

NBP ISLAMIC ENERGY FUND



ANNUAL REPORT
JUNE 2019



MISSION STATEMENT

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



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FUND'S INFORMATION

Management Company

NBP Fund Management Limited - Management Company

Board of Directors of the Management Company

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

Company Secretary & COO

Mr. Muhammad Murtaza Ali

Chief Financial Officer

Mr. Khalid Mehmood

Audit & Risk Committee

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

Human Resource and Remuneration Committee

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

Strategy & Business Planning Committee

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

Trustee

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

Bankers to the Fund

Allied Bank Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Dubai Islami Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
Summit Bank Limited
United Bank Limited

Auditors

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

Legal Advisor

Akhund Forbes
D-21, Block 4, Scheme 5,
Clifton, Karachi 75600, Pakistan.

Head Office:

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

Lahore Office:

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

Islamabad Office:

1st Floor, Ranjha Arcade
Main Double Road, Gulberg Greens,
Islamabad.
UAN: 051-111-111-632
Fax: 051-4859031

Peshawar Office:

Opposite Gul Haji Plaza, 2nd Floor
National Bank Building
University Road Peshawar,
UAN: 091-111 111 632
Fax: 091-5703202

Multan Office:

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

Board of Directors



Dr. Amjad Waheed, CFA
Chief Executive Officer



Shaikh Muhammad Abdul Wahid Sethi
Chairman



Mr. Kamal Amir Chinoy
Director



Mr. Humayun Bashir
Director



Mr. Nasir Husain
Director



Mr. Ali Saigol
Director



Mr. Shehryar Faruque
Director



Mr. Imran Zaffar
Director



Mr. Abdul Hadi Palekar
Director

Senior Management



Mr. Sajjad Anwar, CFA
Chief Investment Officer



Dr. Amjad Waheed, CFA
Chief Executive Officer



Mr. Muhammad Murtaza Ali
Chief Operating Officer &
Company Secretary



Mr. Khalid Mehmood
Chief Financial Officer



Mr. Samiuddin Ahmed
Country Head Corporate Marketing



Mr. Ozair Khan
Chief Technology Officer



Mr. Salim S Mehdi
Chief Innovation & Strategy Officer



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



Mr. Taha Khan Javed, CFA
Head Of Equity



Mr. Hassan Raza, CFA
Head Of Research



Mr. Waheed Abidi
Head Of Internal Audit



Mr. Salman Ahmed, CFA
Head Of Risk Management



Mr. Zaheer Iqbal, ACA, FPFA
Head Of Operations



Mr. Raheel Rehman, ACA
Head Of Compliance



Mr. Shahbaz Umer
Head Of Human Resource

DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Fourth Annual Report for the period ended June 30, 2019, since launch of NBP Islamic Energy Fund (Formerly; NAFA Islamic Energy Fund) on April 21, 2016.

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

Fund's Performance

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

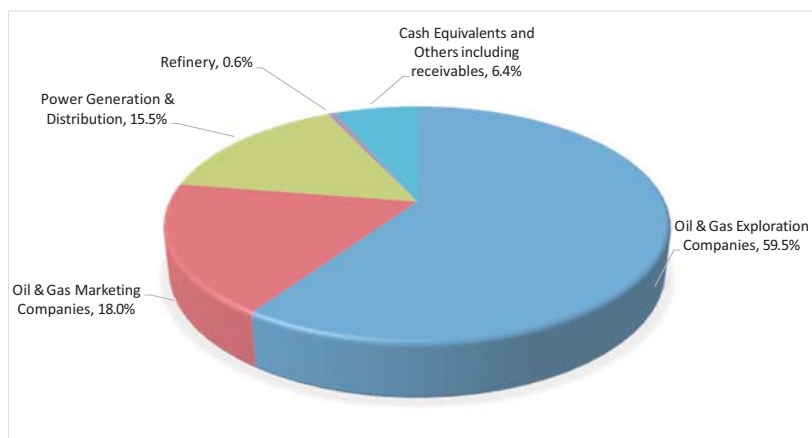
Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding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

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

During the fiscal year, NAFA Islamic Energy Fund decreased by 27.8% return as against the KMI-30 index decreased by 23.8%, underperforming the benchmark by 4.0% during the year. The Fund underperformed as the fund was overweight in select Energy sector stocks which underperformed the market. Since its inception on April 21, 2016, the return of NAFA Islamic Energy Fund was 1.1%, while the benchmark decreased by 8.2%. Thus, the Fund outperformed by 9.3% during the period. The performance of the Fund is net of management fee and all other expenses. The Fund size is 666 million as of June 30, 2019.

NAFA Islamic Energy Fund has incurred a total loss of Rs.320.57 million during the year. After deducting total expenses of Rs.39.73 million, the net income is Rs.360.30 million. During the year, the unit price of Islamic Energy Fund has decreased from Rs. 12.6711 on June 30, 2018 to Rs. 9.1493 on June 30, 2019. The resultant per unit loss is Rs. 3.5218 (27.79%).

The asset allocation of NAFA Islamic Energy Fund as on June 30, 2019 is as follows:



Income Distribution

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

Taxation

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

Auditors

The present auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2020.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 28 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 24 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 19 to these financial statements.
13. The Management Company encourages representation of independent non-executive directors on its Board. The Management Company, being an un-listed company, does not have any minority interest. As at June 30, 2019, the Board included:

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

Acknowledgement

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

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

On behalf of the Board of
NBP Fund Management Limited

Chief Executive

Director

Date: August 30, 2019
Place: Karachi.

ڈائریکٹرز رپورٹ

این بی پی فنڈ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 21 اپریل 2016 کو قائم ہونے والے این بی پی اسلامک انرجی فنڈ (سابقہ: NAFA اسلامک انرجی فنڈ) (NIEF) چوتھی سالانہ رپورٹ برائے مختتمہ سال 30 جون 2019 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کا مقصد منظور شدہ شریعہ کی پابندی میں اسٹاکس میں طویل مدت پر پونٹ ہولڈرز کی سرمایہ کاری کے لئے نمونہ فراہم کرنا ہے۔

فنڈ کی کارکردگی

بعد از مشکل مالی سال 2017-18، مالی سال 2019 بھی تجارتی حجم میں کمی کے باعث اسٹاک مارکیٹ نے مایوس کن کارکردگی کا مظاہرہ کیا جیسا کہ IKSE-100 انڈیکس میں سالانہ بنیادوں پر 19.1% کی کمی واقع ہوئی اگرچہ اس سال مارکیٹ کا آغاز مثبت انداز سے ہوا جیسا کہ سرمایہ کاروں نے دو منتخب جمہوری حکومتوں کے پُر امن انتقالی اقتدار کو سراہا۔ تاہم مقامی سرمایہ کاروں کا جوش وقتی ثابت ہوا جس کی وجہ سے سرمایہ کاروں کا خراب معیشت کی طرف متوجہ ہونا تھا۔ یہ صورتحال دوہرے خسارے، خاص طور پر بڑھتے ہوئے کرنٹ اکاؤنٹ خسارہ (CAD) سے صاف ظاہر ہو رہی تھی۔

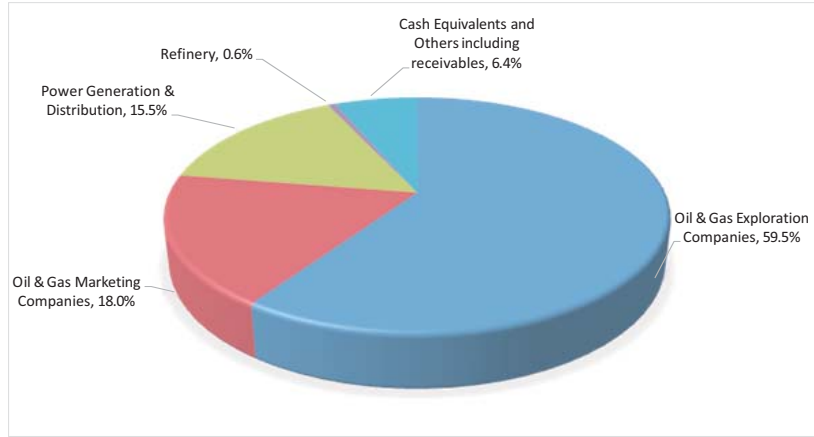
مہنگائی پر قابو پانے اور بیرونی اکاؤنٹ کے عدم توازن کو کم کرنے کے مقاصد کے ساتھ مشکل اقتصادی حالات سے دوچار موجودہ حکومت نے امریکی ڈالر کے برعکس روپیہ کی قدر میں خاطر خواہ کمی، پالیسی شرح میں تیز ترین اضافہ، غیر ضروری پریشانی اور مدی اشیاء کی ڈیوٹی میں اضافہ اور عوامی اخراجات میں کمی جیسی سخت پالیسیوں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

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

مالی سال کے دوران، NAFA اسلامک انرجی فنڈ (NIEF) کے منافع میں 27.8% کی کمی ہوئی جبکہ IKMI-30 انڈیکس میں 23.8% کی کمی واقع ہوئی، سال کے دوران بیچ مارک میں 4.0% کی ایتر کارکردگی دکھائی۔ فنڈ نے ایتر کارکردگی دکھائی کیونکہ فنڈ انرجی سیکٹرز اسٹاکس کے انتخاب میں بہت زیادہ دباؤ میں تھا، جس نے مارکیٹ سے ایتر کارکردگی ظاہر کی۔ اپنے قیام (21 اپریل 2016) سے آج تک NAFA اسلامک انرجی فنڈ کا منافع 1.1% ہے، جبکہ بیچ مارک میں 8.2% کمی ہوئی۔ لہذا فنڈ نے سال کے دوران 9.3% کی بہتر کارکردگی کا مظاہرہ کیا۔ فنڈ کی یہ کارکردگی مینجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ 30 جون 2019 کو فنڈ کا سائز 666 ملین روپے ہے۔

NAFA اسلامک انرجی فنڈ کو اس مدت کے دوران 320.57 ملین روپے کا خسارہ ہوا۔ 39.73 ملین روپے کے اخراجات منہما کرنے کے بعد کل خسارہ 360.30 ملین روپے ہے۔ سال کے دوران، اسلامک انرجی فنڈ کے پونٹ کی قیمت 30 جون 2018 کو 12.6711 روپے سے کم ہو کر 30 جون 2019 کو 9.1493 روپے ہو چکی ہے۔ جس کے نتیجے میں پونٹ خسارہ 3.5218 روپے (27.79%) ہے۔

30 جون 2019 کو NAFA اسلامک انرجی فنڈ کی ایسٹ ایلوکیشن درج ذیل ہے:



آمدنی کی تقسیم

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

ٹیکسیشن

درج بالا نقد منافع سال کے دوران حاصل ہونے والی آمدنی میں سے سرمایہ کاری پر حاصل ہونے والے محصول شدہ اور غیر محصول شدہ کیپٹل گین منہا کرنے کے بعد 90% ہے، اس لئے فنڈ پر انکم ٹیکس آرڈیننس 2001 کے سیکشن 201 کے تحت ٹیکس لگائیں گے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز اے ایف ڈی فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر 30 جون 2020 کو ختم ہونے والے سال کے لئے اپنے آپ کو دوبارہ تفری کے لئے پیش کرتے ہیں۔

لسٹڈ کمپنیوں کے کوڈ آف کارپوریشن گورننس ریگولیشنز 2017 ("CCG") کی پیروی میں ڈائریکٹرز اسٹیٹمنٹ

- 1 مینجمنٹ کمپنی کی طرف سے تیار کردہ، مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوا اور یونٹ ہولڈرز فنڈز میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 مالی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے۔ شمار یا فی 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 کارپوریشن گورننس کی اعلیٰ ترین روایات سے کوئی پہلو بھی نہیں کی گئی۔
- 8 پرفارمنس ٹینیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
- 9 ٹیکسوں، ڈیویڈنڈ، محصولات اور چارجز کی مد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10 اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 28 میں کی گئی ہے۔
- 11 یونٹ ہولڈنگ کا تفصیلی بیٹرن مالیاتی گوشواروں کے نوٹ 24 میں ظاہر کیا گیا ہے۔

- 12 ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 19 میں ظاہر کی گئی ہے۔
- 13 مینجمنٹ کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ مینجمنٹ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔
- 30 جون 2019 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں:

| نام | کیٹگری |
|--|------------------------|
| •1 جناب کمال عامر چٹائے •2 جناب شہریار فاروق •3 جناب ہمایوں بشیر | غیر جانبدار ڈائریکٹرز |
| ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر) | ایگزیکٹو ڈائریکٹر |
| •1 شیخ محمد عبدالواحد سیٹھی (چیئر مین) •2 جناب ناصر حسین •3 جناب عیدالہادی پالیکر •4 جناب علی سیگل •5 جناب عمران ظفر | نان ایگزیکٹو ڈائریکٹرز |

اظہار تشکر
بورڈ اس موقع سے فائدہ اٹھاتے ہوئے مینجمنٹ 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 کی سرپرستی اور رہنمائی کے لئے ان کے مجلس رویہ کا بھی اعتراف کرتا ہے۔

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

منجانب بورڈ آف ڈائریکٹرز
NBP فنڈ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 30 اگست 2019
مقام: کراچی

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of NBP Islamic Energy Fund (formerly NAFA Islamic Energy Fund) (the Fund) are of the opinion that NBP Fund Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

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

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

FUND MANAGER REPORT

NBP Islamic Energy Fund (Formerly: NAFA Islamic Energy Fund)

NBP Islamic Energy Fund (Formerly: NAFA Islamic Energy Fund) (NIEF) is an Open-ended Shari'ah Compliant Equity Fund.

Investment Objective of the Fund

The objective of NBP Islamic Energy Fund (Formerly: 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

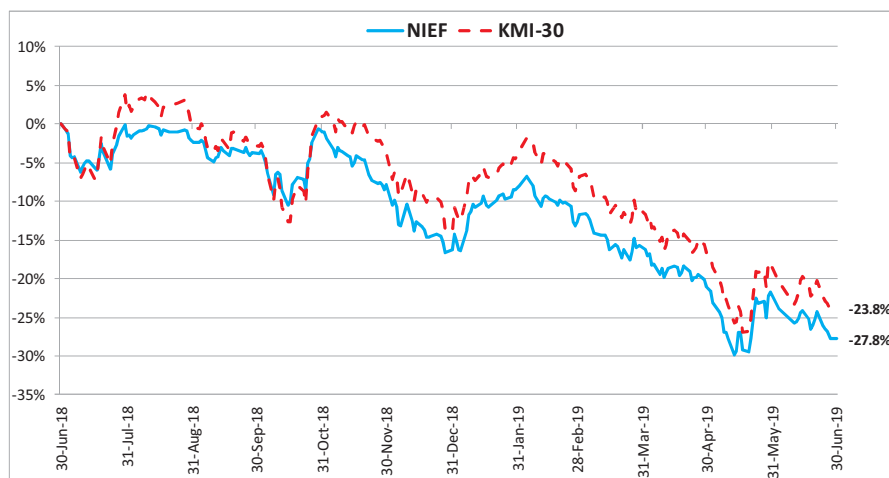
The Benchmark of the Fund is KMI-30 Index.

Fund performance review

This is the fourth annual report of the Fund. During the fiscal year, NAFA Islamic Energy Fund decreased by 27.8% return as against the KMI-30 index decreased by 23.8%, underperforming the benchmark by 4.0% during the year. Since its inception on April 21, 2016, the return of NAFA Islamic Energy Fund was 1.1%, while the benchmark decreased by 8.2%. Thus, the Fund outperformed by 9.3% during the period. The performance of the Fund is net of management fee and all other expenses. The fund size of NAFA Islamic Energy Fund is Rs.666 million as of June 30, 2019.

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

NIEF Performance vs. Benchmark during FY19



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

Faced with the challenging economic conditions, with the objectives to contain inflation and curtail external account imbalances, the incumbent government embarked on tightening policies including massive devaluation of overvalued Pak Rupee against the US Dollar, sharp hike in the Policy Rate, increasing/expanding the scope of duties on non-

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



essential imported luxury goods, and deep cut in public spending. The tightening policies led to a sharp decline in the economic activity as manifested by contraction in the Large Scale Manufacturing sector while the GDP growth rate slowed to 3.3% for FY2019 compared with 5.5% in the previous year. This in turn weighed on the corporate profitability, especially of cyclical sectors due to demand slowdown and cost pressures that in turn further dampened market sentiment.

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

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

Asset Allocation of the Fund (% of NAV)

| Particulars | 30-Jun-19 | 30-Jun-18 |
|-----------------------|---------------|---------------|
| Equities / Stocks | 93.6% | 87.4% |
| Cash Equivalents | 5.1% | 14.3% |
| Other Net Liabilities | 1.3% | -1.7% |
| Total | 100.0% | 100.0% |

Distribution for the Financial Year 2019

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

Unit Holding Pattern

| Size of Unit Holding (Units) | # of Unit Holders |
|------------------------------|-------------------|
| 0-0.99 | 102 |
| 1-1000 | 405 |
| 1001-5000 | 271 |
| 5001-10000 | 225 |
| 10001-50000 | 562 |
| 50001-100000 | 173 |
| 100001-500000 | 122 |
| 500001-1000000 | 11 |
| 1000001-5000000 | 9 |
| Total | 1880 |

Sindh Workers' Welfare Fund (SWWF)

The scheme has maintained provisions against Sindh Workers' Welfare Fund's liability to the tune of Rs. 14.051 million. If the same were not made the NAV per unit/FY19 return of scheme would be higher by Rs. 0.193/ 1.52%. For details investors are advised to read note 13.2 of the Financial Statement of the Scheme for the year ended June 30, 2019.

STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

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

For and behalf of the board

Date: August 30, 2019
Karachi

Dr. Amjad Waheed, CFA
Chief Executive Officer

Report of the Shari'ah Supervisory Board - NBP Islamic Energy Fund. (Formerly; NAFA Islamic Energy Fund)
August 26, 2019/ Dhu Al-Hijjah 24, 1440

Alhamdulillah, the period from July 1, 2018 to June 30, 2019 was the Fourth year of operations of NBP 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, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 accounts of the Investee companies have been used)

| Company Name | (i) Nature of Business | (ii) Debt to Assets (<37%) | (iii) Non-Compliant Investments (<33%) | (iv) Non-Compliant Income to Gross Revenue (<5%) | (v) Illiquid Assets to Total Assets (>25%) | (vi) Net Liquid Assets vs. Share Price (B>A) | |
|--|---------------------------------|-------------------------------|---|---|---|---|-----------------|
| | | | | | | Net Liquid Assets per Share (A) | Share Price (B) |
| Pakistan Petroleum Limited. | Oil & Gas Exploration Companies | 0.02% | 11.98% | 1.31% | 39% | 47.24 | 149.66 |
| Oil & Gas Development Company Limited. | Oil & Gas Exploration Companies | 0.00% | 12.32% | 4.26% | 36% | 77.75 | 128 |
| Mari Petroleum Company Limited. | Oil & Gas Exploration Companies | 11.14% | 15.09% | 1.04% | 33% | (597.77) | |
| Pakistan Oil Fields Limited. | Oil & Gas Exploration Companies | 0.00% | 0.01% | 3.20% | 52% | (9.26) | |
| The Hub Power Company Limited.* | Power Generation & Distribution | 31.38% | 0.00% | 0.43% | 41% | (29.25) | |
| Sui Northern Gas Pipelines Limited. | Oil & Gas Marketing Companies | 15.27% | 0.00% | 1.51% | 50% | (360.99) | |
| Attock Petroleum Limited. | Oil and Gas Marketing Companies | 0.00% | 4.87% | 0.52% | 38% | 21.75 | 431 |
| Pakistan State Oil** | Oil & Gas Marketing Companies | 40.04% | 0.71% | 0.19% | 24.5% | (19.45) | |

*Debt is considered excluding circular debt.

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

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

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

During the year a provision of Rupees 903,771/- was created and an amount of Rupees 1,126,187/- was available for disbursement into charity as of June 30, 2019, which is inclusive of Rupees 809,434/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2019 will be adjusted after the availability of the respective annual financial statements.

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

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

Mufti Muhammad Naveed Alam
Member
Shariah Supervisory Board

Mufti Ehsan Waquar
Shariah Advisor & Member
Shariah Supervisory Board

Dr. Imran Ashraf Usmani
Chairman
Shariah Supervisory Board

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NBP Islamic Energy Fund (Formerly: NAFA Islamic Energy Fund) (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

| S. No. | Key Audit Matter | How the matter was addressed in our audit |
|--------|---|---|
| 1 | <p>Net Asset Value (NAV) (Refer note 5 to the financial statements)</p> <p>The investments constitute the most significant component of the NAV. The investments of the Fund as at June 30, 2019 amounted to Rs 623.324 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • tested the design and operating effectiveness of the key controls for valuation of investments; • obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and • re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies. |

Other Information

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

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

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

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

We also provide board of directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with board of directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

A. F. Ferguson & Co.
Chartered Accountants

Karachi

Date: September 27, 2019

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019

| | 2019 | 2018 |
|---|-----------------------------|------------------|
| Note | ----- Rupees in '000 ----- | ----- |
| Assets | | |
| Bank balances | 4 33,788 | 235,501 |
| Investments | 5 623,324 | 1,440,039 |
| Dividend and profit receivable | 6 421 | 4,251 |
| Deposits and other receivables | 7 5,604 | 5,604 |
| Receivable against sale of investments | 26,783 | - |
| Preliminary expenses and floatation costs | 8 830 | 1,285 |
| Total assets | 690,750 | 1,686,680 |
| Liabilities | | |
| Payable to NBP Fund Management Limited - the Management Company | 10 6,110 | 18,131 |
| Payable to the Central Depository Company of Pakistan Limited - the Trustee | 11 132 | 257 |
| Payable to the Securities and Exchange Commission of Pakistan | 12 1,132 | 1,963 |
| Accrued expenses and other liabilities | 13 17,340 | 19,146 |
| Total liabilities | 24,714 | 39,497 |
| NET ASSETS | 666,036 | 1,647,183 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | 666,036 | 1,647,183 |
| CONTINGENCIES AND COMMITMENTS | 14 | |
| | ----- Number of units ----- | |
| NUMBER OF UNITS IN ISSUE | 9 72,795,981 | 129,995,295 |
| | ----- Rupees ----- | |
| NET ASSET VALUE PER UNIT | 9.1493 | 12.6711 |

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|----------------------------|-----------------|
| Note | ----- Rupees in '000 ----- | ----- |
| Income | | |
| Profit on bank deposits | 10,614 | 12,048 |
| Dividend income | 40,521 | 96,663 |
| Loss on sale of investments - net | (219,566) | (85,678) |
| Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net | 5.2 (152,135) | (41,170) |
| | (371,701) | (126,848) |
| Total (loss) | (320,566) | (18,137) |
| Expenses | | |
| Remuneration of NBP Fund Management Limited - the Management Company | 10.1 23,823 | 41,319 |
| Sindh sales tax on remuneration of the Management Company | 10.2 3,097 | 5,371 |
| Allocated expenses | 10.4 1,191 | 2,066 |
| Selling and marketing expenses | 10.5 4,765 | 8,264 |
| Remuneration of the Central Depository Company of Pakistan Limited - the Trustee | 11.1 2,131 | 3,066 |
| Sindh sales tax on remuneration of the Trustee | 11.2 277 | 399 |
| Annual fees to the Securities and Exchange Commission of Pakistan | 12.1 1,132 | 1,963 |
| Auditors' remuneration | 15 498 | 314 |
| Amortisation of preliminary expenses and floatation costs | 8 455 | 455 |
| Annual listing and supervising fee | 28 | 28 |
| Printing charges | 27 | 102 |
| Shari'ah advisor fee | 211 | 494 |
| Securities transaction cost | 1,581 | 3,166 |
| Settlement and bank charges | 440 | 914 |
| Legal and professional charges | 76 | 65 |
| Total operating expenses | 39,732 | 67,986 |
| Net loss from operating activities | (360,298) | (86,123) |
| Provision for Sindh Workers' Welfare Fund | 13.2 - | - |
| Net loss for the year before taxation | (360,298) | (86,123) |
| Taxation | 17 - | - |
| Net loss for the year after taxation | (360,298) | (86,123) |
| (Loss) / earnings per unit | 18 | |
| Allocation of net income for the year | | |
| Net income for the year after taxation | - | - |
| Income already paid on units redeemed | - | - |
| Accounting income available for distribution | | |
| - Relating to capital gains | - | - |
| - Excluding capital gains | - | - |

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

| | 2019 | 2018 |
|--|----------------------------|----------------------------|
| | ----- Rupees in '000 ----- | ----- Rupees in '000 ----- |
| Net loss for the year after taxation | (360,298) | (86,123) |
| Other comprehensive income for the year | - | - |
| Total comprehensive loss for the year | <u>(360,298)</u> | <u>(86,123)</u> |

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | | | 2018 | | |
|--|----------------------------|----------------------|----------------|------------------|----------------------|------------------|
| | Capital value | Undistributed income | Total | Capital Value | Undistributed income | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Net assets at beginning of the year | 1,229,320 | 417,863 | 1,647,183 | 1,811,540 | 503,986 | 2,315,526 |
| Issue of 40,336,993 units (2018: 127,088,875 units) | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 511,113 | - | 511,113 | 1,664,318 | - | 1,664,318 |
| - Element of loss | (30,517) | - | (30,517) | (15,178) | - | (15,178) |
| Total proceeds on issuance of units | 480,596 | - | 480,596 | 1,649,140 | - | 1,649,140 |
| Redemption of 97,536,307 units (2018: 173,909,370 units) | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | (1,235,893) | - | (1,235,893) | (2,277,466) | - | (2,277,466) |
| - Element of income | 134,448 | - | 134,448 | 46,106 | - | 46,106 |
| Total payments on redemption of units | (1,101,445) | - | (1,101,445) | (2,231,360) | - | (2,231,360) |
| Total comprehensive loss for the year | - | (360,298) | (360,298) | - | (86,123) | (86,123) |
| Net assets at end of the year | 608,471 | 57,565 | 666,036 | 1,229,320 | 417,863 | 1,647,183 |
| Undistributed income brought forward | | | | | | |
| - Realised income | | 459,033 | | | 102,089 | |
| - Unrealised (loss) / income | | (41,170) | | | 401,897 | |
| | | 417,863 | | | 503,986 | |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gains | | - | | | | |
| - Excluding capital gains | | - | | | | |
| | | - | | | | |
| Net loss for the year after taxation | | (360,298) | | | (86,123) | |
| Undistributed income carried forward | | 57,565 | | | 417,863 | |
| Undistributed income carried forward | | | | | | |
| - Realised income | | 209,700 | | | 459,033 | |
| - Unrealised (loss) / income | | (152,135) | | | (41,170) | |
| | | 57,565 | | | 417,863 | |
| | | (Rupees) | | | (Rupees) | |
| Net assets value per unit at the beginning of the year | | 12.6711 | | | 13.0957 | |
| Net assets value per unit at the end of the year | | 9.1493 | | | 12.6711 | |

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 | 2018 |
|---|----------------------------|-------------|
| Note | ----- Rupees in '000 ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the year after taxation | (360,298) | (86,123) |
| Adjustments for: | | |
| Profit on bank deposits | (10,614) | (12,048) |
| Dividend income | (40,521) | (96,663) |
| Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net | 5.2 152,135 | 41,170 |
| Amortisation of preliminary expenses and floatation costs | 8 455 | 455 |
| Provision for Sindh Workers' Welfare Fund | 13.2 - | - |
| | 101,455 | (67,086) |
| Decrease / (increase) in assets | | |
| Investments | 664,580 | 909,123 |
| Receivable against sale of investments | (26,783) | - |
| Deposits and other receivables | - | - |
| | 637,797 | 909,123 |
| Decrease in liabilities | | |
| Payable to NBP Fund Management Limited - the Management Company | (12,021) | (3,622) |
| Payable to the Central Depository Company of Pakistan Limited - the Trustee | (125) | (855) |
| Payable to the Securities and Exchange Commission of Pakistan | (831) | (249) |
| Dividend payable | - | (16,017) |
| Accrued expenses and other liabilities | (1,806) | (25,038) |
| | (14,783) | (45,781) |
| | 364,171 | 710,133 |
| Dividend received | 43,949 | 104,597 |
| Profit received on bank deposits | 11,016 | 7,797 |
| Net cash generated from operating activities | 419,136 | 822,527 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received on issuance of units | 480,596 | 1,649,140 |
| Amount paid on redemption of units | (1,101,445) | (2,482,179) |
| Dividend paid | - | - |
| Net cash used in financing activities | (620,849) | (833,039) |
| | (201,713) | (10,512) |
| Net decrease in cash and cash equivalents | | |
| Cash and cash equivalents at the beginning of the year | 235,501 | 246,013 |
| Cash and cash equivalents at the end of the year | 4 33,788 | 235,501 |

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

For NBP Fund Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

NBP Islamic Energy Fund (Formerly: NAFA Islamic Energy Fund) (the Fund) is an open ended mutual fund constituted under a Trust Deed entered into on March 28, 2016 between NBP Fund Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th floor, Clifton Diamond Building, Block 4, Scheme No. 5, Clifton, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open ended 'Shari'ah compliant equity scheme' by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited.

The objective of the Fund is to provide higher risk adjusted returns to investors by investing in diversified portfolio of Shariah compliant energy sector equity instruments. The investment objectives and policies are explained in the Fund's offering document.

The Pakistan Credit Rating Agency (PACRA) has assigned an Asset Manager Rating of AM1 as at June 30, 2019 (2018: AM1) to the Management Company. The Fund has not yet been rated.

The title to the assets of the Fund is held in the name of the CDC as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

"These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:"

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

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

- 2.2.1** Effective from July 01, 2018, the Fund has adopted IFRS 9: 'Financial instruments' which has replaced IAS 39: 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS

39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of the ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

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

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

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

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

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

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

| Standard, amendments and interpretations | Effective date (accounting periods beginning on or after) |
|---|---|
| - IFRS 9 - 'Financial instruments' (amendments) | January 01, 2019 |
| - IAS 1 - 'Presentation of financial statements' (amendments) | January 01, 2020 |
| - IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments) | January 01, 2020 |

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

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

2.4 Critical accounting estimates and judgments

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

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for Federal Excise Duty (note 10.3) and provision for taxation (notes 3.13 and 17).

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Cash and cash equivalents

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

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Equity Instruments

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

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

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

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

3.3.2 Impairment

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

3.3.3 Regular way contracts

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

3.3.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the income statement.

3.3.5 Derecognition

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

3.3.6 Derivatives

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

3.4 Financial liabilities

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

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

3.5 Offsetting of financial assets and financial liabilities

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

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 Issue and redemption of units

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

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

3.9 Distributions to unit holders

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

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

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

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

3.11 Revenue recognition

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

3.12 Expenses

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

3.13 Taxation

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

3.14 Earnings / (loss) per unit

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

3.15 Foreign currency translation

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

| | Note | 2019 | 2018 |
|-------------------------|------|----------------------------|---------|
| | | ----- Rupees in '000 ----- | |
| 4 BANK BALANCES | | | |
| Balances with banks in: | | | |
| Savings accounts | 4.1 | 27,028 | 217,848 |
| Current accounts | 4.2 | 6,760 | 17,653 |
| | | 33,788 | 235,501 |
| | | 33,788 | 235,501 |

- 4.1 These include a balance of Rs 23.588 million (2018: Rs 193.650 million) maintained with BankIslami Pakistan Limited (a related party) that carry profit at 13.5% per annum (2018: 6.50%). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 10% to 11.5% per annum (2018: 2.75% to 6.50% per annum).
- 4.2 These include a balance of Rs 1.901 million (2018: Rs 2.312 million) maintained with Summit Bank Limited (a related party).

| | Note | 2019 | 2018 |
|--|------|----------------------------|------------------|
| | | ----- Rupees in '000 ----- | |
| 5 INVESTMENTS | | | |
| Financial assets 'at fair value through profit or loss' | | | |
| Quoted equity securities | 5.1 | <u>623,324</u> | <u>1,440,039</u> |

5.1 Investments in equity securities - listed

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

| Name of the investee company | As at July 01, 2018 | Acquired during the year | Bonus / right shares received during the year | Sold during the year | As at June 30, 2019 | Market value as at June 30, 2019 | Market value as a percentage of total investments | Market value as a percentage of net assets | Holding as a percentage of Paid up capital of the investee company |
|---|-----------------------------------|--------------------------|---|----------------------|---------------------|----------------------------------|---|--|--|
| | ----- Number of shares held ----- | | | | | Rupees in '000 | ----- Percentage ----- | | |
| OIL AND GAS EXPLORATION COMPANIES | | | | | | | | | |
| Mari Petroleum Company Limited | 120,650 | 25,120 | 13,145 | 62,500 | 96,415 | 97,315 | 15.61 | 14.61 | 0.01 |
| Oil & Gas Development Company Limited | 1,295,400 | 237,000 | - | 570,000 | 962,400 | 126,546 | 20.30 | 19.00 | - |
| Pakistan Oil Fields Limited | 207,700 | 113,400 | 48,940 | 203,000 | 167,040 | 67,800 | 10.88 | 10.18 | 0.01 |
| Pakistan Petroleum Limited | 1,026,200 | 205,000 | 137,130 | 643,300 | 725,030 | 104,716 | 16.80 | 15.72 | - |
| | | | | | | 396,377 | 63.59 | 59.51 | 0.01 |
| OIL AND GAS MARKETING COMPANIES | | | | | | | | | |
| Attock Petroleum Limited | 144,600 | - | 21,400 | 78,200 | 87,800 | 25,331 | 4.06 | 3.80 | 0.01 |
| Hascol Petroleum Limited | 293,100 | - | 91,357 | 325,200 | 59,257 | 4,066 | 0.65 | 0.61 | - |
| Hi-Tech Lubricants Limited | 428,700 | - | - | 105,000 | 323,700 | 8,954 | 1.44 | 1.34 | 0.03 |
| Pakistan State Oil Company Limited (Note 5.1.2) | 308,420 | 188,700 | 50,404 | 326,500 | 221,024 | 37,492 | 6.01 | 5.63 | 0.01 |
| Shell Pakistan Limited | 189,700 | - | - | 153,100 | 36,600 | 6,678 | 1.07 | 1.00 | - |
| Sui Northern Gas Pipelines Limited | 1,146,200 | 151,000 | - | 760,000 | 537,200 | 37,330 | 5.99 | 5.60 | 0.01 |
| Sui Southern Gas Company Limited | 2,283,000 | - | - | 2,283,000 | - | - | - | - | - |
| | | | | | | 119,851 | 19.22 | 17.98 | 0.05 |
| POWER GENERATION AND DISTRIBUTION | | | | | | | | | |
| Hub Power Company Limited | 735,900 | 910,543 | - | 639,500 | 1,006,943 | 79,297 | 12.72 | 11.91 | 0.01 |
| Kot Addu Power Company Limited | 466,000 | - | - | 466,000 | - | - | - | - | - |
| K-Electric Limited | 3,298,000 | 8,598,000 | - | 9,343,500 | 2,552,500 | 11,205 | 1.80 | 1.68 | 0.01 |
| Nishat Power Limited | - | 122,000 | - | - | 122,000 | 3,360 | 0.54 | 1 | - |
| Lalpir Power Limited | 847,500 | - | - | 115,000 | 732,500 | 9,523 | 1.53 | 1.43 | 0.02 |
| | | | | | | 103,385 | 16.59 | 15.52 | 0.03 |
| REFINERY | | | | | | | | | |
| Attock Refinery Limited | 300 | 97,000 | 75 | 97,375 | - | - | - | - | - |
| National Refinery Limited | - | 123,900 | - | 91,200 | 32,700 | 3,711 | 1 | 1 | - |
| | | | | | | 3,711 | 1 | 1 | - |
| Total as at June 30, 2019 | | | | | | <u>623,324</u> | <u>100</u> | <u>94.01</u> | |
| Carrying value as at June 30, 2019 | | | | | | <u>775,459</u> | | | |
| Market Value as at June 30, 2018 | | | | | | <u>1,440,039</u> | | | |
| Carrying value as at June 30, 2018 | | | | | | <u>1,481,209</u> | | | |

- 5.1.1** Investments include shares with market value of Rs. 64.563 million (2018: Rs. 100.71 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.
- 5.1.2** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance, 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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

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

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

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

| Name of the company | 2019 | | 2018 | |
|------------------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------|
| | Bonus shares | | | |
| | Number of shares withheld | Market value as at June 30, 2019 | Number of shares withheld | Market value as at June 30, 2018 |
| | Rupees in '000' | | Rupees in '000' | |
| Pakistan State Oil Company Limited | 3,336 | 566 | 3,336 | 1,062 |
| | | <u>566</u> | | <u>1,062</u> |

| 5.2 | Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss | Note | 2019 | 2018 |
|-----|--|------|----------------------------|--------------------|
| | | | ----- Rupees in '000 ----- | |
| | Market value of investments | 5.1 | 623,324 | 1,440,039 |
| | Carrying value of investments | 5.1 | <u>(775,459)</u> | <u>(1,481,209)</u> |
| | | | <u>(152,135)</u> | <u>(41,170)</u> |

| | Note | 2019 | 2018 |
|---|------|----------------------------|--------------|
| | | ----- Rupees in '000 ----- | |
| 6 DIVIDEND AND PROFIT RECEIVABLE | | | |
| Profit receivable on bank balances | 6.1 | 421 | 823 |
| Dividend receivable | | - | 3,428 |
| | | <u>421</u> | <u>4,251</u> |

6.1 This includes amount of Rs. 0.410 million (2018: Rs. 0.666 million) as profit receivable from BankIslami Pakistan Limited (a related party).

| | | 2018 | 2017 |
|--|-----|----------------------------|--------------|
| | | ----- Rupees in '000 ----- | |
| 7 DEPOSITS AND OTHER RECEIVABLE | | | |
| Security deposit with the Central Depository Company of Pakistan Limited | | 100 | 100 |
| Security deposit with National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| Advance tax | 7.1 | 3,004 | 3,004 |
| | | <u>5,604</u> | <u>5,604</u> |

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under sections 151 and 150. However, withholding tax on dividend and profit on bank deposit paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on dividends and profit on bank deposits as at June 30, 2019 amounts to Rs 3.004 million (2018: Rs 3.004 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable High Court of Sindh (HCS) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the HCS in favour of the FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Honourable Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Honourable Supreme Court granted the petitioners leave to appeal from the initial judgement of the HCS. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends has been shown as other receivables as at June 30, 2019 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

| | | 2019 | 2018 |
|--|--|----------------------------|--------------|
| | | ----- Rupees in '000 ----- | |
| 8 PRELIMINARY EXPENSES AND FLOATATION COSTS | | | |
| At the beginning of the year | | 1,285 | 1,740 |
| Less: amortisation during the year | | (455) | (455) |
| At the end of the year | | <u>830</u> | <u>1,285</u> |

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

| | | 2019 | 2018 |
|-----------|--|----------------------------|--------------------|
| | | Number of Units | |
| 9 | NUMBER OF UNITS IN ISSUE | | |
| | Total units in issue at the beginning of the year | 129,995,295 | 176,815,790 |
| | Units issued during the year | 40,336,993 | 127,088,875 |
| | Less: units redeemed during the year | 97,536,307 | 173,909,370 |
| | Total units in issue at the end of the year | <u>72,795,981</u> | <u>129,995,295</u> |
| | | | |
| | | Note | |
| | | 2019 | 2018 |
| | | ----- Rupees in '000 ----- | |
| 10 | PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY | | |
| | Management fee payable | 10.1 1,165 | 2,898 |
| | Sindh sales tax payable on remuneration of the Management Company | 10.2 151 | 377 |
| | Federal Excise Duty payable on remuneration of the Management Company | 10.3 583 | 583 |
| | Front end load payable | 278 | 6,952 |
| | Federal Excise Duty on front end load | 1,557 | 1,557 |
| | Sindh sales tax on front end load | 49 | 917 |
| | Allocated charges payable | 10.4 462 | 966 |
| | Selling and marketing expenses | 10.5 1,849 | 3,865 |
| | Other payable | 16 | 16 |
| | | <u>6,110</u> | <u>18,131</u> |

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

10.2 During the year, an amount of Rs. 3.097 million (2018: Rs 5.371 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

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

With effect from July 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.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration

| 13 ACCRUED EXPENSES AND OTHER LIABILITIES | Note | 2019 | 2018 |
|---|------|---------------|---------------|
| ----- Rupees in '000 ----- | | | |
| Auditors' remuneration payable | | 462 | 347 |
| Printing charges payable | | 111 | 121 |
| Brokerage payable | | - | 443 |
| Settlement and bank charges | | 146 | 229 |
| Charity payable | 13.1 | 2,101 | 2,951 |
| Legal and professional charges payable | | 17 | 29 |
| Shari'ah advisor fee payable | | 211 | 497 |
| Withholding tax payable | | 19 | 48 |
| Capital gain tax payable | | - | 430 |
| Provision for Sindh Workers' Welfare Fund | 13.2 | 14,051 | 14,051 |
| Other payables | | 222 | - |
| | | <u>17,340</u> | <u>19,146</u> |

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

During the current period, non Shari'ah compliant income amounting to Rs. 0.904 million (2018: 0.217 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of Shari'ah Advisor. The dividend income is recorded net of charity portion.

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from April 19, 2016 to June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.193 per unit (2018: Re 0.108).

14 CONTINGENCIES AND COMMITMENTS

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

| 15 AUDITORS' REMUNERATION | 2019 | 2018 |
|----------------------------|------------|------------|
| ----- Rupees in '000 ----- | | |
| Annual audit fee | 271 | 197 |
| Half yearly review fee | 134 | 71 |
| Other certification | 66 | - |
| Out of pocket expenses | 27 | 46 |
| | <u>498</u> | <u>314</u> |

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.34% (2018: 3.29%) which includes 0.38% (2018: 0.37%) representing government levies on the Fund such as sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% (4.5% w.e.f. June 20, 2019 as amended by S.R.O 639 dated June 20, 2019) prescribed under the NBFC Regulations for a collective investment scheme categorised as 'Shari'ah compliant equity scheme'.

17 TAXATION

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

The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds as per Section 4B of the Income Tax Ordinance, 2001.

18 (Loss) / earnings per unit

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

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

19.1 Connected persons include NBP Fund Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, National Bank of Pakistan (NBP) and its connected persons and Baltoro Growth Fund being the sponsors, NAFA Pension Fund and NAFA Provident Fund Trust being the associates of the Management Company, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.

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

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

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

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

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



| | 2019 | 2018 |
|--|----------------------------|---------|
| | ----- Rupees in '000 ----- | |
| NBP Fund Management Limited - the Management Company | | |
| Remuneration for the year | 23,823 | 41,319 |
| Sindh sales tax on remuneration of the Management Company | 3,097 | 5,371 |
| Units issued during the year 1,118,409 units (2018: 1,573,137 units) | 13,526 | 19,992 |
| Units redeemed during the year 5,511,839 units (2018: 7,949,251 units) | 66,902 | 100,660 |
| Selling and marketing expense | 4,765 | 8,264 |
| Accounting and operational charges | 1,191 | 2,066 |
| Central Depository Company of Pakistan Limited - the Trustee | | |
| Remuneration for the year | 2,131 | 3,066 |
| Sindh sales tax on remuneration | 277 | 399 |
| Settlement charges | 397 | 557 |
| Employees of NBP Fund Management Limited - the Management Company | | |
| Units issued during the year 516,924 units (2018: 965,867 units) | 6,075 | 12,758 |
| Units redeemed during the year 943,420 units (2018: 1,685,789 units) | 11,099 | 21,789 |
| Key Management Personnel | | |
| Units redeemed during the year nil units (2018: 1,062,162 units) | - | 13,367 |
| Taurus Securities Limited - common directorship | | |
| Brokerage expense | 90 | 186 |
| BankIslami Pakistan Limited - common directorship | | |
| Profit income | 7,637 | 9,478 |
| Portfolio managed by the Management Company | | |
| Units issued / transferred in 1,575,279 units (2018: 62,905) | 18,827 | 797 |
| Units redeemed / transferred out 1,274,219 units (2018: 14,896,841) | 15,613 | - |
| 19.6 Amounts / balances outstanding as at year end | | |
| NBP Fund Management Limited - the Management Company | | |
| Remuneration payable to the Management Company | 1,165 | 2,898 |
| Sindh sales tax on remuneration of the Management Company | 151 | 377 |
| Federal Excise Duty on remuneration of the Management Company | 583 | 583 |
| Front-end load payable | 278 | 6,952 |
| Sindh sales tax on front end load | 49 | 917 |
| Federal Excise Duty on front end load | 1,557 | 1,557 |
| Selling and marketing expense | 1,849 | 3,865 |
| Others | 16 | 16 |
| Accounting and operational charges payable to the Management Company | 462 | 966 |
| Units held: Nil units (2018: 4,393,430 units) | - | 55,670 |
| Central Depository Company of Pakistan Limited - the Trustee | | |
| Trustee fee | 117 | 227 |
| Sindh sales tax on the remuneration of the Trustee | 15 | 30 |
| Security deposit | 100 | 100 |
| Settlement charges | 68 | 65 |

| | 2019 | 2018 |
|--|----------------------------|---------|
| | ----- Rupees in '000 ----- | |
| Employees of NBP Fund Management Limited - the Management Company | | |
| Units held 58,888 units (2018: 485,385 units) | 539 | 6,150 |
| Summit Bank Limited - common directorship | | |
| Bank balances | 1,901 | 2,312 |
| BankIslami Pakistan Limited - common directorship | | |
| Bank balances | 23,088 | 193,650 |
| Profit receivable | 410 | 666 |
| Taurus Securities Limited - common directorship | | |
| Brokerage payable | - | 30 |
| Portfolio managed by the Management Company | | |
| Units held 1,404,508 units (2018:1,103,448) | 12,851 | 13,982 |

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

20 FINANCIAL INSTRUMENTS BY CATEGORY

| | ----- 2019 ----- | | |
|--|--|----------------------|----------------|
| | At fair value through profit or loss | At amortised cost | Total |
| | ----- Rupees in '000 ----- | | |
| Financial assets | | | |
| Bank balances | - | 33,788 | 33,788 |
| Investments | 623,324 | - | 623,324 |
| Dividend and profit receivable | - | 421 | 421 |
| Deposits and other receivables | - | 2,600 | 2,600 |
| Receivable against sale of investments | - | 26,783 | 26,783 |
| | <u>623,324</u> | <u>63,592</u> | <u>686,916</u> |

| | ----- 2019 ----- | | |
|---|--|----------------------|--------------|
| | At fair value through profit or loss | At amortised cost | Total |
| | ----- Rupees in '000 ----- | | |
| Financial liabilities | | | |
| Payable to NBP Fund Management Limited - the Management Company | - | 6,110 | 6,110 |
| Payable to the Central Depository Company of Pakistan - the Trustee | - | 132 | 132 |
| Accrued expenses and other liabilities | - | 3,270 | 3,270 |
| | <u>-</u> | <u>9,512</u> | <u>9,512</u> |

Financial assets

| | | | |
|--|------------------|----------------|------------------|
| Bank balances | - | 235,501 | 235,501 |
| Investments | 1,440,039 | - | 1,440,039 |
| Dividend and profit receivable | - | 4,251 | 4,251 |
| Deposits and other receivables | - | 2,600 | 2,600 |
| Receivable against sale of investments | - | - | - |
| | <u>1,440,039</u> | <u>242,352</u> | <u>1,682,391</u> |

| ----- 2018 ----- | | |
|--------------------------------------|-------------------|------------------|
| At fair value through profit or loss | At amortised cost | Total |
| ----- Rupees in '000 ----- | | |
| - | 235,501 | 235,501 |
| 1,440,039 | - | 1,440,039 |
| - | 4,251 | 4,251 |
| - | 2,600 | 2,600 |
| - | - | - |
| <u>1,440,039</u> | <u>242,352</u> | <u>1,682,391</u> |

Financial liabilities

| | | | |
|---|---|---------------|---------------|
| Payable to NBP Fund Management Limited - the Management Company | - | 18,131 | 18,131 |
| Payable to the Central Depository Company of Pakistan Limited - the Trustee | - | 257 | 257 |
| Accrued expenses and other liabilities | - | 4,617 | 4,617 |
| | - | <u>23,005</u> | <u>23,005</u> |

| ----- 2018 ----- | | |
|--------------------------------------|-------------------|---------------|
| At fair value through profit or loss | At amortised cost | Total |
| ----- Rupees in '000 ----- | | |
| - | 18,131 | 18,131 |
| - | 257 | 257 |
| - | 4,617 | 4,617 |
| - | <u>23,005</u> | <u>23,005</u> |

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

21.1 Market risk

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

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

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

(i) Yield / profit rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.004 million (2018: Rs. 0.008 million).

b) Sensitivity analysis for fixed rate instruments

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

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

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

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

| 2019 | | | | | |
|---------------------------|-------------------------------------|---|--------------------|---|-------|
| Effective profit rate (%) | Exposed to yield / profit rate risk | | | Not exposed to yield / profit rate risk | Total |
| | Up to three months | More than three months and up to one year | More than one year | | |

Rupees in '000

Financial assets

| | | | | | | |
|--|-----------|--------|---|---|---------|---------|
| Bank balances | 10%-13.5% | 27,028 | - | - | 6,760 | 33,788 |
| Investments | | - | - | - | 623,324 | 623,324 |
| Dividend and profit receivable | | - | - | - | 421 | 421 |
| Deposits and other receivables | | - | - | - | 2,600 | 2,600 |
| Receivable against sale of investments | | - | - | - | 26,783 | 26,783 |
| | | 27,028 | - | - | 659,888 | 686,916 |

Financial liabilities

| | | | | | | |
|---|--|---|---|---|-------|-------|
| Payable to NBP Fund Management Limited - the Management Company | | - | - | - | 6,110 | 6,110 |
| Payable to the Central Depository Company of Pakistan - the Trustee | | - | - | - | 132 | 132 |
| Accrued expenses and other liabilities | | - | - | - | 3,270 | 3,270 |
| | | - | - | - | 9,512 | 9,512 |

On-balance sheet gap

| | | | | | |
|--|--------|---|---|---------|---------|
| | 27,028 | - | - | 650,376 | 677,404 |
|--|--------|---|---|---------|---------|

Total profit rate sensitivity gap

| | | | | | |
|--|--------|---|---|--|--|
| | 27,028 | - | - | | |
|--|--------|---|---|--|--|

Cumulative profit rate sensitivity gap

| | | | | | |
|--|--------|--------|--------|--|--|
| | 27,028 | 27,028 | 27,028 | | |
|--|--------|--------|--------|--|--|

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

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

Financial assets

| | | | | | | |
|--|---------------|---------|---|---|-----------|-----------|
| Bank balances | 2.75% - 6.50% | 217,848 | - | - | 17,653 | 235,501 |
| Investments | | - | - | - | 1,440,039 | 1,440,039 |
| Dividend and profit receivable | | - | - | - | 4,251 | 4,251 |
| Deposits and other receivables | | - | - | - | 2,600 | 2,600 |
| Receivable against sale of investments | | - | - | - | - | - |
| | | 217,848 | - | - | 1,464,543 | 1,682,391 |

Financial liabilities

| | | | | | | |
|---|--|---|---|---|--------|--------|
| Payable to NBP Fund Management Limited - the Management Company | | - | - | - | 18,131 | 18,131 |
| Payable to the Central Depository Company of Pakistan Limited - the Trustee | | - | - | - | 257 | 257 |
| Accrued expenses and other liabilities | | - | - | - | 4,617 | 4,617 |
| | | - | - | - | 23,005 | 23,005 |

On-balance sheet gap

| | | | | |
|---------|---|---|-----------|-----------|
| 217,848 | - | - | 1,441,538 | 1,659,386 |
|---------|---|---|-----------|-----------|

Total profit rate sensitivity gap

| | | |
|---------|---|---|
| 217,848 | - | - |
|---------|---|---|

Cumulative profit rate sensitivity gap

| | | |
|---------|---------|---------|
| 217,848 | 217,848 | 217,848 |
|---------|---------|---------|

(ii) Currency risk

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

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

In case of 5% increase / decrease in KMI 30 index on June 30, 2019, with all other variables held constant, the net income of the Fund for the year would increase / decrease by Rs. 31.166 million (2018: Rs. 72.002 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation

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

21.2 Liquidity risk

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

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

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

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

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

| ----- 2019 ----- | | | | | | |
|---|---|--|--|-------------------|--|----------------|
| Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |
| ----- Rupees in '000 ----- | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 33,788 | - | - | - | - | 33,788 |
| Investments | - | - | - | - | 623,324 | 623,324 |
| Dividend and profit receivable | 421 | - | - | - | - | 421 |
| Deposits and other receivables | 2,600 | - | - | - | - | 2,600 |
| Receivable against sale of investments | 26,783 | - | - | - | - | 26,783 |
| | 63,592 | - | - | - | 623,324 | 686,916 |
| Financial liabilities | | | | | | |
| Payable to NBP Fund Management Limited - the Management Company | 6,110 | - | - | - | - | 6,110 |
| Payable to Central Depository Company of Pakistan - the Trustee | 132 | - | - | - | - | 132 |
| Accrued expenses and other liabilities | 3,270 | - | - | - | - | 3,270 |
| | 9,512 | - | - | - | - | 9,512 |
| Net assets | 54,080 | - | - | - | 623,324 | 677,404 |

| ----- 2018 ----- | | | | | | |
|------------------|---|--|--|-------------------|--|-------|
| Within 1 month | More than one month and upto three months | More than three months and upto one year | More than one year and upto five years | More than 5 years | Financial instruments with no fixed maturity | Total |

Rupees in '000

Financial assets

| | | | | | | |
|--|---------|---|---|---|-----------|-----------|
| Bank balances | 235,501 | - | - | - | - | 235,501 |
| Investments | - | - | - | - | 1,440,039 | 1,440,039 |
| Dividend and profit receivable | 4,251 | - | - | - | - | 4,251 |
| Deposits and other receivables | 2,600 | - | - | - | - | 2,600 |
| Receivable against sale of investments | - | - | - | - | - | - |
| | 242,352 | - | - | - | 1,440,039 | 1,682,391 |

Financial liabilities

| | | | | | | |
|---|--------|---|---|---|---|--------|
| Payable to NBP Fund Management Limited - the Management Company | 18,131 | - | - | - | - | 18,131 |
| Payable to the Central Depository Company of Pakistan Limited - the Trustee | 257 | - | - | - | - | 257 |
| Accrued expenses and other liabilities | 4,617 | - | - | - | - | 4,617 |
| | 23,005 | - | - | - | - | 23,005 |

Net assets

| | | | | | | |
|--|---------|---|---|---|-----------|-----------|
| | 219,347 | - | - | - | 1,440,039 | 1,659,386 |
|--|---------|---|---|---|-----------|-----------|

21.3 Credit risk

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

21.3.2 Credit quality of financial assets

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

| Rating | % of financial assets exposed to credit risk | |
|--------|--|-------|
| | 2019 | 2018 |
| AAA | 0.74 | 0.98 |
| AA+ | 0.14 | 0.46 |
| AA- | 0.05 | 0.88 |
| AA | 0.27 | - |
| A+ | 3.42 | 11.51 |
| A- | 0.07 | 0.17 |
| BBB- | 0.28 | - |
| | 4.97 | 14.00 |

22 FAIR VALUE MEASUREMENT

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

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

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

Fair value hierarchy

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

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

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

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

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

| | 2019 | | |
|--------------------------------------|----------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 623,324 | - | - |
| | | | |
| | 2018 | | |
| | Level 1 | Level 2 | Level 3 |
| | Rupees in '000 | | |
| Financial assets | | | |
| At fair value through profit or loss | 1,440,039 | - | - |

23 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs.100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

24 UNIT HOLDING PATTERN OF THE FUND

| Category | 2019 | | | 2018 | | |
|--------------------------|------------------------|------------------------------------|---------------------|------------------------|------------------------------------|---------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total | Number of unit holders | Investment amount (Rupees in '000) | Percentage of total |
| Associated companies | - | - | - | 1 | 55,670 | 3.38 |
| Individuals | 1,849 | 576,132 | 86.50 | 2,405 | 1,339,347 | 81.31 |
| Public Limited companies | 4 | 28,920 | 4.34 | 4 | 39,564 | 2.40 |
| Retirement funds | 8 | 26,651 | 4.00 | 10 | 82,582 | 5.01 |
| Others | 19 | 34,333 | 5.15 | 27 | 130,020 | 7.89 |
| | 1,880 | 666,036 | 100% | 2,447 | 1,647,183 | 100% |

25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

| 2019 | | 2018 | |
|---|-------------------------------|--|-------------------------------|
| Name of broker | Percentage of commission paid | Name of broker | Percentage of commission paid |
| Taurus Securities Limited | 6.58% | Taurus Securities Limited | 6.88% |
| Arif Habib Securities Limited | 5.09% | Arif Habib Securities Limited | 6.03% |
| EFG Hermes Pakistan Limited | 4.87% | Topline Securities Private Limited | 4.71% |
| Topline Securities (Private) Limited | 4.44% | EFG Hermes Securities Private Limited | 4.39% |
| Alfalsh Securities (Private) Limited | 4.31% | Optimus Capital Management Limited | 3.76% |
| Optimus Capital Management Limited | 4.23% | BMA Capital Management Limited | 3.73% |
| Aqeel Karim Dehdi Securities (Private) Limited | 3.71% | Alfalsh Securities Private Limited | 3.72% |
| BMA Capital Management Limited | 3.62% | Next Capital Limited | 3.61% |
| Next Capital Limited | 3.53% | Elixir Securities Pakistan Private Limited | 3.54% |
| Foundation Securities | 3.51% | J.S. Global Capital Limited | 3.53% |

26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

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

27 NAME AND QUALIFICATION OF THE FUND MANAGER

| Name | Designation | Qualification | Other funds managed by the Fund Manager |
|-----------------|--------------|---------------|--|
| Taha Khan Javed | Fund Manager | MBA / CFA | NSIF, NBF, NISIF, NSF, NARPF, NFSF, NIAAEF |

28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 68th, 69th, 70th and 71st Board meetings were held on September 05, 2018, October 30, 2018, February 25, 2019 and April 26, 2019, respectively. Information in respect of attendance by directors in the meetings is given below:

| Name of director | Number of meetings | | | Meetings not attended |
|---|--------------------|----------|---------------|-----------------------|
| | Held / applicable | Attended | Leave granted | |
| Mudassir Husain Khan [note 28.1] | 2 | 1 | 1 | 69th |
| Tariq Jamali [note 28.2] | 2 | - | 2 | 68th and 69th |
| Abdul Hadi Palekar | 4 | 3 | 1 | 70th |
| Foo Chiah Chiung (Kelvin Foo) [note 28.3] | 2 | 1 | 1 | 69th |
| Kamal Amir Chinoy | 4 | 3 | 1 | 70th |
| Shehryar Faruque | 4 | 3 | 1 | 68th |
| Hamayun Bashir | 4 | 4 | - | - |
| Wajahat Rasul Khan [note 28.4] | 2 | 2 | - | - |
| Amjad Waheed | 4 | 4 | - | - |
| Shaikh Muhammad Abdul Wahid Sethi [note 28.5] | 2 | 2 | - | - |
| Nasir Husain [note 28.5] | 2 | 2 | - | - |
| Ali Saigol [note 28.5] | 2 | 2 | - | - |
| Imran Zaffar [note 28.5] | 2 | 2 | - | - |

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

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

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

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

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

29 CORRESPONDING FIGURES

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

30 DATE OF AUTHORISATION FOR ISSUE

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

31 GENERAL

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

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

Chief Financial Officer

Chief Executive Officer

Director

PERFORMANCE TABLE

| Particulars | For the year ended June 30, 2019 | For the year ended June 30, 2018 | For the year ended June 30, 2017 | For the the period from April 19, 2016 to June 30, 2016 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|--|
| Net assets at the year / period ended (Rs '000) | 666,036 | 1,647,183 | 2,315,526 | 1,033,099 |
| Net income for the year / period ended (Rs '000) | (360,298) | (86,123) | 601,343 | 88,784 |
| Net Asset Value per unit at the year / period ended (Rs) | 9.1493 | 12.6711 | 13.0957 | 10.5499 |
| Offer Price per unit | 9.4598 | 13.1007 | 13.5396 | 10.9684 |
| Redemption Price per unit | 9.1493 | 12.6711 | 13.0957 | 10.5499 |
| Ex - Highest offer price per unit (Rs.) | 13.1007 | 14.7179 | 15.5854 | 11.3450 |
| Ex - Lowest offer price per unit (Rs.) | 9.1925 | 12.0731 | 10.2984 | 9.6356 |
| Ex - Highest redemption price per unit (Rs.) | 12.6703 | 14.2353 | 15.0743 | 10.9121 |
| Ex - Lowest redemption price per unit (Rs.) | 8.8911 | 11.6772 | 10.0673 | 9.6356 |
| Fiscal Year Opening Ex NAV | 12.6711 | 13.0957 | 9.9054 | 9.6356 |
| Total return of the fund | -27.79% | -3.24% | 32.21% | 9.49% |
| Capital growth | -27.79% | -3.24% | 23.82% | 5.71% |
| Income distribution as a % of e x nav | - | - | 8.39% | 3.78% |
| Income distribution as a % of par value | - | - | 8.31% | 4.00% |
| Distribution | | | | |
| Interim distribution per unit | | | 0.8310 | 0.4000 |
| Final distribution per unit | | | | - |
| Distribution Dates | | | | |
| Interim | | | 21-Jun-17 | 30-Jun-16 |
| Final | | | | |
| Total return of the fund (launch date January 09, 2015) | | | | |
| (Since inception to June 30, 2019) | 0.35% | | | |
| (Since inception to June 30, 2018) | | 16.61% | | |
| (Since inception to June 30, 2017) | | | 36.39% | |
| (Since inception to June 30, 2016) | | | | 9.49% |
| Portfolio Composition (Please see Fund Manager Report) | | | | |
| Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up | | | | |

PROXY ISSUED BY THE FUND

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

The details of summarized proxies voted are as follows:

| NBP ISLAMIC ENERGY FUND | | | | |
|--------------------------------|--------------------|-------------|----------------|-----------------|
| | Resolutions | For | Against | Abstain* |
| Number | 3 | 3 | Nil | N/A |
| (%) | 100% | 100% | - | - |

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






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