

## NBP ISLAMIC ENERGY FUND



**ANNUAL REPORT**  
**JUNE 2020**



# **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 Management Company

Shaikh Muhammad Abdul Wahid Sethi	Chairman
Dr. Amjad Waheed	Chief Executive Officer
Mr. Saad ur Rahman Khan	Director
Syed Hasan Irtiza Kazmi	Director
Mr. Ali Saigol	Director
Mr. Imran Zaffar	Director
Mr. Khalid Mansoor	Director
Mr. Saad Amanullah Khan	Director
Mr. Humayun Bashir	Director

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

Mr. Saad Amanullah Khan	Chairman
Syed Hasan Irtiza Kazmi	Member
Mr. Imran Zaffar	Member
Mr. Humayun Bashir	Member

### Human Resource Committee

Mr. Khalid Mansoor	Chairman
Shaikh Muhammad Abdul Wahid Sethi	Member
Mr. Ali Saigol	Member
Mr. Humayun Bashir	Member

### Strategy & Business Planning Committee

Mr. Humayun Bashir	Chairman
Mr. Saad ur Rahman Khan	Member
Mr. Ali Saigol	Member
Mr. Imran Zaffar	Member
Mr. Saad Amanullah Khan	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](http://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:**

Khan Center, 1st Floor, Abdali Road, Multan.  
Phone No. : 061-4540301-6, 061-4588661-2 & 4

## Board of Directors



**Dr. Amjad Waheed, CFA**  
Chief Executive Office



**Shaikh Muhammad Abdul Wahid Sethi**  
Chairman



**Mr. Khalid Mansoor**  
Director



**Mr. Humayun Bashir**  
Director



**Syed Hasan Irtiza Kazmi**  
Director



**Mr. Ali Saigol**  
Director



**Mr. Saad Amanullah Khan**  
Director



**Mr. Saad ur Rehman**  
Director



**Mr. Imran Zaffar**  
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. Asim Wahab Khan, CFA**  
Deputy Chief Investment Officer



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



**Mr. Hassan Raza, CFA**  
Head Of Research



**Mr. Waheed Abidi**  
Head Of Internal Audit



**Mr. Zaheer Iqbal, ACA FPFA**  
Head Of Operations



**Mr. Salman Ahmed, CFA**  
Head Of Product Development



**Mr. Saadat Saeed, ACA, CFA**  
Head Of Investment Risk.



**Mr. Shahid Javed**  
Head Of Operational Risk



**Mr. Shahbaz Umer**  
Head Of Human Resource



## DIRECTORS' REPORT

The Board of Directors of NBP Fund Asset Management Limited is pleased to present the Fifth Annual Report for the period ended June 30, 2020, since launch of **NBP 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 shariah compliant energy stocks.

### Fund's Performance

Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.

Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

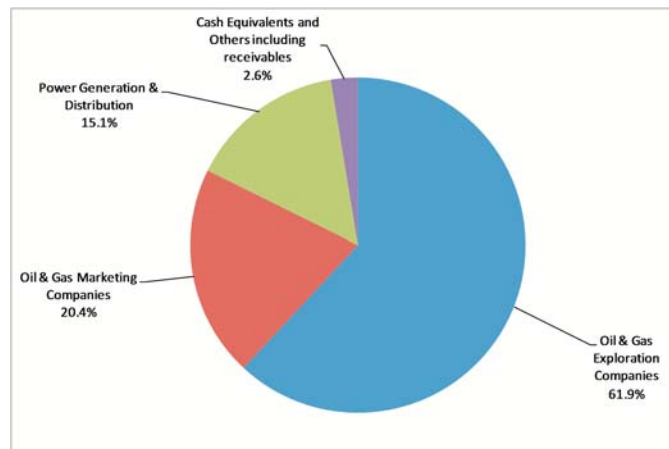
During the fiscal year, NBP Islamic Energy Fund decreased by 7.2% return as against the KMI-30 Index increased by 1.6%, underperforming the benchmark by 8.8% during the year. The Fund underperformed as the fund was overweight in select Energy sector stocks which underperformed the market. Since its inception on April 21, 2016, the NBP Islamic Energy Fund was decline by 6.2%, while the benchmark decreased by 6.7%. Thus, the Fund outperformed by 0.5% during the period. The performance of the Fund is net of management fee and all other expenses. The Fund size is 599 mln as of June 30, 2020.

NBP Islamic Energy Fund has earned a total loss of Rs. 11.158 million during the year. After deducting total expenses of Rs. 21.837 million, the net loss is Rs. 32.995 million. During the year, the unit price of Islamic Energy Fund has decreased from Rs. 9.1493 (Ex-Div) on June 30, 2019 to Rs. 8.4866 on June 30, 2020. The resultant per unit loss is Rs. 0.6627 (-7.24%).





The asset allocation of NBP Islamic Energy Fund as on June 30, 2020 is as follows:



## Income Distribution

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

## Taxation

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

## Auditors

The present auditor Messrs A.F. Ferguson & Co., Chartered Accountants, has completed their five year tenure in the capacity of Auditor of the Fund. As per the requirement of Regulation 38(i) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, their replacement would be required. The Board has approved the appointment of Messrs Grant Thornton Anjum Rahman, Chartered Accountants, for the year ending June 30, 2021.

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

1. The financial statements, prepared by the management company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance.
8. A performance table/ key financial data is given in this annual report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements.
10. The Board of Directors of the Management Company held four meetings during the year. The attendance of all directors is disclosed in the note 27 to these financial statements.
11. The detailed pattern of unit holding is disclosed in the note 23 to these financial statements.
12. All trades in the units of the Fund, carried out by directors, CEO, CFO, Company Secretary and their spouses and minor children are disclosed in note 18.6 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, 2020, the Board included:



Category	Names
Independent Directors	1. Mr. Khalid Mansoor 2. Mr. Saad Amanullah Khan 3. Mr. Humayun Bashir
Executive Director	Dr. Amjad Waheed - Chief Executive Officer
Non-Executive Directors	1. Shaikh Muhammad Abdul Wahid Sethi (Chairman) 2. Mr. Saad ur Rahman Khan 3. Syed Hasan Irtiza Kazmi 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: **September 17, 2020**  
Place: Karachi.

## ڈائریکٹرز رپورٹ

این بی پی فنڈ ایسٹ منیجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 21 اپریل 2016 کو قائم ہونے والے این بی پی اسلامک انرجی فنڈ (سابقہ: NAFA این بی پی اسلامک انرجی فنڈ) کی پانچویں سالانہ رپورٹ برائے مختتمہ سال 30 جون 2020 پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

فنڈ کا مقصد منظور شدہ شریعہ کمپلیٹ انرجی اسٹاکس میں طویل مدت پر یونٹ ہولڈرز کی سرمایہ کاری کے لئے نمو فراہم کرنا ہے۔

### فنڈ کی کارکردگی

مالی سال 2019-20، اسٹاک مارکیٹ میں انتہائی اتار چڑھاؤ کے باعث مایوس کن سال رہا جیسا کہ KMI-30 انڈیکس میں سالانہ بنیادوں پر 1.6% کا معمولی اضافہ ہوا۔ IMF کے ساتھ 6 بلین ڈالر کی توسیعی فنڈ سہولت (EFF) معاہدہ، 3.3 بلین امریکی ڈالر مالیت کی سعودی تیل کی سہولت کا آغاز، اور قطر سے 500 بلین امریکی ڈالر کی آمدنی مثبت خبروں کے باوجود مارکیٹ کا آغاز متفی خطوط سے ہوا۔ بھارت کے مقبوضہ کشمیر میں آرٹیکل 370 کی منسوخی پر پاک بھارت تعلقات میں کشیدگی پیدا ہونے سے مارکیٹ کے جذبات میں انتشار پیدا ہوا جو پریشانی کے باعث فروخت کا حامل بنا اور انڈیکس کو 16 اگست کو کم ترین سطح 44,929 پر لے آیا جس نے مارکیٹ کے وسیع حصے میں ٹھیس کی مالیت کو واضح کر دیا۔ پرنکشن مالیت، کرنٹ اکاؤنٹ خسارہ (CAD) میں بہتری اور اسٹیٹ بینک کی مانیٹری میں آسانی کی توقع کی بنا پر اسٹاک مارکیٹ میں تیزی سے بہتری واقع ہوئی۔ کرنٹ اکاؤنٹ بیلنس اکتوبر 2019 میں سرپلس میں تبدیل ہوا اور مالی سال 20 کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 3 ارب ڈالر رہ گیا، جو سالانہ بنیادوں پر 78 فیصد کم ہوا۔ اسی طرح، کثیر الجہتی ایجنسیوں سے سرمائے کی آمد اور سرکاری سیکورٹیز میں پورٹ فولیو کی آمد نے بھی سرمایہ کاروں میں اعتماد پیدا کیا۔ اس کے نتیجے میں، KMI-30 انڈیکس میں 16 اگست، 2019 سے خلیفہ 58 فیصد اضافے کے ساتھ 13 جنوری 2020 کی بلند ترین سطح پر پہنچا۔

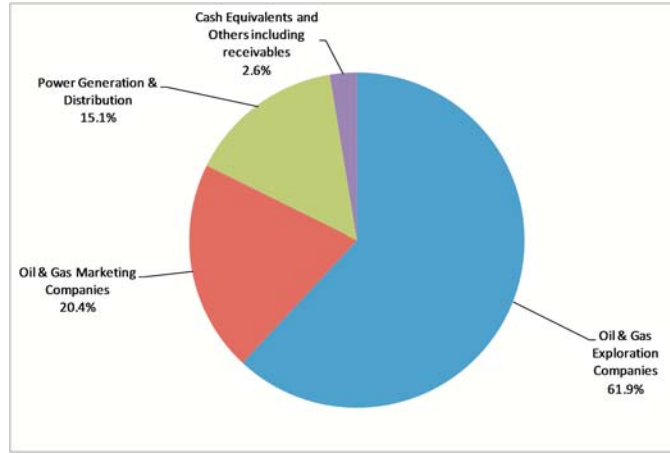
اس کے بعد، EFF کے تحت کارکردگی کے معیار پر عمل پیرا نہ ہونے کے باعث آئی ایم ایف سے تیسری قسط میں تاخیر، متوقع محصولات کی کمی کو پورا کرنے کے لئے منی بجٹ کے اندیشہ، اور T-Bills سے ہاٹ منی کے اخراج کے خدشہ کے باعث مارکیٹ کے جذبات معدوم ہو گئے۔ تاہم، کورونا وائرس کے پھیلاؤ اور کاروباری سرگرمیوں میں لاک ڈاؤن / شٹ ڈاؤن کے باعث اسٹاک مارکیٹ میں آزادانہ فروخت ہوئی اور 2 ماہ کے عرصے میں، اسٹاک مارکیٹ اپنے عروج سے 42 فیصد گر گئی۔ معیشت کو کورونا وائرس و بائی مرض کے اثرات سے نجات دلانے کے لئے، پالیسی سازوں نے غیر معمولی مالی اور مالیاتی پالیسی اقدامات اٹھائے۔ اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو مجموعی طور پر 6.25 فیصد تک کم کیا اور کاروباری اداروں کی مدد اور قرضہ جاری رکھنے کے لئے قرضوں کی ادائیگی سے متعلق کارپوریٹس / تجارتی بینکوں کے انضباطی ضوابط میں ترمیم کی گئی۔ حکومت نے 1.2 ٹریلین روپے کا امدادی پیکج دینے کا اعلان کیا، جو بی ڈی پی کے 2.8 فیصد کے برابر ہے، جس میں معاشرے کے تمام طبقوں کے لئے ریلیف شامل ہے۔ جن میں غیر مراعات یافتہ افراد، کاروبار اور صنعتیں شامل ہیں۔ ریپبلیکنگ انسٹیٹیوٹ (RFI) کے تحت ملک کو آئی ایم ایف سے 1.39 بلین امریکی ڈالر کا ہنگامی قرض ملا اور G20 ممالک نے قرضوں کی ادائیگی میں ریلیف کا اعلان کیا۔ صحت کی دیکھ بھال کے ناقص اور نا کافی انفراسٹرکچر کے باوجود نسبتاً کم اموات کی شرح اور صحت یابی کی اعلیٰ شرحوں نے امیدوں کو بڑھایا کہ پاکستان کو بدترین خطرہ سے بچایا جاسکتا ہے جبکہ پچھلے خدشہ تھا۔ نتیجتاً مارکیٹ نے واضح بہتری دیکھائی اور تقریباً تمام نقصان والے شعبوں کا احاطہ کیا اور سالانہ بنیاد پر 1.6 فیصد کی معمولی اضافے کے ساتھ سال کا اختتام کرنے میں کامیاب رہی۔

زیر جائزہ مالی سال کے دوران شعبہ دارکارکردگی کے لحاظ سے، آٹوموبائل پارٹس اینڈ ایکسیسریز، ہیمنٹ، کیمیکلز، انجینئرنگ، کھاد، دواسازی، کاغذ اور بورڈ، بیکنائلو، اور گلاس اینڈ سٹریکس کے شعبوں نے مارکیٹ سے بہتر کارکردگی کا مظاہرہ کیا جبکہ کمرشل بینک، آئل اینڈ گیس ایکسپلوریشن، آئل اینڈ گیس مارکیٹنگ، پاور جنریشن اینڈ ڈسٹری بیوشن، اور نیٹ ورکس کمپوزٹ کے شعبے مارکیٹ سے پیچھے رہے۔ سرمایہ کار کارکردگی کے تناظر میں، انفرادی سرمایہ کار (ریٹیل) 213 بلین امریکی ڈالر کے خالص انفلو کے ساتھ بڑے خریدار رہے، جبکہ انشورنس کمپنیوں نے 128 بلین امریکی ڈالر کے ساتھ پوزیشن مستحکم کی دوسری جانب غیر ملکی سرمایہ کار 285 بلین ڈالر کے ساتھ بڑے فروخت کنندہ رہے، اسی طرح، بینک / DFIs اور میوچل فنڈز بھی بالترتیب 55 بلین امریکی ڈالر اور 50 بلین امریکی ڈالر کے خالص آؤٹ فلوز کے ساتھ نمایاں فروخت کنندہ رہے۔

مالی سال کے دوران، NBP اسلامک انرجی فنڈ کے منافع میں 7.2% کی کمی ہوئی جبکہ KMI-30 انڈیکس میں 1.6% کی کمی واقع ہوئی۔ سال کے دوران بیچ مارک میں 8.8% کی ایتر کارکردگی دکھائی۔ فنڈ نے ایتر کارکردگی دکھائی کیونکہ فنڈ انرجی میٹریٹس 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 NBP اسلامک انرجی فنڈ کا منافع 6.2% ہے، جبکہ بیچ مارک میں 6.7% کمی ہوئی۔ لہذا فنڈ نے سال کے دوران 0.5% کی بہتر کارکردگی کا مظاہرہ کیا۔ فنڈ کی یہ کارکردگی بیٹمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص ہے۔ 30 جون 2020 کو فنڈ کا سائز 599 بلین روپے ہے۔

NBP اسلامک انرجی فنڈ کو اس مدت کے دوران 11.158 بلین روپے کا خسارہ ہوا۔ 21.837 بلین روپے کے اخراجات منہا کرنے کے بعد کل خسارہ 32.995 بلین روپے ہے۔ سال کے دوران، اسلامک انرجی فنڈ کے یونٹ کی قیمت 30 جون 2019 کو 9.1493 (Ex-Div) روپے سے کم ہو کر 30 جون 2020 کو 8.4866 روپے ہو چکی ہے۔ جس کے نتیجے میں یونٹ خسارہ 0.6627 روپے (-7.24%) ہے۔

30 جون 2020 کو NBP اسلامک انرجی فنڈ کی ایسٹ ایلویشن درج ذیل ہے:



## آمدنی کی تقسیم

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

## ٹیکسیشن

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

## آڈیٹرز

موجودہ آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، نے فنڈ کے آڈیٹ کی صلاحیت میں اپنی پانچ سالہ مدت مکمل کر لی ہے۔ نان بینکنگ فنانشل کمپنیز کی ریگولیشن (i) 38 اور نوٹیفائیڈ ریگولیشنز 2008 کے تقاضے کے مطابق ان کی تجدید کی ضروری ہے۔ بورڈ نے 30 جون 2021 کو ختم ہونے والے سال میں میسرز Grant Thornton انٹرنیشنل اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی تقرری کی منظوری دی ہے۔

## 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۔ شماراتی تخمینے مناسب اور معقول نظر پڑتی 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 تہی نہیں کی گئی۔
8. پرفارمنس ٹینیل / اہم مالیاتی ڈیٹا اس سالانہ رپورٹ میں شامل ہیں۔
9. ٹیکسوں، ڈیویڈنڈز اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
10. اس مدت کے دوران مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے چارج اسٹیٹمنٹ منعقد ہوئے۔ تمام ڈائریکٹرز کی حاضری ان مالیاتی گوشواروں کے نوٹ 27 میں کی گئی ہے۔

•11 یونٹ ہولڈنگ کا تفصیلی پٹرن مالیاتی گوشواروں کے نوٹ 23 میں ظاہر کیا گیا ہے۔

•12 ڈائریکٹرز، ای او، ای ایف او، کمپنی سیکرٹری اور ان کی شریک حیات اور کم عمر بچوں کی طرف سے کی جانے والی فنڈ کے یونٹس کی تمام خرید و فروخت ان مالیاتی گوشواروں کے نوٹ 18.6 میں ظاہر کی گئی ہے۔

•13 کمپنی اپنے بورڈ آف ڈائریکٹرز میں غیر جانبدار نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتی ہے۔ کمپنی ایک غیر فہرست شدہ کمپنی ہونے کے ناطہ کوئی منارٹی انٹریسٹ نہیں رکھتی۔ 30 جون 2020 کو بورڈ آف ڈائریکٹرز درج ذیل ارکان پر مشتمل ہیں

نام	کیٹگری
<ul style="list-style-type: none"> <li>•1 جناب خالد منصور</li> <li>•2 جناب سعد امان اللہ خان</li> <li>•3 جناب ہمایوں بشیر</li> </ul>	غیر جانبدار ڈائریکٹرز
ڈاکٹر امجد وحید (چیف ایگزیکٹو آفیسر)	ایگزیکٹو ڈائریکٹر
<ul style="list-style-type: none"> <li>•1 شیخ محمد عبدالواحد سیٹھی (چیئر مین)</li> <li>•2 جناب سعد الرحمان خان</li> <li>•3 جناب سید حسن ارتضیٰ کاظمی</li> <li>•4 جناب علی سیگل</li> <li>•5 جناب عمران ظفر</li> </ul>	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 مخلص رویہ کا بھی اعتراف کرتا ہے۔

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

مخائب بورڈ آف ڈائریکٹرز

**NBP فنڈ مینجمنٹ لمیٹڈ**

ڈائریکٹر

چیف ایگزیکٹو

تاریخ: 17 ستمبر 2020ء

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 (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, 2020 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.

**Abdul Samad**  
Chief Operating Officer  
Central Depository Company of Pakistan Limited

Karachi, September 28, 2020

## FUND MANAGER REPORT

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

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

#### Investment Objective of the Fund

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

#### Benchmark

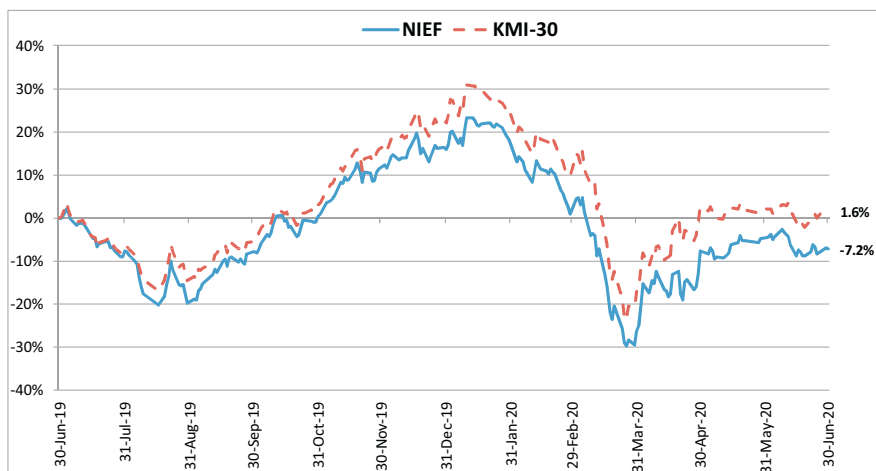
The Benchmark of the Fund is KMI-30 Index.

#### Fund performance review

This is the fifth annual report of the Fund. During the fiscal year, NBP Islamic Energy Fund decreased by 7.2% return as against the KMI-30 index increased by 1.6%, underperforming the benchmark by 8.8% during the year. Since its inception on April 21, 2016, the NBP Islamic Energy Fund was decline by 6.2%, while the benchmark decreased by 6.7%. Thus, the Fund outperformed by 0.5% 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.599 mln as of June 30, 2020.

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 FY20**



Amid high volatility, FY2019-20 remained a lackluster year for the stock market as the benchmark KMI-30 Index rose by a meagre 1.6% on a year-on-year basis. The market started off the year on a negative note despite positive news-flow surrounding the signing of USD 6 billion Extended Fund Facility (EFF) with the IMF, commencement of Saudi oil facility worth USD 3.3 billion, and USD 500 million inflow from Qatar. The market sentiment was soured by deteriorating Pakistan-India relations over the repeal of article 370 in the Indian-occupied Kashmir. The ensuing panic selling sent the Index to a low of 44,929 points on August 16th that in the process opened-up valuation gap in the broader part of the market. Based on attractive valuations, improving Current Account Deficit (CAD), and expectation of monetary easing by the SBP, the stock market rebounded sharply afterwards. The current account balance turned into surplus in Oct-19 and CAD for FY20 clocked in at USD 3 billion, down by 78% on a YoY basis. Likewise, capital flows from the multilateral agencies and portfolio inflows in the government securities also instilled confidence amongst investors. As a result, the KMI-30 Index surged by a massive 58% from August 16th, 2019 to its recent peak on January 10th, 2020.



Subsequently, concerns over delay of 3rd tranche from the IMF over noncompliance of Performance Criteria under EFF, fear of a mini budget to meet expected revenue shortfalls, and some outflow of hot money from T-Bills weighed on the market sentiments. It was, however, the spread of Coronavirus and the ensuing lockdown/shutdown of the business activity that caused indiscriminate selling in the stock market and within a span of 2 months, the stock market tumbled by 42% from its previous peak. To cushion the economy from the impact of the Coronavirus pandemic, policymakers responded with unprecedented fiscal and monetary policy actions. SBP slashed the Policy Rate by a cumulative 6.25% and to support businesses and keep credit flowing, amendments were made in the prudential regulations for corporates / commercial banks related to loan repayments. The government announced a Rs. 1.2 trillion stimulus package, equivalent to 2.8% of the GDP, which included relief for all sectors of the society including the under privileged, businesses, and the industries. The country received an emergency loan of USD 1.39 billion from the IMF under Rapid Financing Instrument (RFI) and the G20 countries announced relief for debt repayment. Notwithstanding poor and inadequate healthcare infrastructure, relatively low fatality rates and higher recovery rates raised hopes that Pakistan may be spared from the worst as earlier feared. As a result, the market staged a sharp rebound thenceforth and covered almost all the lost ground and managed to close the year with a paltry gain of 1.6% on a YoY basis.

In terms of sector-wise performance during the year, Automobile Parts & Accessories, Cements, Chemicals, Engineering, Fertilizers, Pharmaceuticals, Paper & Board, Technology and Glass & Ceramics sectors performed better than the market, while Commercial Banks, Oil & Gas Exploration, Oil & Gas Marketing, Power Generation & Distribution, and Textile Composite sectors lagged behind. Regarding the market participant-wise activity, Individuals remained major buyers with net inflows of USD 213 million, along with Insurance Companies that accumulated positions worth USD 128 million. On the other hand, Foreign investors were major sellers in the market, offloading positions worth USD 285 million. Similarly, Banks/DFIs and Mutual Funds were also sellers with net outflows of USD 55 million, and USD 50 million, respectively.

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

Particulars	30-Jun-20	30-Jun-19
Equities / Stocks	97.3%	93.6%
Cash Equivalents	5.6%	4.4%
Other Net Liabilities	(2.9%)	2.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### Distribution for the Financial Year 2020

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	104
1-1000	388
1001-5000	222
5001-10000	179
10001-50000	406
50001-100000	123
100001-500000	92
500001-1000000	10
1000001-5000000	8
5000001-10000000	2
<b>Total</b>	<b>1,534</b>





## **Sindh Workers' Welfare Fund (SWWF)**

During the year, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from launch date of the fund, based on recommendation by MUFAP to all its members. For further details, refer note 12.2 to the financial statements.

### **During the period under question**

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

## STATEMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

NBP 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, 2020. This has been duly confirmed by the Shari'ah Supervisory Board of the Fund.

For and behalf of the board

Date: **September 17, 2020**  
Karachi

**Dr. Amjad Waheed, CFA**  
Chief Executive Officer



## REPORT OF THE SHARI'AH SUPERVISORY BOARD

August 31, 2020/ Muharram 12, 1442

**Alhamdulillah**, the period from July 1, 2019 to June 30, 2020 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, 2020 and their evaluation according to the screening criteria established by us. (December 31, 2019 accounts of the Investee companies have been used)

Company Name	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	Share Price (B)
						Net Liquid Assets per Share (A)	
Mari Petroleum Company Limited.	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Oil & Gas Development Company Limited. **	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%	33.64%	90.21	142.32
Pakistan Petroleum Limited.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137
The Hub Power Company Limited. *	Power Generation & Distribution	0.00%	0.01%	3.20%	52%	(9.26)	
Pakistan Oilfields Limited	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.958	446.72



- \* Debt is considered excluding circular debt.
  - \*\* OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.
  - \*\*\* As per last available accounts i.e December 2018
- 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, 2020 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 558,722/- was created and an amount of Rupees 956,452 / is available for disbursement into charity as of June 30, 2020, which is inclusive of Rupees 674,102/- provisional amount of previous year adjusted after availability of the respective financial statements. However, the provisional amount of the financial year ended June 30, 2020 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.

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

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**Mufti Muhammad Naveed Alam**  
Member  
Shariah Supervisory Board

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**Mufti Ehsan Waqar**  
Shariah Advisor & Member  
Shariah Supervisory Board

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**Dr. Imran Ashraf Usmani**  
Chairman  
Shariah Supervisory Board



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

To the Unit holders of NBP Islamic Energy Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of NBP Islamic Energy Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund 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, 2020, and of its financial performance and its cash flows 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. This matter was 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 this matter.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer note 5 to the annexed financial statements)	
	<p>Investments constitute the most significant component of the net asset value (NAV). Investments of the Fund as at June 30, 2020 amounted to Rs. 582.638 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 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"> <li>tested the design and operating effectiveness of the key controls for valuation of investments.</li> <li>obtained independent confirmation for verifying the existence of the investment portfolio as at June 30, 2020 and traced balances in this confirmation with the books and records of the Fund.</li> <li>re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> </ul>



## 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

Date: September 29, 2020  
Place: Karachi



## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2020

	Note	2020	2019
		----- Rupees in '000 -----	
<b>Assets</b>			
Bank balances	4	30,237	33,788
Investments	5	582,638	623,324
Profit receivable		172	421
Deposits and other receivables	6	5,604	5,604
Receivable against sale of investments		-	26,783
Receivable against issuance of units		3,345	-
Preliminary expenses and floatation costs	7	375	830
<b>Total assets</b>		<b>622,371</b>	<b>690,750</b>
<b>Liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company	9	6,321	6,110
Payable to Central Depository Company of Pakistan Limited - the Trustee	10	113	132
Payable to the Securities and Exchange Commission of Pakistan	11	110	1,132
Payable against redemption of units		399	-
Payable against purchase of investments		175	-
Accrued expenses and other liabilities	12	16,694	17,340
<b>Total liabilities</b>		<b>23,812</b>	<b>24,714</b>
<b>NET ASSETS</b>		<b>598,559</b>	<b>666,036</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>598,559</b>	<b>666,036</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	8	<b>70,530,143</b>	<b>72,795,981</b>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>		<b>8.4866</b>	<b>9.1493</b>

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

For NBP Fund Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director





## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
----- Rupees in '000 -----			
<b>Income</b>			
Profit on bank deposits		4,397	10,614
Dividend income		13,940	40,521
Loss on sale of investments - net		(10,858)	(219,566)
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.2	(18,637)	(152,135)
		<u>(29,495)</u>	<u>(371,701)</u>
<b>Total loss</b>		<b>(11,158)</b>	<b>(320,566)</b>
<b>Expenses</b>			
Remuneration of NBP Fund Management Limited - the Management Company	9.1	8,339	23,823
Sindh sales tax on remuneration of the Management Company	9.2	1,084	3,097
Allocated expenses	9.4	549	1,191
Selling and marketing expenses	9.5	6,884	4,765
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	10.1	1,099	2,131
Sindh sales tax on remuneration of the Trustee	10.2	143	277
Annual fees to the Securities and Exchange Commission of Pakistan	11.1	110	1,132
Auditors' remuneration	14	505	498
Amortisation of preliminary expenses and floatation costs	7	455	455
Annual listing and supervising fee		28	28
Printing charges		-	27
Shariah advisor fee		81	211
Securities transaction cost		2,209	1,581
Settlement and bank charges		314	440
Legal and professional charges		37	76
<b>Total operating expenses</b>		<b>21,837</b>	<b>39,732</b>
<b>Net loss from operating activities</b>		<b>(32,995)</b>	<b>(360,298)</b>
Provision for Sindh Workers' Welfare Fund	12.2	-	-
<b>Net loss for the year before taxation</b>		<b>(32,995)</b>	<b>(360,298)</b>
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		<b>(32,995)</b>	<b>(360,298)</b>
<b>(Loss) / earnings per unit</b>	17		
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
		<u>-</u>	<u>-</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

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

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>Net loss for the year after taxation</b>	<b>(32,995)</b>	<b>(360,298)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(32,995)</u></b>	<b><u>(360,298)</u></b>

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

For NBP Fund Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director





## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year after taxation		(32,995)	(360,298)
<b>Adjustments for:</b>			
Profit on bank deposits		(4,397)	(10,614)
Dividend income		(13,940)	(40,521)
Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	5.2	18,637	152,135
Amortisation of preliminary expenses and floatation costs	7	455	455
		755	101,455
<b>Decrease / (increase) in assets</b>			
Investments		22,049	664,580
Receivable against sale of investments		26,783	(26,783)
Receivable against issuance of units		(3,345)	-
		45,487	637,797
<b>Increase / (decrease) in liabilities</b>			
Payable to NBP Fund Management Limited - the Management Company		211	(12,021)
Payable to Central Depository Company of Pakistan Limited - the Trustee		(19)	(125)
Payable to the Securities and Exchange Commission of Pakistan		(1,022)	(831)
Payable against redemption of units		399	-
Payable against purchase of investments		175	-
Accrued expenses and other liabilities		(646)	(1,806)
		(902)	(14,783)
		12,345	364,171
Dividend received		13,940	43,949
Profit received on bank deposits		4,646	11,016
<b>Net cash generated from operating activities</b>		30,931	419,136
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts from issuance of units		773,222	480,596
Amount paid on redemption of units		(807,704)	(1,101,445)
<b>Net cash used in financing activities</b>		(34,482)	(620,849)
<b>Net decrease in cash and cash equivalents</b>		(3,551)	(201,713)
Cash and cash equivalents at the beginning of the year		33,788	235,501
<b>Cash and cash equivalents at the end of the year</b>	4	30,237	33,788

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

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NBP 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 Central Depository Company of Pakistan Limited (CDC) as the Trustee.

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

The Fund has been categorised as an open ended 'Shariah compliant equity scheme' by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan 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 24, 2020 (2019: 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 accounting and reporting standards that are effective in the current year:

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 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)
- IAS 1 - 'Presentation of financial statements' (amendments)	January 01, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 01, 2020

These amendments may impact the financial statements of the Fund on adoption. 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, 2020 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 and valuation of financial assets (notes 3.3 and 5), provision for Federal Excise Duty (note 9.3) and provision for taxation (notes 3.13 and 16).

## 2.5 Accounting convention

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

## 2.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 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. 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 on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### 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.

## 3.4 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.

### 3.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

### 3.15 Foreign currency translation

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

4	<b>BANK BALANCES</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
			----- Rupees in '000 -----	
	Balances with banks in:			
	Savings accounts	4.1	27,096	27,028
	Current accounts		3,141	6,760
			<u>30,237</u>	<u>33,788</u>

4.1 These include a balance of Rs 23.274 million (2019: Rs 23.588 million) maintained with BankIslami Pakistan Limited (a related party) that carries a profit at the rate of 7.25% per annum (2019: 13.5% per annum). Other profit and loss sharing accounts of the Fund carry profit rates ranging from 4.5% to 7.65% per annum (2019: 10% to 11.5% per annum).

5	<b>INVESTMENTS</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
			----- Rupees in '000 -----	
	<b>Financial assets 'at fair value through profit or loss'</b>			
	Quoted equity securities	5.1	<u>582,638</u>	<u>623,324</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, 2019	Acquired during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2020	Market value as at June 30, 2020	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 -----		
<b>OIL AND GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	96,415	44,300	9,120	60,360	89,475	110,649	18.99	18.49	0.07
Oil & Gas Development Company Limited	962,400	990,700	-	1,074,400	878,700	95,778	16.44	16.00	0.02
Pakistan Oil Fields Limited	167,040	281,301	-	246,000	202,341	70,947	12.18	11.85	0.07
Pakistan Petroleum Limited	725,030	1,086,100	97,766	834,400	1,074,496	93,245	16.00	15.58	0.04
						370,619	63.61	61.92	
<b>OIL AND GAS MARKETING COMPANIES</b>									
Attock Petroleum Limited	87,800	3,500	-	47,200	44,100	13,459	2.31	2.25	0.04
Hascol Petroleum Limited	59,257	540,000	-	59,257	540,000	7,344	1.26	1.23	0.05
Hi-Tech Lubricants Limited	323,700	470,500	-	354,500	439,700	13,314	2.29	2.22	0.38
Pakistan State Oil Company Limited (Note 5)	221,024	295,600	32,465	287,300	261,789	41,405	7.11	6.92	0.06
Shell Pakistan Limited	36,600	27,900	-	36,600	27,900	5,094	0.87	0.85	0.03
Sui Northern Gas Pipelines Limited	537,200	1,064,000	-	846,500	754,700	41,207	7.07	6.88	0.12
						121,823	20.91	20.35	
<b>POWER GENERATION AND DISTRIBUTION</b>									
Hub Power Company Limited	1,006,943	683,000	-	662,000	1,027,943	74,525	12.79	12.45	0.08
K-Electric Limited	2,552,500	4,675,000	-	5,312,000	1,915,500	5,766	0.99	0.96	0.01
Nishat Power Limited	122,000	-	-	51,000	71,000	1,608	0.28	0.27	0.02
Lalpir Power Limited	732,500	-	-	21,500	711,000	8,297	1.42	1.39	0.19
						90,196	15.48	15.07	
<b>REFINERY</b>									
Attock Refinery Limited	-	94,500	-	94,500	-	-	-	-	-
National Refinery Limited	32,700	-	-	32,700	-	-	-	-	-
						-	-	-	-
<b>Total as at June 30, 2020</b>						<b>582,638</b>	<b>100.00</b>	<b>97.34</b>	
<b>Carrying value as at June 30, 2020</b>						<b>601,275</b>			
<b>Market value as at June 30, 2019</b>						<b>623,324</b>			
<b>Carrying value as at June 30, 2019</b>						<b>775,459</b>			

**5.1.1** Investments include shares with a market value of Rs. 73.315 million (2019: Rs. 64.563 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, 2020, 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	2020		2019	
	Bonus shares			
	Number of shares withheld	Market value as at June 30, 2020	Number of shares withheld	Market value as at June 30, 2019
	Rupees in '000'		Rupees in '000'	
Pakistan State Oil Company Limited	4,805	760	4,004	679

## 5.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss

	Note	2020	2019
----- Rupees in '000 -----			
Market value of investments	5.1	582,638	623,324
Carrying value of investments	5.1	(601,275)	(775,459)
		<u>(18,637)</u>	<u>(152,135)</u>

## 6 DEPOSITS AND OTHER RECEIVABLE

Security deposit with Central Depository Company of Pakistan Limited *		100	100
Security deposit with National Clearing Company of Pakistan Limited *		2,500	2,500
Advance tax	6.1	3,004	3,004
		<u>5,604</u>	<u>5,604</u>

\* related party balances



- 6.1** 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 by the withholder. The tax withheld on dividends and profit on bank deposits as at June 30, 2020 amounts to Rs 3.004 million (2019: Rs 3.004 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on dividends and profit on bank deposits has been shown as other receivable as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

<b>7 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>	<b>2020</b>	<b>2019</b>
	----- Rupees in '000 -----	
At the beginning of the year	830	1,285
Less: amortisation during the year	(455)	(455)
At the end of the year	<u>375</u>	<u>830</u>

- 7.1** 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.

<b>8 NUMBER OF UNITS IN ISSUE</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		Number of Units	
Total units in issue at the beginning of the year		72,795,981	129,995,295
Units issued during the year		87,905,076	40,336,993
Less: units redeemed during the year		90,170,914	97,536,307
Total units in issue at the end of the year		<u>70,530,143</u>	<u>72,795,981</u>

**9 PAYABLE TO NBP FUND MANAGEMENT LIMITED - MANAGEMENT COMPANY**

Management fee payable	9.1	753	1,165
Sindh sales tax payable on remuneration of the Management Company	9.2	98	151
Federal Excise Duty payable on remuneration of the Management Company	9.3	583	583
Front end load payable		1,275	278
Federal Excise Duty on front end load		1,501	1,557
Sindh sales tax on front end load		10	49
Allocated expenses payable	9.4	135	462
Selling and marketing expenses payable	9.5	1,950	1,849
Other payable		16	16
		<u>6,321</u>	<u>6,110</u>



- 9.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company was charging remuneration under the following rates:

Rate applicable from July 1, 2019 to July 11, 2019	Rate applicable from July 12, 2019 to June 30, 2020	2019
--	---	------

2% of the average annual net assets	1.5% of the average annual net assets	2% of the average annual net assets
-------------------------------------	---------------------------------------	-------------------------------------

- 9.2 During the year, an amount of Rs. 1.084 million (2019: Rs. 3.097 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

- 9.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration and 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 of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from April 19, 2016 till June 30, 2016 amounting to Rs 0.583 million is being retained in these financial statements of the Fund as the matter is pending before the Honourable Supreme Court of Pakistan. Had the provision for FED not been made, the net asset value of the Fund as at June 30, 2020 would have been higher by Re 0.0083 (2019: Re 0.008) per unit.

- 9.4 In accordance with Regulation 60 of the NBFC Regulations, an asset management company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% per annum of the average annual net assets of the scheme or actual whichever is less, for allocation of such expenses to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%.

Accordingly, the Management Company based on its own discretion has currently fixed a maximum capping of 0.1% per annum of the average annual net assets of the scheme for allocation of such expenses to the Fund.

- 9.5 The SECP had allowed an asset management company to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019) subject to maximum cap of 0.4% per annum of the average annual net assets of the Fund or actual expenses whichever is lower.

During the year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% has been removed and now an asset management company is required to set a maximum limit for charging of such expenses to the Fund and the same should be approved by the Board of Directors of the management company as part of an annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.



Accordingly, the Management Company has charged selling and marketing expenses at the below mentioned rates duly approved by Board of Directors of the Management Company:

Effective dates	Applicable rates
From July 1, 2019 till July 11, 2019	0.4% per annum of average daily net assets
From July 12, 2019 till December 16, 2019	1.15% per annum of average daily net assets
From December 17, 2019 till May 10, 2020	1.35% per annum of average daily net assets
From May 11, 2020 till June 30, 2020	1.5% per annum of average daily net assets

	Note	2020	2019
		----- Rupees in '000 -----	
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE</b>			
Trustee fee payable	10.1	100	117
Sindh sales tax payable on trustee fee	10.2	13	15
		<u>113</u>	<u>132</u>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the trust deed. During the year, trustee has revised its tariff as follows:

2019		2020
Net assets (Rs)	Fee	
- up to Rs 1 billion	Rs 0.7 million or 0.20% per annum of net assets, whichever is higher	0.20% per annum of net assets
- exceeding Rs 1 billion	Rs 2.0 million plus 0.10% per annum of net assets exceeding Rs 1 billion.	Rs 2 million plus 0.10% per annum of net assets exceeding Rs 1 billion

10.2 During the year, an amount of Rs 0.143 million (2019: Rs. 0.277 million) was charged on account of sales tax @ 13% (2019: 13%) on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011.

	Note	2020	2019
		----- Rupees in '000 -----	
<b>11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	11.1	<u>110</u>	<u>1,132</u>

11.1 In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee (applicable to all categories of CISs) to 0.02% per annum of the average annual net assets of the Fund. Previously, the rate of annual fee applicable to equity funds was 0.095% per annum of the average annual net assets. Accordingly, the Fund has charged SECP fee at the rate of 0.02% per annum of the average annual net assets during the current year.



12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
		----- Rupees in '000 -----	
Auditors' remuneration payable		338	462
Printing charges payable		34	111
Bank charges payable		52	78
Charity payable	12.1	1,533	2,101
Legal and professional charges payable		54	17
Shariah advisor fee payable		90	211
Withholding tax payable		1	19
Capital gain tax payable		538	-
Settlement charges		3	68
Provision for Sindh Workers' Welfare Fund	12.2	14,051	14,051
Other payables		-	222
		16,694	17,340

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

During the year, non Shariah compliant income amounting to Rs. 0.558 million (2019: 0.904 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of Shariah Advisor. The dividend income is recorded net of charity portion.

**12.2** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP 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, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.199 per unit (2019: Re 0.193).

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

14 AUDITORS' REMUNERATION	2020	2019
		----- Rupees in '000 -----
Annual audit fee	286	271
Half yearly review fee	141	134
Other certification	65	66
Out of pocket expenses	13	27
	505	498



## 15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.98% (2019: 3.34%) which includes 0.25% (2019: 0.38%) 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 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as 'Shariah compliant equity scheme'.

## 16 TAXATION

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

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

## 17 (Loss) / earnings per unit

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

## 18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

**18.5** Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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





	2020	2019
	----- Rupees in '000 -----	
<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration for the year	8,339	23,823
Sindh sales tax on remuneration of the Management Company	1,084	3,097
Units issued during the year Nil units (2019: 1,118,409 units)	-	13,526
Units redeemed during the year Nil units (2019: 5,511,839 units)	-	66,902
Selling and marketing expense	6,884	4,765
Allocated expenses	549	1,191
Sales and transfer load	1,407	141
Sindh sales tax on sales load	183	18
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Remuneration for the year	1,099	2,131
Sindh sales tax on remuneration	143	277
Settlement charges	286	397
<b>Pakistan Stock Exchange Limited - common directorship **</b>		
Listing fee	28	-
<b>Key management personnel of the Management Company</b>		
Units issued during the year 12,040,769 units (2019: 516,924 units)	106,408	6,075
Units redeemed during the year 11,412,361 units (2019: 943,420 units)	102,118	11,099
<b>Taurus Securities Limited - common directorship</b>		
Brokerage expense	116	90
<b>BankIslami Pakistan Limited - common directorship</b>		
Profit income	2,908	7,637
<b>Portfolio managed by the Management Company</b>		
Units issued / transferred in Nil units (2019: 1,575,279)	-	18,827
Units redeemed / transferred out Nil units (2019: 1,274,219)	-	15,613

## 18.7 Amounts / balances outstanding as at year end

<b>NBP Fund Management Limited - the Management Company</b>		
Remuneration payable to the Management Company	753	1,165
Sindh sales tax on remuneration of the Management Company	98	151
Federal Excise Duty on remuneration of the Management Company	583	583
Front-end load payable	1,275	278
Sindh sales tax on front end load	10	49
Federal Excise Duty on front end load	1,501	1,557
Selling and marketing expense payable	1,950	1,849
Others	16	16
Allocated expenses payable	135	462



	2020	2019
	----- Rupees in '000 -----	
<b>Central Depository Company of Pakistan Limited - the Trustee</b>		
Trustee fee	100	117
Sindh sales tax on the remuneration of the Trustee	13	15
Security deposit	100	100
Settlement charges	3	68
<b>Key management personnel of the Management Company</b>		
Units held 930,726 units (2019: 58,888 units)	7,899	539
<b>Summit Bank Limited - common directorship*</b>		
Bank balances	-	1,901
<b>BankIslami Pakistan Limited - common directorship</b>		
Bank balances	23,274	23,088
Profit receivable	152	410
<b>Portfolio managed by the Management Company</b>		
Units held 344,688 units (2019:1,404,508 units)	2,925	12,851

\* Current year figure has not been presented as the person is not classified as a related party / connected person of the Fund as at June 30, 2020.

\*\* Prior year comparative has not been presented as the person was not a related party / connected person of the Fund as at June 30, 2019.

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

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets

	----- 2020 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
Bank balances	-	30,237	30,237
Investments	582,638	-	582,638
Profit receivable	-	172	172
Deposits and other receivables	-	2,600	2,600
Receivable against issuance of units	-	3,345	3,345
	<u>582,638</u>	<u>36,354</u>	<u>618,992</u>

### Financial liabilities

	----- 2020 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
Payable to NBP Fund Management Limited - the Management Company	-	6,321	6,321
Payable to Central Depository Company of Pakistan - the Trustee	-	113	113
Payable against redemption of units	-	399	399
Payable against purchase of investments	-	175	175
	<u>-</u>	<u>2,101</u>	<u>2,101</u>
Accrued expenses and other liabilities	-	9,109	9,109



## Financial assets

Bank balances	-	33,788	33,788
Investments	623,324	-	623,324
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		
-	33,788	33,788
623,324	-	623,324
-	421	421
-	2,600	2,600
-	26,783	26,783
<u>623,324</u>	<u>63,592</u>	<u>686,916</u>

## Financial liabilities

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

2019		
At fair value through profit or loss	At amortised cost	Total
Rupees in '000		
-	6,110	6,110
-	132	132
-	3,270	3,270
<u>-</u>	<u>9,512</u>	<u>9,512</u>

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 20.1 Market risk

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

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

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

#### (i) Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As at June 30, 2020, 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 bank balances which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.271 million (2019: Rs. 0.270 million).

**b) Sensitivity analysis for fixed rate instruments**

As at June 30, 2020, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

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

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

2020					
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	4.5%-7.65%	27,096	-	-	3,141	30,237
Investments		-	-	-	582,638	582,638
Profit receivable		-	-	-	172	172
Deposits and other receivables		-	-	-	2,600	2,600
Receivable against issuance of units		-	-	-	3,345	3,345
		27,096	-	-	591,896	618,992

**Financial liabilities**

Payable to NBP Fund Management Limited - the Management Company		-	-	-	6,321	6,321
Payable to Central Depository Company of Pakistan - the Trustee		-	-	-	113	113
Payable against redemption of units		-	-	-	399	399
Payable against purchase of investments		-	-	-	175	175
Accrued expenses and other liabilities		-	-	-	2,101	2,101
		-	-	-	9,109	9,109

**On-balance sheet gap**

27,096      -      -      582,787      609,883

**Total profit rate sensitivity gap**

27,096      -      -

**Cumulative profit rate sensitivity gap**

27,096      27,096      27,096



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
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 Central Depository Company of Pakistan Limited - 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
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#### Total profit rate sensitivity gap

	27,028	-	-		
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#### Cumulative profit rate sensitivity gap

	27,028	27,028	27,028		
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#### (ii) Currency risk

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

#### (iii) Price risk

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

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

In case of 5% increase / decrease in KMI 30 index on June 30, 2020, with all other variables held constant, the net loss of the Fund for the year would decrease / increase by Rs. 29.132 million (2019: Rs. 31.166 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, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

## 20.2 Liquidity risk

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

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

As per 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:

2020						
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	30,237	-	-	-	-	30,237
Investments	-	-	-	-	582,638	582,638
Profit receivable	172	-	-	-	-	172
Deposits and other receivables	-	-	-	-	2,600	2,600
Receivable against issuance of units	3,345	-	-	-	-	3,345
	33,754	-	-	-	585,238	618,992

### Financial liabilities

Payable to NBP Fund Management Limited - the Management Company	6,321	-	-	-	-	6,321
Payable to Central Depository Company of Pakistan - the Trustee	113	-	-	-	-	113
Payable against redemption of units	399	-	-	-	-	399
Payable against purchase of investments	175	-	-	-	-	175
Accrued expenses and other liabilities	2,101	-	-	-	-	2,101
	9,109	-	-	-	-	9,109
<b>Net assets</b>	<b>24,645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>585,238</b>	<b>609,883</b>



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
Profit receivable	421	-	-	-	-	421
Deposits and other receivables	-	-	-	-	2,600	2,600
Receivable against sale of investments	26,783	-	-	-	-	26,783
	60,992	-	-	-	625,924	686,916

#### Financial liabilities

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

#### Net assets

	51,480	-	-	-	625,924	677,404
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## 20.3 Credit risk

**20.3.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

2020		2019	
Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk

Rupees in '000

Bank balances	30,237	30,237	33,788	33,788
Investments	582,638	-	623,324	-
Profit receivable	172	172	421	421
Deposits and other receivables	2,600	2,600	2,600	2,600
Receivable against sale of investments	-	-	26,783	26,783
Receivable against issuance of units	3,345	3,345	-	-
	618,992	36,354	686,916	63,592

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

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



## 20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	0.42	0.74
AA+	0.23	0.14
AA-	0.14	0.05
AA	0.16	0.27
A+	3.76	3.42
A-	-	0.07
BBB-	0.16	0.28
	<u>4.88</u>	<u>4.97</u>

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

### Fair value hierarchy

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:

	2020		
	Level 1	Level 2	Level 3
	Rupees in '000		
<b>Financial assets</b>			
At fair value through profit or loss	582,638	-	-
	2019		
	Level 1	Level 2	Level 3
	Rupees in '000		
<b>Financial assets</b>			
At fair value through profit or loss	623,324	-	-

## 22 UNIT HOLDERS' FUND RISK MANAGEMENT

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





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

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

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

## 23 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	1,510	460,330	76.91	1,849	576,132	86.51
Public Limited companies	3	17,831	2.98	4	28,920	4.34
Retirement funds	8	24,721	4.13	8	26,651	4.00
Others	13	95,677	15.98	19	34,333	5.15
	<b>1,534</b>	<b>598,559</b>	<b>100%</b>	<b>1,880</b>	<b>666,036</b>	<b>100%</b>

## 24 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2020		2019	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Ismail Iqbal Securities (Private) Limited	5.74%	Taurus Securities Limited	6.58%
Topline Securities (Private) Limited	5.52%	Arif Habib Securities Limited	5.09%
Taurus Securities Limited	5.31%	EFG Hermes Pakistan Limited	4.87%
Intermarket Securities Limited	4.98%	Topline Securities (Private) Limited	4.44%
Alfalsh Securities (Private) Limited	4.69%	Alfalsh Securities (Private) Limited	4.31%
Arif Habib Securities Limited	4.48%	Optimus Capital Management Limited	4.23%
J.S. Global Capital Limited	4.45%	Aqeel Karim Dehdi Securities ( Private) Limited	3.71%
BMA Capital Management Limited	4.13%	BMA Capital Management Limited	3.62%
EFG Hermes Pakistan Limited	4.09%	Next Capital Limited	3.53%
Optimus Capital Management Limited	4.04%	Foundation Securities (Private) Limited	3.51%



## 25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience in years
Dr. Amjad Waheed	Chief Executive Officer	MBA / Doctorate in Business Administration / CFA	32
Mr. Sajjad Anwar	Chief Investment Officer	CFA / MBA	20
Mr. Asim Wahab Khan	Deputy Chief Investment Officer	CFA	14
Mr. Hassan Raza	Head of Research	ACCA / BSC / CFA	9

## 26 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other funds managed by the Fund Manager
Mr. Asim Wahab Khan	Deputy Chief Investment Officer	CFA	NBF, NFSF, NIAAEF, NIRIF, NISIF, NSIF, NSF

## 27 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 72nd, 73rd, 74th, 75th Board meetings were held on August 30, 2019, October 24, 2019, February 27, 2020, April 27, 2020, respectively. Information in respect of attendance by directors in the meetings is given below:

Name of director	Number of			Meetings not attended
	Held / applicable	Attended	Leave granted	
Shaikh Muhammad Abdul Wahid Sethi	4	4	-	-
Mr. Saad ur Rahman Khan [note 27.1]	3	2	1	74th
Syed Hasan Irtiza Kazmi [note 27.2]	3	3	-	-
Mr. Nasir Husain [note 27.3]	1	-	1	72nd
Mr. Abdul Hadi Palekar [note 27.4]	1	-	1	72nd
Mr. Ali Saigol	4	4	-	-
Mr. Imran Zaffar	4	4	-	-
Mr. Kamal Amir Chinoy [note 27.5]	1	1	-	-
Mr. Khalid Mansoor [note 27.6]	3	3	-	-
Mr. Humayun Bashir	4	4	-	-
Mr. Shehryar Faruque [note 27.7]	1	1	-	-
Mr. Saad Amanullah Khan [note 27.8]	3	3	-	-
Dr. Amjad Waheed	4	4	-	-

**27.1** Mr. Saad ur Rahman Khan was appointed as the director on the Board with effect from October 4, 2019.

**27.2** Syed Hasan Irtiza Kazmi was appointed as the director on the Board with effect from October 4, 2019.

**27.3** Mr. Nasir Husain retired from the Board with effect from October 4, 2019.

**27.4** Mr. Abdul Hadi Palekar retired from the Board with effect from October 4, 2019.

**27.5** Mr. Kamal Amir Chinoy retired from the Board with effect from October 4, 2019.

**27.6** Mr. Khalid Mansoor was appointed as the director on the Board with effect from October 4, 2019.

**27.7** Mr. Shehryar Faruque retired from the Board with effect from October 4, 2019.

**27.8** Mr. Saad Amanullah Khan was appointed as the director on the Board with effect from October 4, 2019.



## 28 CORRESPONDING FIGURES

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

## 29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **September 17, 2020**.

## 30 GENERAL

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

### 30.1 Regulatory reliefs due to COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Time period to ensure compliance with the minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- c) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

### 30.2 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



## PERFORMANCE TABLE

Particulars	For the year ended June 30, 2020	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)	598,559	666,036	1,647,183	2,315,526	1,033,099
Net income for the year / period ended (Rs '000)	(32,995)	(360,298)	(86,123)	601,343	88,784
Net Asset Value per unit at the year / period ended (Rs)	8.4866	9.1493	12.6711	13.0957	10.5499
Offer Price per unit	8.7743	9.4595	13.1007	13.5396	10.9684
Redemption Price per unit	8.4866	9.1493	12.6711	13.0957	10.5499
Ex - Highest offer price per unit (Rs.)	11.6523	13.0998	14.7179	15.5854	11.3450
Ex - Lowest offer price per unit (Rs.)	6.645	9.1925	12.0731	10.2984	9.6356
Ex - Highest redemption price per unit (Rs.)	11.2702	12.6703	14.2353	15.0743	10.9121
Ex - Lowest redemption price per unit (Rs.)	6.4271	8.8911	11.6772	10.0673	9.6356
Fiscal Year Opening Ex NAV	9.1493	12.6711	13.0957	9.9054	9.6356
Total return of the fund	-7.24%	-27.80%	-3.24%	32.21%	9.49%
Capital growth	-7.24%	-27.80%	-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%
<b>Distribution</b>					
Interim distribution per unit	-	-	-	0.8310	0.4000
Final distribution per unit	-	-	-	-	-
<b>Distribution Dates</b>					
Interim	-	-	-	21-Jun-17	30-Jun-16
Final	-	-	-	-	-
<b>Total return of the fund (launch date January 09, 2015)</b>					
(Since inception to June 30, 2020)	-1.51%	-	-	-	-
(Since inception to June 30, 2019)	-	1.10%	-	-	-
(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** duly approved by Board of Directors of the Management Company, is available on the website of NBP Fund Management Limited i.e. [www.nbpfunds.com](http://www.nbpfunds.com). A detailed information regarding actual proxies voted by the Management Company in respect of the fund is also available without charge, upon request, to all unit holders.

The details of summarized proxies voted are as follows:

NBP ISLAMIC ENERGY FUND			
Resolutions	For	Against	Abstain*
2	2	Nil	N/A
100%	100%	-	-

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