.00	1.19	63	(7.65)	7.38
Kot Addu Power Co Ltd	Power Generation and Distribution	27.84	0.00	4.68	25.01	8.83	81.00
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00	0.23	1.50	73.89	(40.38)	268.02
Pakistan Petroleum Limited	Oil and Gas Exploration Companies	0.11	28	4.02	46	40.05	121.81
Mari Petroleum	Oil & Gas Exploration	21.28	0.00	0.45	43.99	(110.95)	697.14
Hub Power Co Ltd	Power Generation and Distribution	28.91	0.00	0.15	43	(25.00)	102.6

# NAFA ISLAMIC ENERGY FUND

- 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 period from April 19, 2016 to June 30, 2016 are not in compliance with the Shari'ah principles.

During the period a provision of Rupees 22,651/- was created and an amount of Rupees 27,397/- of NCCPL interest income was available for disbursement into charity as of June 30, 2016. 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 Waquar**  
*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 THE 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 period ended June 30, 2016 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 of Corporate Governance 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 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's 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 of Corporate Governance as applicable to the Fund for the period ended June 30, 2016.

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
21	No closed period was determined prior to the announcement of interim / final results.
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.

A.F. Ferguson & Co.  
Chartered Accountants  
Dated: September 30, 2016  
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, 2016, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from April 19, 2016 to June 30, 2016, 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, 2016 and of its financial performance, its cash flows and transactions for the period from April 19, 2016 to June 30, 2016 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: **Salman Hussain**  
Dated: September 30, 2016  
Karachi

# NAFA ISLAMIC ENERGY FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2016

	Note	June 30, 2016 Rupees in '000
<b>ASSETS</b>		
Balances with banks	4	123,181
Investments	5	959,794
Receivable against issue of units	6	202,911
Dividend and profit receivable	7	2,766
Security deposits	8	2,600
Preliminary expenses and floatation costs	9	2,195
<b>Total assets</b>		<b>1,293,447</b>
<b>LIABILITIES</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company	10	10,497
Payable to the Central Depository Company of Pakistan Limited - Trustee	11	203
Payable to the Securities and Exchange Commission of Pakistan	12	173
Payable against redemption of units	13	240,024
Dividend payable		80
Accrued expenses and other liabilities	14	9,371
<b>Total liabilities</b>		<b>260,348</b>
<b>NET ASSETS</b>		<b>1,033,099</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>1,033,099</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	15	<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>	16	<b>97,924,755</b>
		<b>Rupees</b>
<b>NET ASSET VALUE PER UNIT</b>	3.12	<b>10.5499</b>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director



# NAFA ISLAMIC ENERGY FUND

## INCOME STATEMENT FOR THE PERIOD FROM APRIL 19, 2016 TO JUNE 30, 2016

	Note	For the period from April 19, 2016 to June 30, 2016 Rupees in '000
<b>INCOME</b>		
Capital gain on sale of investments - net		15,032
Profit on bank deposits		2,079
Dividend income		1,812
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	5.3	63,199
<b>Total income</b>		<b>82,122</b>
<b>EXPENSES</b>		
Remuneration of NBP Fullerton Asset Management Limited - Management Company	10.1	3,645
Sindh Sales Tax on remuneration of the Management Company	10.2	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	346
Sindh Sales Tax on remuneration of Trustee		48
Annual fee of the Securities and Exchange Commission of Pakistan	12.1	173
Auditors' remuneration	17	305
Amortisation of preliminary expenses and floatation costs	9	87
Annual listing fee		40
Printing charges		90
Shariah advisor fee		83
Accounting and operational charges		182
Securities transaction cost		1,293
Settlement and bank charges		210
Legal and professional charges		17
<b>Total expenses</b>		<b>7,694</b>
<b>Net income for the period from operating activities</b>		<b>74,428</b>
Element of income and capital gains included in the prices of units issued less those in units redeemed - net		14,356
Provision for Workers' Welfare Fund	18	-
<b>Net income for the period before taxation</b>		<b>88,784</b>
Taxation	19	-
<b>Net income for the period after taxation</b>		<b>88,784</b>
<b>Earnings per unit</b>	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 Executive

Director

# NAFA ISLAMIC ENERGY FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM APRIL 19, 2016 TO JUNE 30, 2016

	For the period from April 19, 2016 to June 30, 2016 Rupees in '000
Net income for the period after taxation	88,784
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<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 Executive

Director

# NAFA ISLAMIC ENERGY FUND

## DISTRIBUTION STATEMENT FOR THE PERIOD FROM APRIL 19, 2016 TO JUNE 30, 2016

	For the period from April 19, 2016 to June 30, 2016 Rupees in '000
Net income for the period after taxation	88,784
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	-
<b>Distribution made during the period</b>	
- Re 0.40 per unit declared on June 30, 2016	
- Cash distribution	(34,932)
Undistributed income carried forward	<u>53,852</u>
<b>Undistributed income at the end of the period comprising of:</b>	
Realised loss	(9,347)
Unrealised income	63,199
	<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 Executive

Director

# NAFA ISLAMIC ENERGY FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE PERIOD FROM APRIL 19, 2016 TO JUNE 30, 2016

	For the period from April 19, 2016 to June 30, 2016 Rupees in '000
Issue of 163,104,830 units	1,712,743
Redemption of 65,180,075 units	(719,140)
	993,603
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	
- transferred to income statement	(14,356)
- transferred to distribution statement	-
	(14,356)
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	63,199
Capital gain on sale of investments - net	15,032
Other net income for the period	10,553
	88,784
<b>Distribution made during the period</b>	
- Re 0.40 per unit declared on June 30, 2016	
- Cash distribution	(34,932)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to distribution statement	-
<b>Net assets at the end of the period</b>	<u>1,033,099</u>

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ENERGY FUND

## CASH FLOW STATEMENT FOR THE PERIOD FROM APRIL 19, 2016 TO JUNE 30, 2016

	Note	For the period from April 19, 2016 to June 30, 2016 Rupees in '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation		88,784
<b>Adjustments for:</b>		
Profit on balances with banks		(2,079)
Dividend income		(1,812)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(63,199)
Element of (income) / loss and capital (gain) / losses included in prices of units issued less those in units redeemed		(14,356)
Amortisation of preliminary expenses and floatation costs		87
Federal Excise Duty on the remuneration of the Management Company		583
		(80,776)
<b>Increase in assets</b>		
Investments		(896,595)
Security deposits		(2,600)
Preliminary expenses and floatation costs		(2,282)
		(901,477)
<b>Increase in liabilities</b>		
Payable to NBP Fullerton Asset Management Limited - Management Company		9,914
Payable to the Central Depository Company of Pakistan Limited - Trustee		203
Payable to the Securities and Exchange Commission of Pakistan		173
Accrued expenses and other liabilities		5,768
		16,058
Profit received on balances with banks		1,148
<b>Net cash used in operating activities</b>		(876,263)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units		1,478,560
Amount paid on redemption of units		(479,116)
<b>Net cash generated from financing activities</b>		999,444
<b>Net increase in cash and cash equivalents during the period</b>		123,181
<b>Cash and cash equivalents at the end of the period</b>	4	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 Executive

Director

# NAFA ISLAMIC ENERGY FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM APRIL 19, 2016 TO JUNE 30, 2016

### 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 07, 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. Due to a fire incident in the month of June 2016 at the registered office of the Management Company, its office has been temporarily shifted to 2nd floor, Ex - NDFC Building, Tariq Road, 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 (CIS).

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 Limited (PACRA) has assigned an asset manager rating of 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.

Comparative information is not available as the Fund was launched in the current period.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) 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 Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

There are certain amendments to the existing published approved accounting standards, new interpretations and certain new standards that are mandatory for accounting periods beginning on or after July 01, 2016 but are considered not to be relevant or will not have any significant effect on the Fund's financial statements and are, therefore, not disclosed in these financial statements.

#### 2.3 Critical accounting estimates and judgments

The preparation of the 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 the judgment in 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 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.

# NAFA ISLAMIC ENERGY FUND

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 (note 3.2.1 and 5.1)
- Taxation (note 3.7 and 19)
- Impairment of financial assets (note 3.2.5)
- Amortisation of preliminary expenses and floatation cost (note 3.5 and 9)

## 2.4 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.

## 2.5 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.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value with original maturities of three months or less.

### 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 categorised 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) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

#### 3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset. Regular purchases and sales of financial assets require delivery of securities within the time frame established by the stock exchange regulations.

#### 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.

# NAFA ISLAMIC ENERGY FUND

## 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.

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

### - Basis of valuation of equity securities

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

### 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.

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

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 certain 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 being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund.



# NAFA ISLAMIC ENERGY 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

### Current

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 period, 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.

### Deferred

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

## 3.8 Proposed distributions

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

## 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 is determined based on the income / (loss) incurred during the year including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities.

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.

# NAFA ISLAMIC ENERGY FUND

## 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 period end.

## 3.13 Earnings per unit

Earnings per unit (EPU) has not been disclosed as, in the opinion of the management, the determination of cumulative weighted average number of units outstanding during the period for calculating earnings per unit 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	June 30, 2016 Rupees in '000
<b>4 BALANCES WITH BANKS</b>		
Profit and loss sharing accounts	4.1	122,615
Current accounts	4.2	566
		<u>123,181</u>

4.1 These carry profits at the rates ranging from 2.40% to 6.10% per annum.

4.2 This deposit is maintained with Summit Bank Limited, being the related party of the Fund.

## 5 INVESTMENTS

Financial assets 'at fair value through profit or loss'  
- Listed equity securities

5.1	959,794
	<u>959,794</u>

### 5.1 Listed equity securities

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

Name of the investee company	Number of shares				Market value as at June 30, 2016	Market value as a percentage of		Nominal value as a percentage of Paid up capital of the investee company
	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2016		Net assets	Total investments	
-----Number of shares -----					(Rupees in '000)	----- % -----		
<b>OIL AND GAS EXPLORATION COMPANIES</b>								
Mari Petroleum Company Limited	182,150	-	24,600	157,550	143,090	13.85	14.91	0.14
Oil & Gas Development Company Limited	646,300	-	147,000	499,300	68,938	6.67	7.18	0.01
Pakistan Oilfields Limited	407,900	-	90,000	317,900	110,464	10.69	11.51	0.13
Pakistan Petroleum Limited	917,500	-	240,000	677,500	105,046	10.17	10.94	0.03
					427,538	41.38	44.54	
<b>OIL AND GAS MARKETING COMPANIES</b>								
Attock Petroleum Limited	96,100	-	-	96,100	42,048	4.07	4.38	0.12
Pakistan State Oil Company Limited	397,100	-	56,200	340,900	127,994	12.39	13.34	0.13
Shell (Pakistan) Limited	176,600	-	-	176,600	51,251	4.96	5.34	0.17
Sui Northern Gas Pipelines Limited	1,625,000	-	-	1,625,000	58,971	5.71	6.14	0.26
					280,264	27.13	29.20	
<b>POWER GENERATION AND DISTRIBUTION</b>								
Hub Power Company Limited	480,300	-	94,000	386,300	46,379	4.49	4.83	0.03
Kot Addu Power Company Limited	883,000	-	126,000	757,000	67,562	6.54	7.04	0.09
K-Electric Limited	6,429,000	-	-	6,429,000	51,818	5.02	5.40	0.02
					165,759	16.04	17.27	
<b>REFINERY</b>								
Attock Refinery Limited	228,900	-	45,300	183,600	51,434	4.98	5.36	0.22
National Refinery Limited	107,200	-	34,000	73,200	34,799	3.37	3.63	0.09
					86,233	8.35	8.98	
<b>Total as at June 30, 2016</b>					-	959,794	93	100
<b>Carrying value as at June 30, 2016</b>						<u>896,595</u>		

# NAFA ISLAMIC ENERGY FUND

5.2 Investments include shares with market value of 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 number 11 dated October 23, 2007 issued by the SECP.

	Note	June 30, 2016 Rupees in '000
<b>5.3 Unrealised appreciation on re-measurement of investments classified as 'financial assets' at fair value through profit or loss - net</b>		
Market value of investments	5.1	959,794
Less: Carrying value of investments	5.1	(896,595)
		<u>63,199</u>

## 6 RECEIVABLE AGAINST TRANSFER OF UNITS

This represents 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 Funds.

	June 30, 2016 Rupees in '000
<b>7 DIVIDEND AND PROFIT RECEIVABLE</b>	
Accrued profit on profit and loss sharing accounts	931
Dividend receivable	1,835
	<u>2,766</u>

## 8 SECURITY DEPOSITS

Security deposit with :

- National Clearing Company of Pakistan Limited	2,500
- Central Depository Company of Pakistan Limited	100
	<u>2,600</u>

## 9 PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	-
Add: incurred prior to commencement of operations	2,282
Less: amortised during the period	(87)
Balance as at period end	<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 being 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	June 30, 2016 Rupees in '000
<b>10 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		
Remuneration of the Management Company	10.1	1,926
Sindh Sales Tax on the remuneration of the Management Company	10.2	313
Federal Excise Duty on the remuneration of the Management Company	10.3	583
Front end load payable		793
Sindh Sales Tax on front end load		129
Federal Excise Duty on front end load		1,624
Accounting and operational charges	10.4	182
Other payable		4,947
		<u>10,497</u>

# NAFA ISLAMIC ENERGY FUND

- 10.1** An amendment has been introduced on November 25, 2015 in Regulation 61 of the NBFC Regulations, 2008, relating to the chargeability of remuneration of Asset Management Companies. As per this amendment, an Asset Management Company shall be entitled to an accrued remuneration equal to an amount not exceeding 2% of average annual net assets in case of equity schemes. Accordingly, the Management Company is charging remuneration at the rate of 2% per annum based on the daily net assets of the Fund.
- 10.2** The Provincial Government of Sindh has levied Sindh sales tax at the rate of 14% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 10.3** As per the requirements of the Finance Act, 2013 Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax as explained in note 10.2. Further levy of FED may result in double taxation, which does not appear to be in the spirit of the law.

On September 04, 2013, a Constitutional Petition has been 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.

Subsequent to year ended June 30, 2016, the SHC has 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) have been set aside.

With effect from July 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on management fee from July 01, 2016. The provision made with effect from April 21, 2016 to June 30, 2016, aggregating to Rs. 0.583 million has not been reversed as the management believes that the Federal Government retains the right to appeal against the said order in the Supreme Court within the prescribed timeline. Had the provision not been made, the Net Asset Value per unit of the Fund as at June 30, 2016 would have been higher by Rs. 0.0060 per unit.

- 10.4** During the year, the SECP vide SRO No 1160 (1) / 2015 dated November 25, 2015 introduced amendments in the NBFC regulations. As a result of these amendments, the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to collective investment schemes upto maximum of 0.1% of the average annual net assets of the scheme or actual whichever is less. Based on these requirements, the Management Company has charged operating expenses amounting to Rs. 0.182 million to the Fund.

11	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	June 30, 2016 Rupees in '000
	Trustee fee	11.1	178
	Sindh Sales Tax on Trustee remuneration	11.2	25
			<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 structure specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2016 is as follows:

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

- 11.2** The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of service and has levied Sindh Sales Tax on custodianship services. Accordingly, Sindh Sales Tax of 14% is charged on Trustee fee under section 2(79A) of the Sindh Finance Bill, 2010.

12	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	June 30, 2016 Rupees in '000
	Trustee fee	12.1	<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

14	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	June 30, 2016 Rupees in '000
	Auditors' remuneration	17	305
	Provision for Workers' Welfare Fund	18	-
	Legal fee		17
	Brokerage payable		735
	Settlement charges		28
	Bank charges		10
	Withholding tax payable		8,053
	Haram portion of dividend	14.1	50
	Printing charges		90
	Shariah advisor fee		83
			<u>9,371</u>
14.1	Total haram portion of dividend for the year amounted to 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, 2016.		
16	NUMBER OF UNITS IN ISSUE		June 30, 2015 Rupees in '000
	Total units in issue at the beginning of the period		-
	Add: units issued during the period		163,104,830
	Less: units redeemed during the period		<u>65,180,075</u>
	Total units in issue as at June 30, 2016		<u>97,924,755</u>
17	AUDITORS' REMUNERATION		
	Annual audit fee and other certification		250
	Out of pocket expenses		55
			<u>305</u>
18	PROVISION FOR WORKERS' WELFARE FUND		
	The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under the WWF Ordinance, 1971. Accordingly, no provision of WWF has been made in these financial statements.		
19	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 period, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. The Fund intends to distribute such income by the year end in order to avail this tax exemption. Accordingly, no provision is made for current and deferred taxation in these financial statements.		
20	TRANSACTIONS WITH CONNECTED PERSONS		
	Connected persons include NBP Fullerton Asset Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan and Alexandra Fund Management Pte. Limited being the sponsors, other collective investment schemes managed by the Management Company and directors and officers of the Management Company. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the 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.		

# NAFA ISLAMIC ENERGY FUND

For the period  
from April 19,  
2016 to June  
30, 2016  
Rupees in '000

## 20.4 Details of the transactions with connected persons during the period are as follows:

### NBP Fullerton Asset Management Limited - Management Company

Remuneration for the period	3,645
Sindh Sales Tax on remuneration of Management Company	592
Federal Excise Duty on remuneration of Management Company	583
Units issued during the period (10,194,849 units)	102,129
Expenses paid by the Management Company on behalf of the Fund	
- Initial deposit on opening of bank accounts	25
- Listing fee	40
- Security deposit paid to National Clearing Company of Pakistan Limited	2,500
- Security deposit paid to Central Depository Company of Pakistan Limited	100
- Preliminary expenses	2,282
- Accounting and operational charges to the Management Company	182
Cash distribution for the period	3,947

### Employees of the Management Company

Units issued during the period (665,397 units)	7,112
Units redeemed during the period (254,830 units)	2,843
Cash distribution for the period	127

### Gul Ahmed Textile Mills Limited Employee Provident Fund

Units issued during the period (274,783 units)	3,000
Units redeemed during the period (274,783 units)	2,956

### Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period	346
Sindh Sales Tax on remuneration	48

### Taurus Securities Limited (Common Directorship)

Brokerage expense	31
-------------------	----

June 30, 2016  
Rupees in '000

## 20.5 Amounts outstanding as at year end

### NBP Fullerton Asset Management Limited - Management Company

Payable to the Management Company	1,926
Sindh Sales Tax on remuneration of Management Company	313
Federal Excise Duty on remuneration of Management Company	583
Front-end load payable	793
Sindh Sales Tax on front end load	129
Federal Excise Duty on front end load	1,624
Other Payable	
- Initial deposit on opening of bank accounts	25
- Listing fee	40
- Security deposit paid to National Clearing Company of Pakistan Limited	2,500
- Security deposit paid to Central Depository Company of Pakistan Limited	100
- Preliminary expenses	2,282
- Accounting and operational charges to the Management Company	182
Units held (10,194,849 units)	107,555

### Employees of the Management Company

Units held (410,567 units)	4,331
----------------------------	-------

### Central Depository Company of Pakistan Limited - Trustee

Trustee fee	178
Sindh Sales Tax on remuneration of Trustee	25
Security deposit	100

### Summit Bank Limited (Common Directorship)

Bank Balances	566
---------------	-----



# NAFA ISLAMIC ENERGY FUND

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

The 54th, 55th, 56th, 57th, 58th & 59th Board meetings were held on July 14, 2015, September 30, 2015, October 21, 2015, February 26, 2016, April 29, 2016 and June 28, 2016 respectively. Information in respect of attendance by directors in the meetings is given below:

Name of Director	Number of Meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Nausherwan Adil	6	5	1	54th meeting
Mr. Aamir Sattar	6	4	2	56th & 57th meeting
Mr. Abdul Hadi Palekar	6	5	1	58th meeting
Mr. Koh Boon San	6	4	2	54th & 57th meeting
Mr. Nigel Poh Cheng	6	3	3	56th, 58th & 59th meeting
Mr. Kamal Amir Chinoy	6	5	1	57th meeting
Mr. Shehryar Faruque	6	4	2	54th & 59th meeting
Dr. Amjad Waheed	6	6	-	-

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2016 -----

Particulars	Available for sale	Loans and receivables	At fair value through profit or loss	Total
<b>Financial Assets</b>				
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>-</u>	<u>1,291,252</u>
<b>Financial Liabilities</b>				
Payable to NBP Fullerton Asset Management Limited - Management Company	-	-	10,497	10,497
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>-</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.

#### 26.1.1 Currency risk

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



# NAFA ISLAMIC ENERGY FUND

## 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 6.10% per annum.

### 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 and for off-balance sheet financial instruments is based on settlement date.

----- As at June 30, 2016 -----						
Particulars	Yield / Interest rate	Total	Exposed to yield/interest rate risk			Not exposed to Yield / Interest 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
Payable to the Central Depository Company of Pakistan		203	-	-	-	203
<b>Limited - Trustee</b>		240,024	-	-	-	240,024
Payable against redemption of units		80	-	-	-	80
Dividend payable		1,318	-	-	-	1,318
Accrued expenses and other liabilities		252,122	-	-	-	252,122

### On-balance sheet gap (a)

1,039,130	122,615	-	-	916,515
-----------	---------	---	---	---------

### Off-balance sheet financial instruments

-	-	-	-	-
---	---	---	---	---

### Off-balance sheet gap (b)

-	-	-	-	-
---	---	---	---	---

### Total yield / profit rate sensitivity gap (a+b)

1,039,130	122,615	-	-	916,515
-----------	---------	---	---	---------

### Cumulative yield / profit rate sensitivity gap

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, 2016, 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).

# NAFA ISLAMIC ENERGY FUND

The net assets of the Fund will increase / (decrease) by 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, 2016. 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, 2016 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, investments, dividend 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 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 analysis below summarises the credit quality of the Fund's financial assets:

### 26.2.1 Credit quality of balances held by the Fund's bank accounts.

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

Name of the Bank	Rating Agency	Latest available published rating	Percentage of Bank Balance
BankIslami Pakistan Limited	PACRA	A+	93.78%
Dubai Islamic Bank Pakistan Limited	JCR VIS	A+	5.76%
Meezan Bank Limited*	JCR VIS	AA	-
Summit Bank Limited	JCR VIS	A-	0.46%
Silk Bank Limited*	JCR VIS	A-	-
United Bank Limited*	JCR VIS	AAA	-

\*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 Stock Exchanges.

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 period.

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, 2016-----

Particulars	Three months	Six months	One year	More than one year	Total
-------------	--------------	------------	----------	--------------------	-------

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

## Financial liabilities

Payable to NBP Fullerton Asset Management Limited - Management Company	10,497	-	-	-	10,497
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>-</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, 2016, the Fund held the following financial instruments measured at fair value:

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

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

# 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 period.

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 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 23, 2016.

## 30 GENERAL

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

For NBP Fullerton Asset Management Limited  
(Management Company)

Chief Executive

Director

# NAFA ISLAMIC ENERGY FUND

## PERFORMANCE TABLE

Particulars	For the the period from April 19, 2016 to June 30, 2016
Net assets at the year / period ended (Rs '000)	1,033,099
Net income for the year / period ended (Rs '000)	88,784
Net Asset Value per unit at the year / period ended (Rs)	10.5499
Offer Price per unit	10.9684
Redemption Price per unit	10.5499
Highest offer price per unit (Rs)	11.3450
Lowest offer price per unit (Rs)	9.6356
Highest redemption price per unit (Rs)	10.9121
Lowest redemption price per unit (Rs)	9.6356
Ex Opening NAV (Since Inception - April 21, 2016)	9.6356
Total return of the fund	9.49%
Capital growth	5.71%
Income distribution as a % of e x nav	3.78%
Income distribution as a % of par value	4.00%
<b>Distribution</b>	
Interim distribution per unit	0.4000
Final distribution per unit	-
<b>Distrubution Dates</b>	
Interim	30-Jun-16
Final	
<b>Total return of the fund (launch date April 21, 2016)</b> (Since inception to June 30, 2016)	9.49%
Portfolio Composition ( Please see Fund Manager Report)	
<i>Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up</i>	

# 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](http://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:








	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Number</b>	1	1	-	-
<b>(%ages)</b>	100%	100%	-	-



## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices



NBP Fullerton  
Asset Management Ltd.  

---

A Subsidiary of  
National Bank of Pakistan

## Head Office

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

**UAN:** 021-111-111-632

**Toll Free:** 0800-20002

**Sms:** NAFA INVEST to 8080

**Fax:** 021-35825335

**Email:** [info@nafafunds.com](mailto:info@nafafunds.com)

**Website:** [www.nafafunds.com](http://www.nafafunds.com)

 /nafafunds