

**AM1**  
Rated by PACRA



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

## NAFA ISLAMIC PENSION FUND

# ANNUAL REPORT 2017



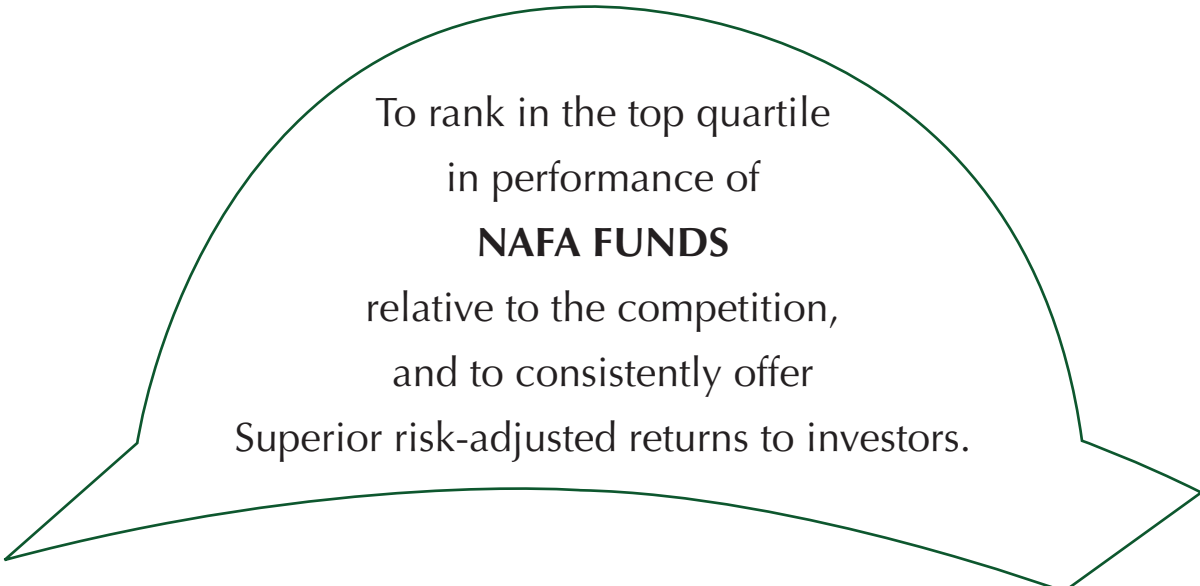
*Your investments & "NAFA" grow together*



**FULLERTON FUND  
MANAGEMENT**

*Joint - Venture Partners*

## MISSION STATEMENT



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

# NAFA ISLAMIC PENSION FUND

## FUND'S INFORMATION

### Management Company

NBP Fullerton Asset Management Limited – Management Company

### Board of Directors of the Management Company

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

### Company Secretary & COO

Mr. Muhammad Murtaza Ali

### Chief Financial Officer

Mr. Khalid Mehmood

### Audit & Risk Committee

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

### Human Resource and Remuneration Committee

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

### Trustee

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

### Bankers to the Fund

Habib Bank Limited (Islamic)  
United Bank Limited (Ameen)  
Bank Al Habib Limited (Islamic)  
Meezan Bank Limited  
Bank Islami (Pakistan) Limited  
Sindh Bank Limited (Sa'adat)  
MCB Bank Limited (Islamic)  
Dubai Islamic Bank Limited  
Bank Alfalah Limited (Islamic)  
Soneri Bank Limited (Mustaqeem)  
HabibMetro Bank Limited (Islamic)  
Allied Bank Limited (Islamic)

# NAFA ISLAMIC PENSION FUND

## **Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.02  
Beaumont Road,  
Karachi - 75530, Pakistan.

## **Legal Advisor**

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

## **Head Office:**

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

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

## **Multan Office:**

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

# NAFA ISLAMIC PENSION FUND

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# Board of Directors



Dr. Amjad Waheed, CFA  
Chief Executive Officer



Mr. Mudassir Husain Khan  
Chairman



Mr. Kamal Amir Chinoy  
Director



Mr. Lui Mang Yin (Martin Lui)  
Director



Mr. Tariq Jamali  
Director



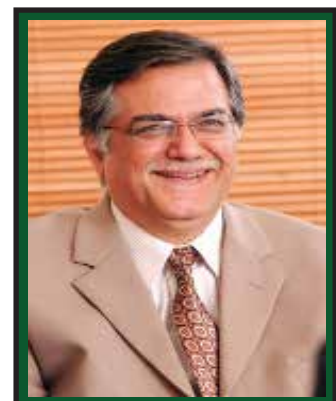
Mr. Shehryar Faruque  
Director



Dr. Foo Chiah Shiung (Kelvin Foo)  
Director



Mr. Abdul Hadi Palekar  
Director



Mr. Humayun Bashir  
Director



# Senior Management



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



**Mr. Sajjad Anwar, CFA**  
**Chief Investment Officer**



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



**Mr. Khalid Mehmood**  
**Chief Financial Officer**



**Mr. Samiuddin Ahmed**  
**Country Head Corporate**  
**Marketing**



**Mr. Ozair Khan**  
**Chief Technology Officer**



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



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



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



**Syed Ali Azhar Hasani**  
**Head of Internal Audit**



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



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



**Mr. Shahbaz Umer**  
**Head of Human Resource &**  
**Administration**

# NAFA ISLAMIC PENSION FUND

## DIRECTORS' REPORT

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

### Fund's Performance

	<b>Fund Size (Rs. in mln)</b>	<b>NAV Per Unit (Rs.) June 30, 2016</b>	<b>NAV Per Unit (Rs.) June 30, 2017</b>	<b>Performance Since Launch July 02, 2013</b>
<b>NIPF-Equity Sub-fund</b>	<b>964.0</b>	<b>243.0699</b>	<b>330.0453</b>	<b>34.6%</b>
<b>NIPF-Debt Sub-fund</b>	<b>365.7</b>	<b>119.6465</b>	<b>124.3591</b>	<b>5.4%</b>
<b>NIPF-Money Market Sub-fund</b>	<b>253.2</b>	<b>119.7025</b>	<b>124.2692</b>	<b>5.3%</b>
<b>Annualized Return</b>	<b>[Net of management fee &amp; all other expenses]</b>			

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

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as the short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

Trading activity in corporate Sukuks slightly improved with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades remained skewed towards high quality debt issues, which mainly concentrated towards the Banking sector with 71% contribution. Dearth of primary issuance and rising demand kept the yield spread tightened in the secondary market.

The equity sub-fund generated a return of 35.78% during FY17 against the benchmark KMI-30 Index return of 18.80%.

The debt sub-fund yielded a return of 3.94% during FY17.

During FY17, the money market sub-fund posted a return of 3.82%. These returns are net of management fee and all other expenses.

The asset allocation of the Fund as on June 30, 2017 is as follows:



# NAFA ISLAMIC PENSION FUND

Asset Allocation (% of Net Assets)	
<b>Equity Sub-fund</b>	
Equity	90.86%
Cash Equivalents	10.13%
Others	-0.99%
<b>Total</b>	<b>100.00%</b>
<b>Debt Sub-fund</b>	
Sukuks	45.76%
Cash Equivalents	55.37%
Others	-1.13%
<b>Total</b>	<b>100.00%</b>
<b>Money Market Sub-fund</b>	
Short Term Sukuks	6.04%
Cash Equivalents	92.27%
Others	1.69%
<b>Total</b>	<b>100.00%</b>

## Taxation

No provision for taxation for the year ended June 30, 2017 has been made in view of the exemption available under clause 57 (1) (viii) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001.

## Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ending June 30, 2018.

## Acknowledgement

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

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

On behalf of the Board of  
NBP Fullerton Asset Management Limited

Chief Executive

Director

Date: September 15, 2017  
Place: Karachi.

# NAFA ISLAMIC PENSION FUND

## ڈائریکٹرز رپورٹ

این بی پی فلٹرن ایسیٹ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز NAFA ISLAMIC PENSION FUND (NIPF) کی پانچویں سالانہ رپورٹ برائے سال ختمہ 30 جون 2017ء پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### فنڈ کی کارکردگی

02 جولائی 2013 کو لانچ سے اب تک کارکردگی	NAV فی یونٹ (روپے) 30 جون 2017	NAV فی یونٹ (روپے) 30 جون 2016	فنڈ کا حجم (ملین روپے)	
34.6%	330.0453	243.0699	964	NIPF ایکویٹی سب فنڈ
5.4%	124.3591	119.6465	365.7	NIPF-ڈیٹ سب فنڈ
5.3%	124.2692	119.7025	253.2	NIPF منی مارکیٹ سب فنڈ
سالانہ بنیاد پر منافع				منجمنٹ فیس اور دیگر تمام اخراجات کے بعد خالص

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

ایشیائے خورد و نوش کی قیمتوں میں کمی کے سبب CPI کے مطابق مالی سال 2017 میں افراط زر اور وسطاً 4.2% رہا۔ سال کے دوران اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی کی شرح 5.75% برقرار رکھی۔ SBP نے چین پاکستان اقتصادی راہداری (CPEC) کے تناظر میں منصوبوں کیلئے سرمایہ کاری کی کارروائیوں میں تیزی آنے کو معاشی صورتحال میں بہتری کا سبب قرار دیا؛ تاہم درآمدات میں اضافہ پر اپنے تحفظات کا اظہار کیا، جس کے ساتھ برآمدات میں بیرون ملک سے رقم کی ترسیل میں کمی سے کرنٹ اکاؤنٹ کا خسارہ بڑھ گیا۔ SBP کی دانشمندانہ مانیٹری پالیسی کے نتیجے میں شرح سود میں استحکام اور کمی دیکھنے میں آئی؛ جس سے نجی شعبہ کو اپنی گنجائش بڑھانے میں حوصلہ افزائی ہوئی۔ قلیل حکومتی منافع میں 10-5 بنیادی پوائنٹس کے ساتھ بہتری آئی۔ جب کہ طویل مدت کے منافع میں 60-40 بنیادی پوائنٹس کا اضافہ ہوا۔

کارپوریٹ TFCs/Sakus کی تجارتی سرگرمیوں میں کچھ بہتری آئی اور مالی سال 17 میں ان کی مجموعی تجارتی قدر 9.1 بلین روپے رہی جو کہ گزشتہ سال 7.7 بلین روپے تھی۔ تجارت کا جھکاؤ اعلیٰ سطح کے قرضہ جات کی جانب رہا جس میں خاص طور پر بینکنگ کے شعبہ کا حصہ 71% تھا۔ ابتدائی اجراء کی قلت اور طلب میں اضافہ سے ثانوی مارکیٹ میں منافع کی صورتحال اوسط رہی۔ مالی سال 17 کے دوران میں ایکویٹی سب فنڈ سے حاصل ہونے والی آمدنی میں 35.78% کا اضافہ ہوا جب کہ اسی مدت کے لئے KMI-30 انڈیکس میں آمدنی میں اضافہ کی شرح کی حد 18.80% مقرر کی گئی تھی۔

مالی سال 17 میں قرضہ کے ذیلی فنڈ کے منافع میں بھی 3.94% کی شرح سے اضافہ دیکھنے میں آیا۔

اس مالی سال کے دوران میں منی مارکیٹ سب فنڈ سے آمدنی میں اضافہ کی شرح 3.82% رہی۔ ایریٹرز منجمنٹ کی فیس اور تمام دوسرے اخراجات کیلئے خالص رقم ہے۔

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

# NAFA ISLAMIC PENSION FUND

ایسیٹ ایلوکیشن (نیٹ ایسیٹس کا %)	
ایسیٹس سب فنڈ	
ایسیٹس	90.86%
کیش کے مساوی	10.13%
دیگر	-0.99%
ڈیٹ سب فنڈ	100.00% ٹوٹل
صکوک	45.76%
کیش کے مساوی	55.37%
دیگر	-1.13%
ڈیٹ سب فنڈ	100.00% ٹوٹل
منی ماریکیٹ سب فنڈ	
منحصر مدتی صکوک	6.04%
کیش کے مساوی	92.27%
دیگر	1.69%
ڈیٹ سب فنڈ	100.00% ٹوٹل

## ٹیکسیشن

فنڈ پرائم ٹیکس آرڈیننس 2001 کے سیکنڈ شیڈول کے پارٹ I کی شق (viii)(1) 57 کے مطابق ٹیکس سے استثنیٰ ہونے کی بناء پر 30 جون 2017 کو ختم ہونے والے سال کے لئے ٹیکس کا کوئی پروویژن نہیں تھا۔

## آڈیٹرز

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

## اعتراف

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے منجمنٹ کمپنی پر اعتماد، اعتبار اور خدمت کا موقع فراہم کرنے پر اپنے قابل قدر پونٹ ہولڈرز کا شکریہ ادا کرتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان سے بھی ان کی سرپرستی اور رہنمائی کے لیے پُر خلوص اظہارِ تشکر کرتا ہے۔  
بورڈ اپنے اسٹاف اور اسٹیٹس کی طرف سے محنت، لگن اور عزم کے مظاہرے پر اپنا خراجِ تحسین بھی ریکارڈ پر لانا چاہتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

NBP فلٹرن ایسیٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو

بتاریخ

15 ستمبر 2017ء

مقام: کراچی

# NAFA ISLAMIC PENSION FUND

## TRUSTEE REPORT TO THE PARTICIPANTS NAFA ISLAMIC PENSION FUND

### Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005

We, Central Depository Company of Pakistan Limited, being the Trustee of NAFA Islamic Pension Fund (the Fund) are of the opinion that NBP Fullerton Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

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

Karachi, October 09, 2017

# NAFA ISLAMIC PENSION FUND

## STATEMENT OF COMPLIANCE WITH THE SHARIAH GUIDELINES

**NAFA Islamic Pension Fund** (the Fund) has fully complied with the Shariah guidelines prescribed by the Shariah Advisor as required under the Trust Deed and the Offering Document of the Fund for its operations, investments and placements made during the year ended June 30, 2017. This has been duly confirmed by the Shariah Supervisory Board of the Fund.

For and behalf of the board

Date: September 15, 2017  
Karachi

Dr. Amjad Waheed, CFA  
Chief Executive Officer



# NAFA ISLAMIC PENSION FUND

## FUND MANAGER REPORT

### NAFA Islamic Pension Fund

NAFA Islamic Pension Fund is an open-ended Shariah Compliant Voluntary Pension Scheme

### Investment Objective of the Fund

To provide a secure source of savings and regular income after retirement to the Participants.

### Fund performance review

	Fund Size (Rs. in mln)	NAV Per Unit (Rs.) June 30, 2016	NAV Per Unit (Rs.) June 30, 2017	Performance Since Launch July 02, 2013
NIPF-Equity Sub-fund	964.0	243.0699	330.0453	34.6%
NIPF-Debt Sub-fund	365.7	119.6465	124.3591	5.4%
NIPF-Money Market Sub-fund	253.2	119.7025	124.2692	5.3%
<b>Annualized Return</b>	<b>[Net of management fee &amp; all other expenses]</b>			

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

Helped by the lower food prices, inflation as measured by the CPI averaged 4.2% for FY17. During the year, State Bank of Pakistan (SBP) maintained the policy rate at 5.75%. SBP cited improving economic prospects amid investment activity in the context of CPEC gathering pace; but also highlighted its concerns on surge in imports, which along with a marginal decline in exports and workers' remittances widened the current account deficit. SBP's prudent monetary policy stance translated into low and stable market interest rates; encouraging the private sector to undertake capacity expansions. Sovereign yield curve slightly steepened as short end of the curve inched up by 5-10 basis points whereas long-term yields increased by 40-60 basis points.

Trading activity in corporate Sukuks slightly improved with cumulative trade value of Rs 9.1 billion in FY17 compared to Rs 7.7 billion last year. The trades remained skewed towards high quality debt issues, which mainly concentrated towards the Banking sector with 71% contribution. Dearth of primary issuance and rising demand kept the yield spread tightened in the secondary market.

The equity sub-fund generated a return of 35.78% during FY17 against the benchmark KMI-30 Index return of 18.80%.

The debt sub-fund yielded a return of 3.94% during FY17.

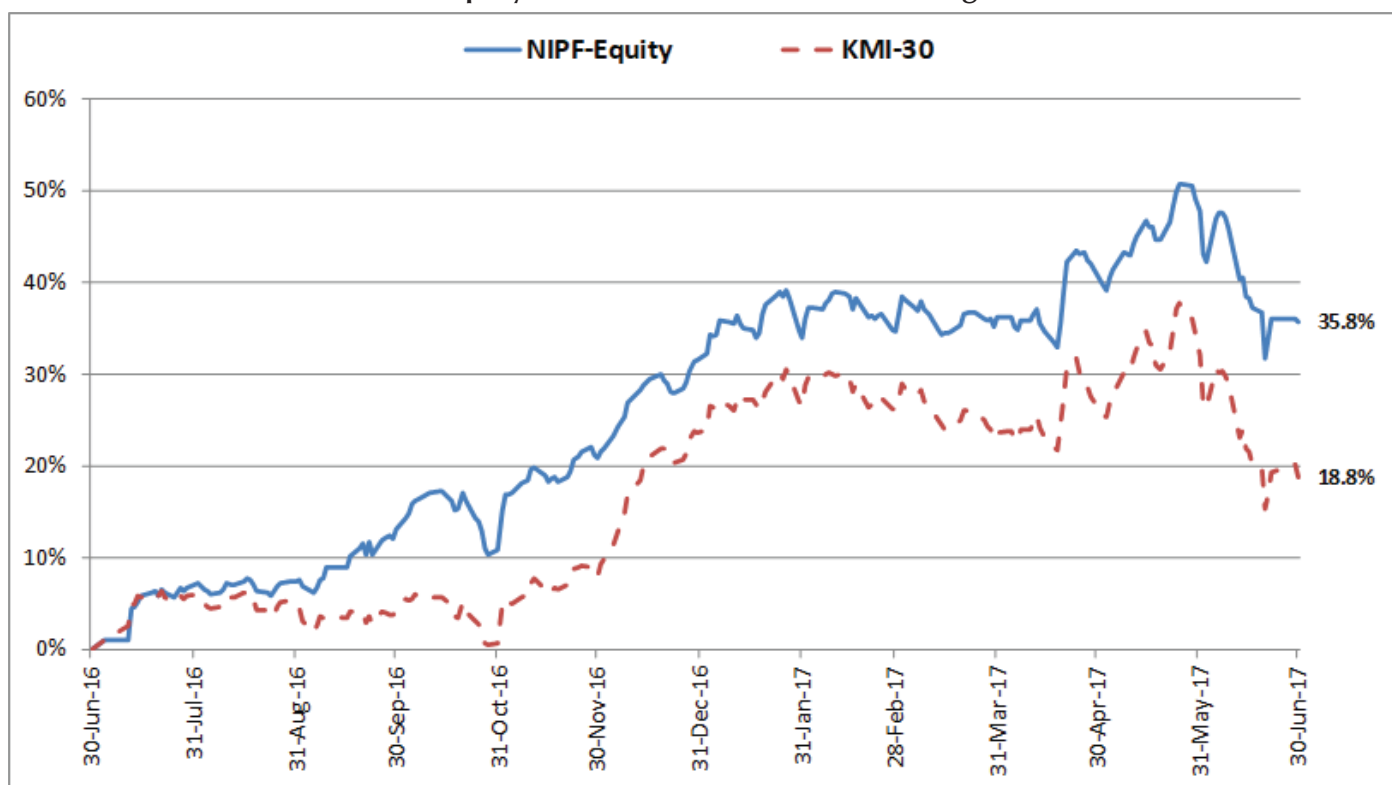
During FY17, the money market sub-fund posted a return of 3.82%. These returns are net of management fee and all other expenses.

During the year, the provision for Workers' Welfare Fund held by the fund till June 30, 2015 has been reversed on January 12, 2017. Further, the provision in respect of Sindh Workers' Welfare Fund has been made on a prudent basis with effect from May 21, 2015. For further details, refer note 12.1 to the financial statements.

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

# NAFA ISLAMIC PENSION FUND

NIPF-Equity Performance vs. KMI-30 during FY17



Asset Allocation of the Fund (% of NAV)

Asset Allocation (% of Net Assets)	
<b>Equity Sub-fund</b>	
Equity	90.86%
Cash Equivalents	10.13%
Others	-0.99%
<b>Total</b>	<b>100.00%</b>
<b>Debt Sub-fund</b>	
Sukuks	45.76%
Cash Equivalents	55.37%
Others	-1.13%
<b>Total</b>	<b>100.00%</b>
<b>Money Market Sub-fund</b>	
Short Term Sukuks	6.04%
Cash Equivalents	92.27%
Others	1.69%
<b>Total</b>	<b>100.00%</b>

# NAFA ISLAMIC PENSION FUND

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

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

**Alhamdulillah**, the period from July 1, 2016 to June 30, 2017 was the fourth year of operations of NAFA Islamic Pension Fund (NIPF). This report is being issued in accordance with clause 5.13.7 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 NIPF in light of Shari'ah requirements. Following is a list of top investments of NIPF as on June 30, 2017 and their evaluation according to the screening criteria established by us. (December 31, 2016 accounts of the Investee companies have been used)

Company Name	(i)	(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)	
Lucky Cement Ltd	Cement	7.81%	15.66%	2.87%	67%	1.64	866
Engro Corporation	Fertilizer	23.5%	22.29%	0.73%	63%	(28.82)	
Mari Petroleum	Oil & Gas Exploration	5.85%	0.00%	0.17%	37.5%	(52.49)	
Pakistan Oilfields Ltd	Oil and Gas Exploration Companies	0.00%	0.22%	1.43%	73%	-42.56	
Pakistan Petroleum Limited	Oil and Gas Exploration Companies	0.10%	26%	3.15%	49%	32.76	188.18
DGKC	Cement	11.90%	3.29%	4.76%	90%	(37.70)	
Oil & gas Development Company *	Oil & Gas Exploration	0.00%	25.07%	6.21%	39%	59.07%	165.35
The Hub Power Co.	Power Generation & Distribution	29.47%	0.00%	0.18%	39%	(26.82)	

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

# NAFA ISLAMIC PENSION FUND

- ii) On the basis of information provided by the management and the provisions of the Scheme, investments in equities made on account of NIPF are Shari'ah Compliant and in accordance with the criteria established by us.
- iii) There are investments made by NIPF 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 NIPF for the year ended June 30, 2017 are not in compliance with the Shari'ah principles.

During the year a provision of Rupees 140,581/- was created and an amount of Rupees 250,396/- was available for disbursement into charity as of June 30, 2017. However, the provisional amount will be adjusted after the availability of the respective annual financial statements.

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

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**For and on behalf of Meezan Bank Limited**  
*Shar'iah Technical Services & 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*

# NAFA ISLAMIC PENSION FUND

## INDEPENDENT ASSURANCE REPORT TO THE PARTICIPANTS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We were engaged by the Board of Directors of NBP Fullerton Asset Management Limited, Pension Fund Manager of NAFA Islamic Pension Fund (the Fund), to report on Fund's Compliance with the Shariah guidelines as set out in the annexed statement prepared by the Pension Fund Manager for the year ended 30 June 2017 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah guidelines prescribed by the Shariah Advisor as required under the Trust Deed and Offering Document of the Fund.

### Pension Fund Manager's Responsibilities

The Pension Fund Manager of the Fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah guidelines prescribed by the Shariah Advisor as required under the Trust Deed and Offering Document of the Fund. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah guidelines and to ensure that Fund's investments and placements are made in compliance with Shariah guidelines.

The Pension Fund Manager is also responsible for preventing and detecting fraud and for identifying and ensuring that the Fund complies with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Fund's compliance with the Shariah guidelines are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

### Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Pension Fund Manager and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisor as required under the Trust Deed and Offering Document of the Fund.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah guidelines whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah guidelines in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the statement of the management assessment of compliance with the Shariah guidelines nor of the underlying records or other sources from which the annexed statement was extracted.

The procedures performed included:

1. Checking compliance of specific guidelines prescribed by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the year ended 30 June 2017 are in compliance with the Shariah guidelines and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisor as required under the Trust Deed and Offering Document of the Fund for the year ended 30 June 2017.

Date: September 15, 2017

Karachi  
Annual Report 2017

KPMG Taseer Hadi & Co.  
Chartered Accountants



# NAFA ISLAMIC PENSION FUND

## INDEPENDENT AUDITORS' REPORT TO THE PARTICIPANTS OF NAFA ISLAMIC PENSION FUND

We have audited the annexed financial statements comprising:

- i) Balance Sheet;
- ii) Income Statement;
- iii) Statement of Comprehensive Income;
- iv) Statement of Movement in Participants' Fund; and
- v) Cash Flow Statement

of **NAFA Islamic Pension Fund** ("the Fund") as at 30 June 2017 and for the year ended 30 June 2017 together with the notes forming part thereof.

It is the responsibility of the Pension Fund Manager to establish and maintain a system of internal controls; and prepare and present the financial statements of the Fund in conformity with the Approved Accounting Standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements as at 30 June 2017 and for the year ended 30 June 2017 have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- (b) the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2017 and of its financial performance, cash flows and transactions for the year ended 30 June 2017 in accordance with approved accounting standards as applicable in Pakistan;
- (c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- (d) the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- (e) the financial statements prepared are in agreement with the Fund's books and records;
- (f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- (g) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Date: September 15, 2017

Karachi

Annual Report 2017

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Nadeem

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# NAFA ISLAMIC PENSION FUND

## Balance Sheet As at 30 June 2017

Note	2017					2016					
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total	
----- (Rupees) -----											
<b>Assets</b>											
Bank balances	5	97,597,766	198,562,188	231,069,973	4,932,588	532,162,515	40,029,344	163,819,796	137,238,592	3,340,997	344,428,729
Investments	6	875,929,525	167,340,500	15,298,500	-	1,058,568,525	395,128,577	115,491,000	15,118,500	-	525,738,077
Dividend receivable		3,630,981	-	-	-	3,630,981	1,505,750	-	-	-	1,505,750
Mark-up receivables	7	286,444	2,131,727	1,577,019	-	3,995,190	182,456	1,928,955	1,041,937	-	3,153,348
Receivable against sale of investment		1,467,495	-	-	-	1,467,495	-	-	-	-	-
Advance, deposits and other receivable	8	3,017,169	100,000	7,045,428	-	10,162,597	125,528	100,000	100,000	-	325,528
<b>Total assets</b>		<b>981,929,380</b>	<b>368,134,415</b>	<b>254,990,920</b>	<b>4,932,588</b>	<b>1,609,987,303</b>	436,971,655	281,339,751	153,499,029	3,340,997	875,151,432
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	9	1,425,302	547,275	388,986	2,943,712	5,305,275	681,175	455,911	283,042	3,155,986	4,576,114
Payable to Central Depository Company of Pakistan Limited - Trustee	10	134,502	47,038	30,239	-	211,779	59,187	37,161	20,311	-	116,659
Payable to Securities and Exchange Commission of Pakistan	11	238,997	99,888	59,947	-	398,832	99,445	63,495	34,758	-	197,698
Accrued expenses and other liabilities	12	16,100,787	1,732,235	1,310,513	1,988,876	21,132,411	3,008,302	1,093,161	751,888	185,011	5,038,362
<b>Total liabilities</b>		<b>17,899,588</b>	<b>2,426,436</b>	<b>1,789,685</b>	<b>4,932,588</b>	<b>27,048,297</b>	3,848,109	1,649,728	1,089,999	3,340,997	9,928,833
<b>Net assets</b>		<b>964,029,792</b>	<b>365,707,979</b>	<b>253,201,235</b>	<b>-</b>	<b>1,582,939,006</b>	433,123,546	279,690,023	152,409,030	-	865,222,599
<b>Participants' funds (as per statement attached)</b>		<b>964,029,792</b>	<b>365,707,979</b>	<b>253,201,235</b>	<b>-</b>	<b>1,582,939,006</b>	433,123,546	279,690,023	152,409,030	-	865,222,599
<b>Contingency and commitment</b>	13										
<b>Number of units in issue</b>	14	<b>2,920,901</b>	<b>2,940,742</b>	<b>2,037,522</b>			1,781,889	2,337,636	1,273,232		
<b>Net assets value per unit</b>		<b>330.0453</b>	<b>124.3591</b>	<b>124.2692</b>			243.0699	119.6465	119.7025		

The annexed notes 1 to 23 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director

# NAFA ISLAMIC PENSION FUND

## Income Statement For the year ended 30 June 2017

Note	2017				2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
----- (Rupees) -----									
<b>Income</b>									
Mark-up on bank deposits	5.1	2,172,866	10,723,637	9,663,787	22,560,290	1,599,504	6,199,090	4,606,485	12,405,079
Mark-up / return on government securities		-	5,918,734	817,976	6,736,710	-	6,080,038	2,220,871	8,300,909
Dividend income		28,889,732	-	-	28,889,732	14,696,771	-	-	14,696,771
Gain / (loss) on sale of investments - net		55,005,154	260,000	-	55,265,154	5,445,863	(803,480)	(366,750)	4,275,633
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.3	113,480,973	1,589,500	180,000	115,250,473	38,840,657	(59,000)	118,500	38,900,157
Other income		1,187,570	-	-	1,187,570	-	-	-	-
		<b>200,736,295</b>	<b>18,491,871</b>	<b>10,661,763</b>	<b>229,889,929</b>	<b>60,582,795</b>	<b>11,416,648</b>	<b>6,579,106</b>	<b>78,578,549</b>
<b>Expenses</b>									
Remuneration to NBP Fullerton Asset Management Limited - Pension Fund Manager	9.1	10,863,501	4,540,324	2,724,883	18,128,708	4,520,266	2,886,190	1,579,936	8,986,392
Sindh Sales Tax on remuneration to Pension Fund Manager	9.2	1,412,255	590,242	354,235	2,356,732	734,091	468,717	256,582	1,459,390
Federal Excise Duty on remuneration to Pension Fund Manager	12	-	-	-	-	723,243	461,790	252,790	1,437,823
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1	1,086,110	454,032	284,497	1,824,639	452,105	288,666	158,021	898,792
Sindh Sales Tax on remuneration to Central Depository Company of Pakistan Limited- Trustee	10.2	141,194	59,024	36,985	237,203	63,295	40,413	22,123	125,831
Annual fee - Securities and Exchange Commission of Pakistan	11	238,997	99,887	59,947	398,831	99,446	63,496	34,759	197,701
Auditors' remuneration	16	121,319	121,319	121,319	363,957	114,178	114,178	114,178	342,534
Amortisation of preliminary expense and floatation costs		-	-	-	-	21,027	21,027	21,027	63,081
Charity expense		438,021	-	-	438,021	219,510	-	-	219,510
Securities transaction cost		739,772	-	-	739,772	448,710	14,527	-	463,237
Printing expenses		14,965	14,965	14,965	44,895	14,966	14,966	14,966	44,898
Legal and professional charges		54,930	29,930	29,930	114,790	160,979	7,140	7,140	175,259
Settlement and bank charges		196,642	121,564	103,234	421,440	139,501	86,581	70,588	296,670
		<b>15,307,706</b>	<b>6,031,287</b>	<b>3,729,995</b>	<b>25,068,988</b>	<b>7,711,317</b>	<b>4,467,691</b>	<b>2,532,110</b>	<b>14,711,118</b>
<b>Net income from operating activities</b>		<b>185,428,589</b>	<b>12,460,584</b>	<b>6,931,768</b>	<b>204,820,941</b>	<b>52,871,478</b>	<b>6,948,957</b>	<b>4,046,996</b>	<b>63,867,431</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		74,103,589	1,730,016	2,562,256	78,395,861	9,594,490	3,232,694	1,715,629	14,542,813
Reversal of provision for Workers' Welfare Fund	12.1	1,341,944	182,708	137,564	1,662,216	-	-	-	-
Provision for Sindh Workers' Welfare Fund	12.1	(6,827,479)	(514,949)	(326,873)	(7,669,301)	-	-	-	-
<b>Net income for the year</b>		<b>254,046,643</b>	<b>13,858,359</b>	<b>9,304,715</b>	<b>277,209,717</b>	<b>62,465,968</b>	<b>10,181,651</b>	<b>5,762,625</b>	<b>78,410,244</b>

The annexed notes 1 to 23 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Financial Officer  
Annual Report 2017

Chief Executive Officer

Director

# NAFA ISLAMIC PENSION FUND

## Statement of Comprehensive Income For the year ended 30 June 2017

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees) -----							
Net income for the year	254,046,643	13,858,359	9,304,715	277,209,717	62,465,968	10,181,651	5,762,625	78,410,244
Other comprehensive income for the year	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>254,046,643</b>	<b>13,858,359</b>	<b>9,304,715</b>	<b>277,209,717</b>	<b>62,465,968</b>	<b>10,181,651</b>	<b>5,762,625</b>	<b>78,410,244</b>

The annexed notes 1 to 23 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

# NAFA ISLAMIC PENSION FUND

## Statement of Movement in Participants' Funds For the year ended 30 June 2017

Note	2017				2016			
	Equity Sub -Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees) -----							
<b>Net assets at beginning of the year</b>	433,123,546	279,690,023	152,409,030	865,222,599	212,136,085	135,082,064	79,192,021	426,410,170
Amount received on issuance of units	429,615,993	185,579,482	137,604,144	752,799,619	233,501,357	156,738,807	75,950,614	466,190,778
Amount paid on redemption of units	(68,858,946)	(107,212,749)	(57,825,373)	(233,897,068)	(22,154,842)	(42,145,560)	(26,945,378)	(91,245,780)
Reallocation among sub-funds	(9,793,855)	(4,477,120)	14,270,975	-	(43,230,532)	23,065,755	20,164,777	-
	350,963,192	73,889,613	94,049,746	518,902,551	168,115,983	137,659,002	69,170,013	374,944,998
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(74,103,589)	(1,730,016)	(2,562,256)	(78,395,861)	(9,594,490)	(3,232,694)	(1,715,629)	(14,542,813)
Gain / (loss) on sale of investments - net	55,005,154	260,000	-	55,265,154	5,445,863	(803,480)	(366,750)	4,275,633
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	113,480,973	1,589,500	180,000	115,250,473	38,840,657	(59,000)	118,500	38,900,157
Other net income for the year	85,560,516	12,008,859	9,124,715	106,694,090	18,179,448	11,044,131	6,010,875	35,234,454
<b>Total comprehensive income for the year</b>	254,046,643	13,858,359	9,304,715	277,209,717	62,465,968	10,181,651	5,762,625	78,410,244
<b>Net assets at end of the year</b>	<b>964,029,792</b>	<b>365,707,979</b>	<b>253,201,235</b>	<b>1,582,939,006</b>	<b>433,123,546</b>	<b>279,690,023</b>	<b>152,409,030</b>	<b>865,222,599</b>
<b>Net assets value per unit at beginning of the year</b>	<b>243.0699</b>	<b>119.6465</b>	<b>119.7025</b>		<b>208.0138</b>	<b>115.2910</b>	<b>115.1765</b>	
<b>Net assets value per unit at end of the year</b>	<b>330.0453</b>	<b>124.3591</b>	<b>124.2692</b>		<b>243.0699</b>	<b>119.6465</b>	<b>119.7025</b>	

The annexed notes 1 to 23 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)



# NAFA ISLAMIC PENSION FUND

## Cash Flow Statement For the year ended 30 June 2017

	2017					2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total
----- (Rupees) -----										
<b>CASH FLOWS FOR THE YEAR FROM OPERATING ACTIVITIES</b>										
Net income for the year	254,046,643	13,858,359	9,304,715	-	277,209,717	62,465,968	10,181,651	5,762,625	-	78,410,244
<b>Adjustments:</b>										
(Gain) / loss on sale of investments - net	(55,005,154)	(260,000)	-	-	(55,265,154)	(5,445,863)	803,480	366,750	-	(4,275,633)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(113,480,973)	(1,589,500)	(180,000)	-	(115,250,473)	(38,840,657)	59,000	(118,500)	-	(38,900,157)
Amortisation of preliminary expense and floatation costs	-	-	-	-	-	21,027	21,027	21,027	-	63,081
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(74,103,589)	(1,730,016)	(2,562,256)	-	(78,395,861)	(9,594,490)	(3,232,694)	(1,715,629)	-	(14,542,813)
	<u>11,456,927</u>	<u>10,278,843</u>	<u>6,562,459</u>	<u>-</u>	<u>28,298,229</u>	<u>8,605,985</u>	<u>7,832,464</u>	<u>4,316,273</u>	<u>-</u>	<u>20,754,722</u>
<b>(Increase) / decrease in assets</b>										
Investments	(312,314,821)	(50,000,000)	-	-	(362,314,821)	(153,446,412)	(10,552,080)	35,500,000	-	(128,498,492)
Dividend receivable	(2,125,231)	-	-	-	(2,125,231)	(890,444)	-	-	-	(890,444)
Mark-up receivables	(103,988)	(202,772)	(535,082)	-	(841,842)	(57,760)	283,401	(439,217)	-	(213,576)
Receivable against sale of investment	(1,467,495)	-	-	-	(1,467,495)	8,310,597	-	-	-	8,310,597
Advance, deposits and other receivable	(2,826,398)	-	-	-	(2,826,398)	(17,902)	-	-	-	(17,902)
	<u>(318,837,933)</u>	<u>(50,202,772)</u>	<u>(535,082)</u>	<u>-</u>	<u>(369,575,787)</u>	<u>(146,101,921)</u>	<u>(10,268,679)</u>	<u>35,060,783</u>	<u>-</u>	<u>(121,309,817)</u>
<b>Increase / (decrease) in liabilities</b>										
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	744,127	91,364	105,944	(212,274)	729,161	1,016,650	662,598	358,626	1,203,314	3,241,188
Payable to Central Depository Company of Pakistan Limited - Trustee	75,315	9,877	9,928	-	95,120	32,536	21,847	11,604	-	65,987
Annual fee payable to Securities and Exchange Commission of Pakistan	139,552	36,393	25,189	-	201,134	61,066	36,578	17,180	-	114,824
Accrued expenses and other liabilities	6,094,878	446,670	254,395	1,803,865	8,599,808	243,184	(96,924)	(21,046)	(227,867)	(102,653)
	<u>7,053,872</u>	<u>584,304</u>	<u>395,456</u>	<u>1,591,591</u>	<u>9,625,223</u>	<u>1,353,436</u>	<u>624,099</u>	<u>366,364</u>	<u>975,447</u>	<u>3,319,346</u>
<b>Net cash (used in) / generated from operating activities</b>	<u>(300,327,134)</u>	<u>(39,339,625)</u>	<u>6,422,833</u>	<u>1,591,591</u>	<u>(331,652,335)</u>	<u>(136,142,500)</u>	<u>(1,812,116)</u>	<u>39,743,420</u>	<u>975,447</u>	<u>(97,235,749)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Amount received on issuance of units	429,550,750	185,579,482	130,658,716	-	745,788,948	233,501,357	167,133,428	82,244,383	-	482,879,168
Amount paid on redemption of units	(61,861,339)	(107,020,345)	(57,521,143)	-	(226,402,827)	(38,709,969)	(43,099,187)	(27,925,890)	-	(109,735,046)
Reallocation among sub-funds	(9,793,855)	(4,477,120)	14,270,975	-	-	(43,230,532)	23,065,755	20,164,777	-	-
<b>Net cash flow from financing activities</b>	<u>357,895,556</u>	<u>74,082,017</u>	<u>87,408,548</u>	<u>-</u>	<u>519,386,121</u>	<u>151,560,856</u>	<u>147,099,996</u>	<u>74,483,270</u>	<u>-</u>	<u>373,144,122</u>
<b>Net increase in cash and cash equivalents</b>	<u>57,568,422</u>	<u>34,742,392</u>	<u>93,831,381</u>	<u>1,591,591</u>	<u>187,733,786</u>	<u>15,418,356</u>	<u>145,287,880</u>	<u>114,226,690</u>	<u>975,447</u>	<u>275,908,373</u>
Cash and cash equivalents at beginning of the year	40,029,344	163,819,796	137,238,592	3,340,997	344,428,729	24,610,988	18,531,916	23,011,902	2,365,550	68,520,356
<b>Cash and cash equivalents at end of the year</b>	<u>97,597,766</u>	<u>198,562,188</u>	<u>231,069,973</u>	<u>4,932,588</u>	<u>532,162,515</u>	<u>40,029,344</u>	<u>163,819,796</u>	<u>137,238,592</u>	<u>3,340,997</u>	<u>344,428,729</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Financial Officer  
Annual Report 2017

Chief Executive Officer

Director

# NAFA ISLAMIC PENSION FUND

## Notes to and forming part of the Financial Statements For the year ended 30 June 2017

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 NAFA Islamic Pension Fund (“the Fund”) was established under a Trust Deed, dated 12 October 2012, between NBP Fullerton Asset Management Limited as the Pension Fund Manager and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) as a pension fund on 16 November 2012.
- 1.2 The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by SECP. The registered office of the Pension Fund Manager is situated at 7th floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.
- 1.3 The Fund is an unlisted open end pension scheme and offers units for public subscription on a continuous basis. The units are non-transferable except in the circumstances mentioned in VPS Rules and can be redeemed by surrendering to the Fund. Further, as per the Offering document, distribution of income or dividend is not allowed from any of the sub-funds.
- 1.4 The objective of the Fund is to provide individuals with a portable, individualized, funded (based on defined contribution), flexible pension scheme, assisting and facilitating them to plan and provide for their retirement.
- 1.5 The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Pension Fund Manager has appointed Mufti Bilal Ahmed Qazi as Shariah Advisor to the Pension Fund to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.6 The Fund consists of three sub-funds namely, NAFA Islamic Pension Fund Equity Sub-Fund (Equity Sub-Fund), NAFA Islamic Pension Fund Debt Sub-Fund (Debt Sub-Fund) and NAFA Islamic Pension Fund Money Market Sub-Fund (Money Market Sub-Fund) (collectively the Sub-Funds). The investment policy for each of the sub-funds are as follows:
- The Equity Sub-Fund consists of a minimum 90% of net assets invested in Shariah compliant listed equity securities. Investment in single company is restricted to lower of 10% of Net Assets Value (NAV) of Equity Sub-Fund or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 30% of NAV or index weight, subject to a maximum of 35% of NAV of Equity Sub-Fund. (Remaining assets of the Equity Sub-Fund may be invested in any government treasury bills or government securities having less than one year time maturity, or be deposited with scheduled Islamic commercial banks having at least 'A' rating or Islamic windows of commercial banks having rating not less than 'AA' by a rating).
  - The Debt Sub-Fund consists of Shariah compliant tradable debt securities with weighted average time to maturity of the investment portfolio of the sub-fund not exceeding five years. At least twenty five percent (25%) of the net assets of Debt Sub-Fund shall be invested in debt securities issued by the Federal Government. Upto twenty five percent (25%) may be deposited with scheduled Islamic banks having not less than 'A+' rating or Islamic windows of commercial banks having not less than 'AA' rating. Investment in securities issued by companies of a single sector shall not exceed 20% except for banking sector for which the exposure limit shall be up to 30% of net assets of Debt Sub-Fund. Composition of the remaining portion of the investments shall be as defined in the offering document.
  - The Money Market Sub-Fund consists of Shariah compliant short-term money market securities with weighted average time to maturity not exceeding one year. There is no restriction on the amount of investment in securities issued by the Federal Government and Islamic windows of commercial banks having 'A+' rating provided that deposit with any one bank shall not exceed 20% of net assets of Money Market Sub-Fund. Investment in securities issued by provincial government, city government, government corporation with 'A' or higher rating or a corporate entity with 'A+' or higher rating shall be in proportion as defined in offering document.
- 1.7 The Fund offers six types of allocation schemes, as prescribed by the SECP under VPS Rules, to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility, Customized Allocation & Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. The Participant has the option to select any one from the Allocation Schemes or products being offered by the Pension Fund Manager at the date of opening his / her Individual Pension Account. The Participant may change the Allocation Scheme not more than twice a year thereafter. The contribution amount may be paid by the contributor on a periodic basis such as annual, semi annual, quarterly or monthly basis or with any other frequency.

# NAFA ISLAMIC PENSION FUND

- 1.8 Under the provisions of the Offering Document of the Fund, contributions received from or on behalf of any Participant by Trustee in cleared funds on any business day shall be credited to the Individual Pension Account of the Participant after deducting the front-end fees, bank charges, any premia payable in respect of any schemes selected by the Participant. The net contribution received in the Individual Pension Account shall be used to allocate such number of units of the relevant Sub-Funds in accordance with the Allocation Policy selected by the Participant as is determined in accordance with the Trust Deed and the units shall be allocated at Net Assets Value notified by the Pension Fund Manager at the close of that business day.
- 1.9 Pakistan Credit Rating Agency (PACRA) has assigned management quality rating of 'AM1' to the Pension Fund Manager while the Fund is currently not rated.
- 1.10 Title to the assets of the Fund are held in the name of 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, and the provisions of the Voluntary Pension System Rules, 2005 (VPS Rules) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the VPS Rules or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the VPS Rules or the directives issued by the SECP shall prevail (refer note 3.2).

### 2.2 Accounting convention

These financial statements are prepared under the historical cost convention except for investments which are carried at their fair values.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees, except otherwise stated.

### 2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years related to classification and valuation of investments (refer note 4.1 and note 6).

## 3 NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS OF IFRSs

- 3.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2016 but are considered not to be relevant or do not have any significant effect on the the Fund's financial statements and are therefore not stated in these financial statements.

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

- 3.2.1 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on the Fund's financial statements.

# NAFA ISLAMIC PENSION FUND

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Fund's financial statements.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- The Companies Ordinance, 1984 was repealed by the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures and has also enhanced the definition of related parties. The amendments are not likely to have an impact on the Fund's financial statements except extended disclosures.
- SECP through SRO 756(I)/2017 dated 03 August 2017 with immediate effect has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". The said SRO also deleted 'Distribution Statement' and requires additional disclosures and recording of element of income / loss included in price of unit issued or redeemed in Statement of movements in reserves or unit holders' fund instead of income statement. This change will affect the charge for SWWF in respect of element of income and consequently NAV per unit in future years.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented.

### 4.1 Financial assets

#### 4.1.1 Classification

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

# NAFA ISLAMIC PENSION FUND

## a) Loans and receivables

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

## b) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

## c) Available for sale

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

All investments in the sub-funds as at 30 June 2017 are classified as 'financial assets at fair value through profit and loss'.

### 4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 4.1.3 Initial recognition and measurement

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

### 4.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

#### a) Basis of valuation of Debt Securities (other than government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### b) Basis of valuation of Government Securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

#### c) Basis of valuation of equity securities

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

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

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

#### d) Loans and receivables

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

### 4.1.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.



# NAFA ISLAMIC PENSION FUND

## a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular 33 of 2012 dated 24 October 2012 issued by SECP.

As allowed under circular no. 13 of 2009 dated 4 May 2009 and circular 33 of 2012 dated 24 October 2012 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Pension Fund Manager on its website.

## b) Equity Securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 'income statement', is reclassified from other comprehensive income and recognised in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

## c) Loans and receivables

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

### 4.1.6 Derecognition

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

### 4.1.7 Offsetting of financial assets and liabilities

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

### 4.2 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

### 4.3 Derivatives

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

### 4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### 4.5 Preliminary expenses and floatation costs

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

### 4.6 Provisions

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

### 4.7 Taxation

The income of the Fund is exempt from Income Tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A(i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.



# NAFA ISLAMIC PENSION FUND

## 4.8 Issue and redemption of units

Contribution received in the individual pension account after deduction of takaful premia (for optional Takaful covers), if any, followed by deduction of applicable front end fee, is used to purchase the units of sub-funds of the Fund according to the Allocation Scheme selected by the participant. The units are allotted at the net assets value notified by the Pension Fund Manager at the close of the business day for each sub-fund. The front end fee is if applicable, payable to the distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocation of the sub-fund units of all the Participants are according to the allocation schemes selected by the Participants. In case of withdrawal before retirement, units are redeemed at the net assets value of each of the Sub-Funds as of the close of the business day on which such request is received by the distributor before the cut off time. Redemption of units is recorded on acceptance of application for redemption.

In case of retirement of the participant, units are redeemed at the net assets value of each of the Sub-Fund as of the close of the business day on which retirement age is reached. In case of change of Pension Fund Manager, units are redeemed at the net assets value of each of the Sub-Fund as of the close of the business day corresponding to the date of change specified by the participant.

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in the participants' sub-funds.

## 4.10 Earnings per unit

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

## 4.11 Net assets value per unit

The Net Assets Value (NAV) per unit is calculated by dividing the net assets of each of the Sub-Fund by the number of units in circulation of that Sub-Fund at the year end.

## 4.12 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transactions take place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'available for sale' investments are included in the statement of comprehensive income in the period 'in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Markup / return on government securities, ijarah sukuks, bank balances and term deposit receipts are recognised on a time proportion basis using the effective interest method.

## 5 BANK BALANCES

	2017					2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others (note 5.2)	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total
	(Rupees)									
Savings accounts 5.1	97,597,766	198,562,188	231,069,973	4,932,588	532,162,515	40,029,344	163,819,796	137,238,592	3,340,997	344,428,729

5.1 These accounts carry mark-up rates ranging from 2.40% to 6.20% per annum (30 June 2016: 2.5% to 6.70% per annum).

5.2 counts maintained by the Fund. The balances in these accounts represent front-end fee along with Government levies and withholding tax payable to the Pension Fund Manager and the tax authorities respectively (refer note 1).

# NAFA ISLAMIC PENSION FUND

## 6 INVESTMENTS

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- (Rupees) -----									
<b>Investments by category</b>									
<b>At fair value through profit and loss - held for trading</b>									
Listed equity securities	6.1	875,929,525	-	-	875,929,525	395,128,577	-	-	395,128,577
Government of Pakistan - Ijarah Sukuks	6.2	-	167,340,500	15,298,500	182,639,000	-	115,491,000	15,118,500	130,609,500
		<b>875,929,525</b>	<b>167,340,500</b>	<b>15,298,500</b>	<b>1,058,568,525</b>	<b>395,128,577</b>	<b>115,491,000</b>	<b>15,118,500</b>	<b>525,738,077</b>

### 6.1 Listed equity securities

#### 6.1.1 Held by Equity Sub-Fund

All Shares have a nominal face value of Rs. 10 each except for shares of Al-Ghazi Tractors Limited, Agriautos Industries Limited, Shabbir Tiles & Ceramics Limited, Thal Limited and Dynea Limited which have a face value of Rs. 5.

Name of the investee company	As at 01 July 2016	Purchases during the year	Bonus shares issue during the year	Right shares purchased / subscribed during the year	Sales during the year	As at 30 June 2017	Market value / carrying value as at 30 June 2017	Market value / carrying value as a percentage of net assets of sub-fund	Market value / carrying value as a percentage of investments of sub-fund	Percentage of paid-up capital of the investee company held
							(Rupees)	%	%	
----- (Number of Shares) -----										
<b>Commercial Bank</b>										
Meezan Bank Limited	126,000	-	-	-	22,500	103,500	8,176,500	0.85	0.93	0.01
<b>Cement</b>										
Attock Cement Pakistan Limited	23,700	33,400	-	-	-	57,100	17,282,457	1.79	1.97	0.05
D.G.Khan Cement Limited	61,500	100,500	-	-	-	162,000	34,531,920	3.58	3.94	0.04
Fauji Cement Company Limited	379,000	84,500	-	-	87,000	376,500	15,447,795	1.60	1.77	0.03
Fecto Cement Limited	35,500	-	-	-	-	35,500	3,703,360	0.38	0.42	0.07
Kohat Cement Limited	16,000	23,000	-	-	-	39,000	8,941,140	0.93	1.02	0.03
Lucky Cement Limited	30,300	37,850	-	-	5,400	62,750	52,475,315	5.44	6.00	0.02
Maple Leaf Cement Factory Limited	46,500	112,500	-	-	-	159,000	17,706,240	1.84	2.02	0.03
Pioneer Cement Limited	59,000	129,300	-	-	60,000	128,300	16,679,000	1.73	1.90	0.06
	<b>651,500</b>	<b>521,050</b>	<b>-</b>	<b>-</b>	<b>152,400</b>	<b>1,020,150</b>	<b>166,767,227</b>	<b>17.29</b>	<b>19.04</b>	
<b>Power Generation &amp; Distribution</b>										
Hub Power Company Limited	110,500	222,300	-	-	52,000	280,800	32,974,344	3.42	3.76	0.02
Kot Addu Power Company Limited	108,500	89,000	-	-	-	197,500	14,223,950	1.48	1.63	0.02
	<b>219,000</b>	<b>311,300</b>	<b>-</b>	<b>-</b>	<b>52,000</b>	<b>478,300</b>	<b>47,198,294</b>	<b>4.90</b>	<b>5.39</b>	
<b>Oil &amp; Gas Exploration Companies</b>										
Mari Petroleum Company Limited	25,000	4,200	-	-	3,200	26,000	40,966,640	4.25	4.69	0.02
Oil & Gas Development Company	-	240,600	-	-	-	240,600	33,850,014	3.51	3.86	0.01
Pakistan Oilfields Limited	47,300	37,600	-	-	2,500	82,400	37,751,560	3.92	4.31	0.03
Pakistan Petroleum Limited	135,532	117,100	-	-	8,000	244,632	36,239,784	3.76	4.15	0.01
	<b>207,832</b>	<b>399,500</b>	<b>-</b>	<b>-</b>	<b>13,700</b>	<b>593,632</b>	<b>148,807,998</b>	<b>15.44</b>	<b>17.01</b>	
<b>Oil &amp; Gas Marketing Companies</b>										
Attock Petroleum Limited	8,700	-	-	-	-	8,700	5,449,941	0.57	0.62	0.01
Hascol Petroleum Limited (note 6.1.2)	288	-	-	-	-	288	98,237	0.01	0.01	-
Pakistan State Oil Company Limited	73,070	39,900	-	-	43,300	69,670	26,986,675	2.80	3.09	0.03
Shell Pakistan Limited	26,900	20,700	-	-	19,100	28,500	16,398,045	1.70	1.87	0.03
Sui Northern Gas Pipelines Limited	-	162,000	-	-	162,000	-	-	-	-	-
	<b>108,958</b>	<b>222,600</b>	<b>-</b>	<b>-</b>	<b>224,400</b>	<b>107,158</b>	<b>48,932,898</b>	<b>5.08</b>	<b>5.59</b>	
<b>Refinery</b>										
Attock Refinery Limited	14,600	8,100	-	-	8,800	13,900	5,317,862	0.55	0.61	
	<b>14,600</b>	<b>8,100</b>	<b>-</b>	<b>-</b>	<b>8,800</b>	<b>13,900</b>	<b>5,317,862</b>	<b>0.55</b>	<b>0.61</b>	
<b>Personal Goods (Textile)</b>										
Dawood Lawrencepur Limited	-	41,000	-	-	9,400	31,600	6,945,996	0.72	0.80	0.05
Kohinoor Textile Mills Limited (note 6.1.2)	165,875	37,000	-	-	-	202,875	21,328,249	2.21	2.44	0.07
Nishat Mills Limited	103,800	117,200	-	-	48,000	173,000	27,451,640	2.85	3.13	0.05
Service Industries Limited	3,000	-	-	-	3,000	-	-	-	-	-
	<b>272,675</b>	<b>195,200</b>	<b>-</b>	<b>-</b>	<b>60,400</b>	<b>407,475</b>	<b>55,725,885</b>	<b>5.78</b>	<b>6.37</b>	
<b>Chemical</b>										
Akzo Nobel Pakistan Limited	-	53,000	-	-	-	53,000	12,720,000	1.32	1.45	0.11
Dynea Pakistan Limited	38,500	91,500	-	-	38,500	91,500	9,201,240	0.95	1.05	0.48
Ittehad Chemical Limited	89,300	74,500	-	-	163,800	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	743,500	-	-	743,500	-	-	-	-	-
	<b>127,800</b>	<b>962,500</b>	<b>-</b>	<b>-</b>	<b>945,800</b>	<b>144,500</b>	<b>21,921,240</b>	<b>2.27</b>	<b>2.50</b>	
<b>Fertilizer</b>										
Dawood Hercules Corporation Limited	95,000	21,500	-	-	-	116,500	15,885,940	1.65	1.81	0.02
Engro Corporation Limited	95,700	50,600	-	-	-	146,300	47,680,633	4.95	5.45	0.03
Engro Fertilizers Limited	185,500	206,500	-	-	80,000	312,000	17,234,880	1.79	1.97	0.02
Fauji Fertilizer Bin Qasim Limited	70,000	85,000	-	-	155,000	-	-	-	-	-
	<b>446,200</b>	<b>363,600</b>	<b>-</b>	<b>-</b>	<b>235,000</b>	<b>574,800</b>	<b>80,801,453</b>	<b>8.39</b>	<b>9.23</b>	

# NAFA ISLAMIC PENSION FUND

Name of the investee company	As at 01 July 2016	Purchases during the year	Bonus shares issue during the year	Right shares purchased / subscribed during the year	Sales during the year	As at 30 June 2017	Market value / carrying value as at 30 June 2017	Market value / carrying value as a percentage of net assets of sub-fund	Market value / carrying value as a percentage of investments of sub-fund	Percentage of paid-up capital of the investee company held
	(Number of Shares)						(Rupees)	%		
<b>Automobile and Parts</b>										
Al-Ghazi Tractors Limited	-	13,000	-	-	10,900	2,100	1,352,148	0.14	0.15	-
Agriautos Industries Limited	-	22,000	-	-	-	22,000	9,501,800	0.99	1.08	0.08
Baluchistan Wheels Limited	42,500	35,800	-	-	-	78,300	11,627,550	1.21	1.33	0.59
Honda Atlas Cars (Pakistan) Limited	25,200	11,000	-	-	7,700	28,500	24,729,165	2.57	2.82	0.02
Hinopak Motors Limited	-	8,240	-	-	2,020	6,220	8,148,200	0.85	0.93	0.05
Indus Motor Company Limited	6,450	2,900	-	-	-	9,350	16,770,160	1.74	1.91	0.01
Millat Tractors Limited	-	16,700	-	-	3,600	13,100	18,005,164	1.87	2.06	0.03
Pak Suzuki Motor Company Limited	-	22,000	-	-	11,000	11,000	8,583,960	0.89	0.98	0.01
Sazgar Engineering Works Limited	139,500	109,000	-	-	224,000	24,500	6,711,285	0.70	0.77	0.14
	<b>213,650</b>	<b>240,640</b>	<b>-</b>	<b>-</b>	<b>259,220</b>	<b>195,070</b>	<b>105,429,432</b>	<b>10.96</b>	<b>12.03</b>	
<b>Paper &amp; Board</b>										
Packages Limited	3,500	3,600	-	-	-	7,100	4,938,618	0.51	0.56	0.01
<b>Food Producer</b>										
Faran Sugar Mills Limited	-	43,000	-	-	-	43,000	3,451,180	-	-	0.17
<b>Engineering</b>										
Amreli Steels Limited	48,500	204,000	-	-	36,000	216,500	26,618,675	2.76	3.04	0.07
Crescent Steel & Allied Products Limited	54,500	18,000	-	-	56,800	15,700	3,745,549	0.39	0.43	0.02
Mughal Iron and Steel Industries Limited (note 6.1.2)	71,500	34,000	-	74,750	57,500	122,750	9,909,608	1.03	1.13	0.05
	<b>174,500</b>	<b>256,000</b>	<b>-</b>	<b>74,750</b>	<b>150,300</b>	<b>354,950</b>	<b>40,273,832</b>	<b>4.18</b>	<b>4.60</b>	
<b>Industrial Transportation</b>										
Pakistan National Shipping Corporation Limited	43,500	-	-	-	16,500	27,000	3,399,300	0.35	0.39	0.02
<b>Fixed Line Telecommunication</b>										
Pakistan Telecommunication Company Limited	265,000	-	-	-	265,000	-	-	-	-	-
<b>Cable &amp; Electrical Goods</b>										
Pak Elektron Limited	80,625	164,000	-	-	15,000	229,625	25,332,230	2.63	2.89	0.05
<b>Technology and Communication</b>										
Avanceon Limited	-	258,000	38,125	-	102,000	194,125	8,795,804	0.91	1.00	0.15
NetSol Technologies Limited	45,000	24,000	-	-	69,000	-	-	-	-	-
	<b>45,000</b>	<b>282,000</b>	<b>38,125</b>	<b>-</b>	<b>171,000</b>	<b>194,125</b>	<b>8,795,804</b>	<b>0.91</b>	<b>1.00</b>	
<b>Miscellaneous</b>										
Ecopack Limited	204,500	-	-	-	204,500	-	-	-	-	-
Synthetic Products Enterprises Limited	97,000	163,000	21,700	-	43,000	238,700	18,009,915	1.87	2.06	0.28
	<b>301,500</b>	<b>163,000</b>	<b>21,700</b>	<b>-</b>	<b>247,500</b>	<b>238,700</b>	<b>18,009,915</b>	<b>1.87</b>	<b>2.06</b>	
<b>Food and Personal Care</b>										
Al-Shaheer Corporation Limited (note 6.1.2)	164,900	86,000	37,635	-	95,500	193,035	7,742,634	0.80	0.88	0.14
Shezan International Limited	3,800	-	-	-	3,800	-	-	-	-	-
	<b>168,700</b>	<b>86,000</b>	<b>37,635</b>	<b>-</b>	<b>99,300</b>	<b>193,035</b>	<b>7,742,634</b>	<b>0.80</b>	<b>0.88</b>	
<b>Household Goods</b>										
Ghani Glass Limited	-	32,200	-	-	-	32,200	2,686,124	0.28	0.76	0.01
Ghani Glass Limited	-	-	-	28,980	-	28,980	2,044,829	0.21	0.23	0.01
Shabbir Tiles & Ceramics Limited	-	1,050,000	-	-	150,000	900,000	17,253,000	1.79	1.97	0.28
Tariq Glass Industries Limited	109,500	30,000	-	-	19,500	120,000	13,291,200	1.38	1.52	0.16
	<b>109,500</b>	<b>1,112,200</b>	<b>-</b>	<b>28,980</b>	<b>169,500</b>	<b>1,081,180</b>	<b>35,275,153</b>	<b>3.66</b>	<b>4.48</b>	<b>0.46</b>
<b>General Industries</b>										
Thal Limited	9,000	2,500	-	-	1,100	10,400	6,302,712	0.65	0.72	0.01
	<b>9,000</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>10,400</b>	<b>6,302,712</b>	<b>0.65</b>	<b>0.72</b>	<b>0.01</b>
<b>Pharmaceuticals</b>										
Abbot Laboratories (Pakistan) Limited	5,800	10,250	-	-	4,500	11,550	10,794,630	1.12	1.23	0.01
Ferozsoms Laboratories Limited	2,450	15,350	-	-	-	17,800	6,879,878	0.71	0.79	0.06
GlaxoSmithKline (Pakistan) Limited	11,480	16,600	-	-	-	28,080	5,529,514	0.57	0.63	0.01
GlaxoSmithKline Consumer Healthcare (Pakistan) Limited	3,444	-	-	-	-	3,444	719,830	0.07	-	-
The Searle Company Limited (note 6.1.2)	14,650	-	3,721	-	-	18,371	9,405,506	0.98	1.07	0.01
	<b>37,824</b>	<b>42,200</b>	<b>3,721</b>	<b>-</b>	<b>4,500</b>	<b>79,245</b>	<b>33,329,358</b>	<b>3.45</b>	<b>3.72</b>	
<b>Total - 30 June 2017</b>	<b>3,626,864</b>	<b>5,378,990</b>	<b>101,181</b>	<b>103,730</b>	<b>3,113,920</b>	<b>6,096,845</b>	<b>875,929,525</b>	<b>90.52</b>	<b>100.00</b>	
Carrying value before fair value adjustment as at 30 June 2017							<b>762,448,552</b>			

# NAFA ISLAMIC PENSION FUND

6.1.2 These represent gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as discharge of tax liability on such income. However, the Pension Fund Manager of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 57 (3) (viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement amounting to Rs. 0.836 million (30 June 2016: Rs. 0.08 million) and not yet deposited with Government Treasury. The Pension Fund Manager is of the view that the decision will be in the favour and accordingly has recorded the bonus shares on gross basis.

6.1.3 Investments include shares with market value of Rs. 22.686 million (30 June 2016: Rs. Nil ) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

## 6.2 Government securities - Ijarah Sukuk

### 6.2.1 Held by Debt Sub-Fund

Issue date	Note	Tenor	Face value		As at 30 June 2017	Market value / carrying value as at 30 June 2017	Market value / carrying value as a percentage of net assets of sub-fund	Market value / carrying value as a percentage of total investment sub-fund	
			As at 1 July 2016	Purchases during the year					Matured / sold during the year
(Rupees)									
25 June 2014		3 years	25,000,000	-	25,000,000	-	-	-	
18 December 2015	6.2.1.1	3 years	85,000,000	-	-	85,000,000	86,691,500	23.71	
15 February 2016	6.2.1.2	3 years	5,000,000	-	-	5,000,000	5,146,500	1.41	
30 June 2017	6.2.1.3	3 years	-	75,000,000	-	75,000,000	75,502,500	20.65	
			<b>115,000,000</b>	<b>75,000,000</b>	<b>25,000,000</b>	<b>165,000,000</b>	<b>167,340,500</b>	<b>45.77</b>	<b>100.00</b>
Carrying value before fair value adjustment as at 30 June 2017						<b>165,751,000</b>			

6.2.1.1 These carry mark-up at the rate of 5.51% per annum receivable semi-annually in arrears, maturing on 18 December 2018.

6.2.1.2 These carry mark-up at the rate of 6.10% per annum receivable semi-annually in arrears, maturing on 15 February 2019.

6.2.1.3 These carry mark-up at the rate of 5.24% per annum receivable semi-annually in arrears, maturing on 30 June 2020.

### 6.2.2 Held by Money Market Sub-Fund

Issue date	Note	Tenor	Face value		As at 30 June 2017	Market value / carrying value as at 30 June 2017	Market value / carrying value as a percentage of net assets of sub-fund	Market value / carrying value as a percentage of total investments of sub-fund	
			As at 1 July 2016	Purchases during the year					Matured / sold during the year
(Rupees)									
18 December 2015	6.2.2.1	3 years	15,000,000	-	-	15,000,000	15,298,500	6.04	
			<b>15,000,000</b>	<b>-</b>	<b>-</b>	<b>15,000,000</b>	<b>15,298,500</b>	<b>6.04</b>	<b>100.00</b>
Carrying value before fair value adjustment as at 30 June 2017						<b>15,118,500</b>			

6.2.2.1 These carry mark-up at the rate of 5.51% per annum receivable semi-annually in arrears, maturing on 18 December 2018.

## 6.3 Net unrealised appreciation / (diminution) on re-measurement of investments

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
(Rupees)								
Market value / carrying value of investments	875,929,525	167,340,500	15,298,500	1,058,568,525	395,128,577	115,491,000	15,118,500	525,738,077
Less: Carrying cost of investments	(762,448,552)	(165,751,000)	(15,118,500)	(943,318,052)	(356,287,920)	(115,550,000)	(15,000,000)	(486,837,920)
	<b>113,480,973</b>	<b>1,589,500</b>	<b>180,000</b>	<b>115,250,473</b>	<b>38,840,657</b>	<b>(59,000)</b>	<b>118,500</b>	<b>38,900,157</b>

## 7 MARK-UP RECEIVABLES

Mark-up on GoP Ijara sukuk	-	291,264	29,443	320,707	-	295,623	29,145	324,768
Mark-up on bank deposits	286,444	1,840,463	1,547,576	3,674,483	182,456	1,633,332	1,012,792	2,828,580
	<b>286,444</b>	<b>2,131,727</b>	<b>1,577,019</b>	<b>3,995,190</b>	<b>182,456</b>	<b>1,928,955</b>	<b>1,041,937</b>	<b>3,153,348</b>

# NAFA ISLAMIC PENSION FUND

## 8 ADVANCE, DEPOSITS AND OTHER RECEIVABLE

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees)							
Advance tax	351,926	-	-	351,926	25,528	-	-	25,528
Security deposit with the Central Depository Company of Pakistan Limited	100,000	100,000	100,000	300,000	100,000	100,000	100,000	300,000
Security deposit with the National Clearing Company of Pakistan Limited	2,500,000	-	-	2,500,000	-	-	-	-
Receivable against sale / reallocation of units	65,243	-	6,945,428	7,010,671	-	-	-	-
	<b>3,017,169</b>	<b>100,000</b>	<b>7,045,428</b>	<b>10,162,597</b>	<b>125,528</b>	<b>100,000</b>	<b>100,000</b>	<b>325,528</b>

## 9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER

		2017					2016				
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total
		(Rupees)									
Remuneration to Pension Fund Manager	9.1	1,195,046	417,648	277,867	-	1,890,561	521,572	327,408	178,978	-	1,027,958
Sindh Sales Tax on management remuneration	9.2	155,256	54,627	36,119	-	246,002	84,603	53,503	29,064	-	167,170
Preliminary expenses and floatation cost		75,000	75,000	75,000	-	225,000	75,000	75,000	75,000	-	225,000
Sindh Sales Tax on sales load		-	-	-	348,599	348,599	-	-	-	163,482	163,482
Sales load		-	-	-	2,595,113	2,595,113	-	-	-	1,048,275	1,048,275
		<b>1,425,302</b>	<b>547,275</b>	<b>388,986</b>	<b>2,943,712</b>	<b>5,305,275</b>	<b>681,175</b>	<b>455,911</b>	<b>283,042</b>	<b>1,211,757</b>	<b>2,631,885</b>

9.1 As per rule 11 of the Voluntary Pension System Rules, 2005, the Pension Fund Manager has charged its remuneration at the rate of 1.5 percent per annum of the average annual net assets of each of the sub-Funds for the current year. The remuneration is paid on a monthly basis in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax on the remuneration of the Pension Fund Manager and sales load through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2011. During the year, Sindh Sales Tax at the rate of 13% (30 June 2016: 14%) was charged on management remuneration and sales load.

## 10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees)							
Trustee remuneration	10.1	119,028	41,626	26,760	187,414	52,160	32,741	17,899	102,800
Sindh Sales Tax on Trustee remuneration	10.2	15,474	5,412	3,479	24,365	7,027	4,420	2,412	13,859
		<b>134,502</b>	<b>47,038</b>	<b>30,239</b>	<b>211,779</b>	<b>59,187</b>	<b>37,161</b>	<b>20,311</b>	<b>116,659</b>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2017 is as follows:

### Net assets

Up to Rs. 1,000 million  
Exceeding Rs. 1,000 million up to Rs. 3,000 million  
Exceeding Rs. 3,000 million up to Rs. 6,000 million  
Exceeding Rs. 6,000 million

### Tariff

Rs. 0.3 million or 0.15% p.a of net assets value, whichever is higher  
Rs. 1.5 million plus 0.10% p.a of net assets value, exceeding Rs. 1,000 million  
Rs. 3.5 million plus 0.08% p.a of net assets value, exceeding Rs. 3,000 million  
Rs. 5.9 million plus 0.06% p.a of net assets value, exceeding Rs. 6,000 million

The remuneration is paid to the Trustee monthly in arrears.

10.2 The Sindh Provincial Government levied Sindh Sales Tax on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011, effective from 1 July 2015. During the year, Sindh Sales Tax at the rate of 13% (30 June 2016: 14%) was charged on trustee remuneration.

## 11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 36 of the Voluntary Pension System Rules, 2005 whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of the average annual net assets value of each of the Sub-Fund.

# NAFA ISLAMIC PENSION FUND

## 12 ACCRUED EXPENSES AND OTHER LIABILITIES

		2017					2016				
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total
----- (Rupees) -----											
Provision for Sindh Workers' Welfare Fund	12.1	6,827,479	514,949	326,873	-	7,669,301	-	-	-	-	-
Provision for Workers' Welfare Fund		-	-	-	-	-	1,341,944	182,708	137,564	-	1,662,216
Federal Excise Duty on management remuneration	12.2	1,103,629	725,198	420,894	-	2,249,721	1,103,630	725,198	420,894	-	2,249,722
Federal Excise Duty on Sales load		-	-	-	1,988,876	1,988,876	-	-	-	1,944,229	1,944,229
Auditors' remuneration		97,164	97,164	97,166	-	291,494	78,645	78,645	78,645	-	235,935
Bank charges		129,945	96,343	69,828	-	296,116	57,866	32,042	32,680	-	122,588
Printing charges		23,121	23,126	23,121	-	69,368	53,996	54,002	53,996	-	161,994
Legal and professional fees		65,900	22,532	22,533	-	110,965	76,311	8,055	8,055	-	92,421
Brokerage fees		120,124	-	-	-	120,124	-	-	-	-	-
Payable against redemption / reallocation of units		6,997,607	192,404	304,230	-	7,494,241	-	-	-	-	-
Withholding tax		152,099	53,058	38,602	-	243,759	-	-	-	185,011	185,011
Charity payable	12.3	576,342	-	-	-	576,342	270,835	-	-	-	270,835
Other charges		7,377	7,461	7,266	-	22,104	25,075	12,511	20,054	-	57,640
		<b>16,100,787</b>	<b>1,732,235</b>	<b>1,310,513</b>	<b>1,988,876</b>	<b>21,132,411</b>	<b>3,008,302</b>	<b>1,093,161</b>	<b>751,888</b>	<b>2,129,240</b>	<b>6,982,591</b>

12.1 The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has led Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after 31 December 2013. The MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. The MUFAP wrote to the SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. The SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. The MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP has recommended the following to all its members on 12 January 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till 30 June 2015, to be reversed on 12 January 2017; and
- the provision in respect of Sindh WWF should be made on 12 January 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

Thereafter, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on 12 January 2017 and the SECP vide its letter dated 1 February 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, reversal of provision for WWF amounted to Rs. 1.3419 million, 0.1827 million and 0.1376 million of Equity sub-fund, Debt sub-fund and money market sub-fund respectively and recording of provision for SWWF of Rs. 5.828 million, Rs. 0.365 million and 0.221 million of Equity sub-fund, Debt sub-fund and Money market sub-fund respectively upto 12 January 2017 has been made. Thereafter the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 2.3375, Rs. 0.175 and Rs. 0.1604 (2016: Nil) per unit respectively.

12.2 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

The Honorable Sindh High Court (SHC) through its recent order dated 2 June 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from 01 July 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated 16 July 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.



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Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision dated 2 June 2016, which is pending for the decision. However, after the exclusion of the mutual funds from federal statute on FED from 1 July 2016, the Fund has discontinued making the provision in this regard.

Since the appeal is pending in the Supreme Court of Pakistan, the Pension Fund Manager as a matter of abundant caution has retained a provision on FED for management fee aggregating to Rs. 1.104 million, Rs. 0.725 million and Rs. 0.421 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the (NAV) per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at 30 June 2017 would have been higher by Rs. 0.3778, Rs. 0.2466 and Rs. 0.2065 (2016: Rs 0.6194, Rs. 0.3102, Rs. 0.3306) per unit respectively.

Federal Excise Duty on management remuneration and Federal Excise Duty on sales load has been reclassified from payable to NBP fullerton asset management limited - Management Company to accrued expenses and other liabilities in order to give better presentation and accordingly, comparatives have been rearranged.

- 12.3 In accordance with the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby the portion of the investment of the investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the year, Rs. 0.133 million (30 June 2016: Rs. 0.036 million) has been given out to charitable institutions.

## 13 CONTINGENCY AND COMMITMENT

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

## 14 NUMBER OF UNITS IN ISSUE

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Number of units) -----							
Total units in issue at beginning of the year	1,781,889	2,337,636	1,273,232	5,392,757	1,019,817	1,171,662	687,571	2,879,050
Add: Units issued during the year	1,393,150	1,521,453	1,125,818	4,040,421	1,053,832	1,329,822	643,605	3,027,259
Less: Units redeemed during the year	(233,943)	(880,674)	(474,955)	(1,589,572)	(100,789)	(356,561)	(228,711)	(686,061)
Reallocation during the year	(20,195)	(37,673)	113,427	55,559	(190,971)	192,713	170,767	172,509
<b>Total units in issue at end of the year</b>	<b>2,920,901</b>	<b>2,940,742</b>	<b>2,037,522</b>	<b>7,899,165</b>	<b>1,781,889</b>	<b>2,337,636</b>	<b>1,273,232</b>	<b>5,392,757</b>

## 15 CONTRIBUTION TABLE

Contributions received during the year are as follows:

	2017							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
From:	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)
Individuals	1,393,150	429,615,993	1,521,453	185,579,482	1,125,818	137,604,144	4,040,421	752,799,619
	----- 2016 -----							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)	Units	(Rupees)
Individuals	1,053,832	233,501,357	1,329,822	156,738,807	643,605	75,950,614	3,027,259	466,190,778

## 16 AUDITORS' REMUNERATION

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees) -----							
Annual audit fee	60,000	60,000	60,000	180,000	55,000	55,000	55,000	165,000
Interim review fee	30,000	30,000	30,000	90,000	27,500	27,500	27,500	82,500
Out of pocket expenses and others including government levy	31,319	31,319	31,319	93,957	31,678	31,678	31,678	95,034
	<b>121,319</b>	<b>121,319</b>	<b>121,319</b>	<b>363,957</b>	<b>114,178</b>	<b>114,178</b>	<b>114,178</b>	<b>342,534</b>

# NAFA ISLAMIC PENSION FUND

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

As at 30 June 2017

	Equity Sub-Fund			Total	Debt Sub-Fund			Total	Money Market Sub-Fund			Total	Others Loans and receivables	Total
	Loans and receivables	Available for sale	At fair value through profit and loss - held for trading		Loans and receivables	Available for sale	At fair value through profit and loss - held for trading		Loans and receivables	Available for sale	At fair value through profit and loss - held for trading			
(Rupees)														
<b>Financial assets</b>														
Bank balances	97,597,766	-	-	97,597,766	198,562,188	-	-	198,562,188	231,069,973	-	-	231,069,973	4,932,588	532,162,515
Investments	-	-	875,929,525	875,929,525	-	-	167,340,500	167,340,500	-	-	15,298,500	15,298,500	-	1,058,568,525
Dividend receivable	3,630,981	-	-	3,630,981	-	-	-	-	-	-	-	-	-	3,630,981
Mark-up receivables	286,444	-	-	286,444	2,131,727	-	-	2,131,727	1,577,019	-	-	1,577,019	-	3,995,190
Receivable against sale of investment	1,467,495	-	-	1,467,495	-	-	-	-	-	-	-	-	-	1,467,495
Deposits and other receivable	2,665,243	-	-	2,665,243	100,000	-	-	100,000	7,045,428	-	-	7,045,428	-	9,810,671
	<b>105,647,929</b>	<b>-</b>	<b>875,929,525</b>	<b>981,577,454</b>	<b>200,793,915</b>	<b>-</b>	<b>167,340,500</b>	<b>368,134,415</b>	<b>239,692,420</b>	<b>-</b>	<b>15,298,500</b>	<b>254,990,920</b>	<b>4,932,588</b>	<b>1,609,635,377</b>

As at 30 June 2017

	Equity Sub-Fund			Total	Debt Sub-Fund			Total	Money Market Sub-Fund			Total	Others At amortised cost	Total
	Liabilities at fair value through profit or loss	At amortised cost			Liabilities at fair value through profit or loss	At amortised cost			Liabilities at fair value through profit or loss	At amortised cost				
(Rupees)														
<b>Financial liabilities</b>														
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	-	1,425,302	1,425,302	-	547,275	547,275	-	388,986	388,986	2,943,712	5,305,275			
Payable to Central Depository Company of Pakistan Limited - Trustee	-	134,502	134,502	-	47,038	47,038	-	30,239	30,239	-	211,779			
Accrued expenses and other liabilities	-	8,017,580	8,017,580	-	439,030	439,030	-	524,144	524,144	-	8,980,754			
	<b>-</b>	<b>9,577,384</b>	<b>9,577,384</b>	<b>-</b>	<b>1,033,343</b>	<b>1,033,343</b>	<b>-</b>	<b>943,369</b>	<b>943,369</b>	<b>2,943,712</b>	<b>14,497,808</b>			

As at 30 June 2016

	Equity Sub-Fund			Total	Debt Sub-Fund			Total	Money Market Sub-Fund			Total	Others Loans and receivables	Total
	Loans and receivables	Available for sale	At fair value through profit and loss - held for trading		Loans and receivables	Available for sale	At fair value through profit and loss - held for trading		Loans and receivables	Available for sale	At fair value through profit and loss - held for trading			
(Rupees)														
<b>Financial assets</b>														
Bank balances	40,029,344	-	-	40,029,344	163,819,796	-	-	163,819,796	137,238,592	-	-	137,238,592	3,340,997	344,428,729
Investments	-	-	395,128,577	395,128,577	-	-	115,491,000	115,491,000	-	-	15,118,500	15,118,500	-	525,738,077
Dividend receivable	1,505,750	-	-	1,505,750	-	-	-	-	-	-	-	-	-	1,505,750
Mark-up receivables	182,456	-	-	182,456	1,928,955	-	-	1,928,955	1,041,937	-	-	1,041,937	-	3,153,348
Deposit and other receivable	100,000	-	-	100,000	100,000	-	-	100,000	100,000	-	-	100,000	-	300,000
	<b>41,817,550</b>	<b>-</b>	<b>395,128,577</b>	<b>436,946,127</b>	<b>165,848,751</b>	<b>-</b>	<b>115,491,000</b>	<b>281,339,751</b>	<b>138,380,529</b>	<b>-</b>	<b>15,118,500</b>	<b>153,499,029</b>	<b>3,340,997</b>	<b>875,125,904</b>

As at 30 June 2016

	Equity Sub-Fund			Total	Debt Sub-Fund			Total	Money Market Sub-Fund			Total	Others At amortised cost	Total
	Liabilities at fair value through profit or loss	At amortised cost			Liabilities at fair value through profit or loss	At amortised cost			Liabilities at fair value through profit or loss	At amortised cost				
(Rupees)														
<b>Financial liabilities</b>														
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	-	681,175	681,175	-	455,911	455,911	-	283,042	283,042	3,155,986	4,576,114			
Payable to Central Depository Company of Pakistan Limited - Trustee	-	59,187	59,187	-	37,161	37,161	-	20,311	20,311	-	116,659			
Accrued expenses and other liabilities	-	562,728	562,728	-	185,255	185,255	-	193,430	193,430	-	941,413			
	<b>-</b>	<b>1,303,090</b>	<b>1,303,090</b>	<b>-</b>	<b>678,327</b>	<b>678,327</b>	<b>-</b>	<b>496,783</b>	<b>496,783</b>	<b>3,155,986</b>	<b>5,634,186</b>			

# NAFA ISLAMIC PENSION FUND

## 18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

Connected persons include NBP Fullerton Asset Management Limited, being the Pension Fund Manager, Central Depository Company of Pakistan Limited, being the Trustee, National Bank of Pakistan (NBP) and Alexandra Fund Management Pte. Limited, being the sponsors of the Fund / Pension Fund Manager and other collective investment schemes managed by the Pension Fund Manager, directors and officers of the Pension Fund Manager and directors of connected persons and employee benefit funds of the NBP Fullerton Asset Management Limited.

18.1 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

18.2 Remuneration payable to Pension Fund Manager and the Trustee is determined in accordance with the provisions of the Voluntary Pension System Rules, 2005 and the Trust Deed respectively.

18.3 The details of significant transactions carried out by the Fund with connected persons and balances with them for the year and at year end are as follows:

### 18.4 Transactions during the year

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- (Rupees) -----								
<b>NBP Fullerton Asset Management Limited - Pension Fund Manager</b>								
Remuneration to Pension Fund Manager	10,863,501	4,540,324	2,724,883	18,128,708	4,520,266	2,886,190	1,579,936	8,986,392
Sindh Sales Tax on remuneration to Pension Fund Manager	1,412,255	590,242	354,235	2,356,732	734,091	468,717	256,582	1,459,390
Number of units reallocated	Units	-	-	-	(11,451)	11,786	11,758	12,093
Amount of units reallocated	-	-	-	-	(2,816,742)	1,410,409	1,406,333	-
Number of units issued	Units	86,799	75,546	24,780	187,125	-	-	-
Amount of units issued	24,770,264	9,138,613	3,022,519	36,931,396	-	-	-	-
Number of units redeemed	Units	89,530	309,512	224,317	623,359	-	-	-
Amount of units redeemed	25,567,703	37,751,912	27,144,396	90,464,011	-	-	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Remuneration to the Trustee	1,086,110	454,032	284,497	1,824,639	452,105	288,666	158,021	898,792
Sindh Sales Tax on remuneration to Trustee	141,194	59,024	36,985	237,203	63,295	40,413	22,123	125,831
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>								
Reallocation of units	Units	-	-	-	(7,634)	7,857	7,839	8,062
Reallocation in amount	-	-	-	-	1,877,828	940,272	937,555	3,755,655
Number of units issued	Units	-	16,823	16,429	33,252	-	-	-
Amount of units issued	-	2,083,058	2,038,016	4,121,074	-	-	-	-
Number of units redeemed	Units	12,256	-	-	12,256	-	-	-
Amount of units redeemed	4,121,074	-	-	4,121,074	-	-	-	-

# NAFA ISLAMIC PENSION FUND

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- (Rupees) -----									
<b>Taurus Securities Limited</b>									
Brokerage charges		49,357	-	-	49,357	25,728	-	-	25,728
<b>Employees of NBP Fullerton Asset Management Limited</b>									
Number of units issued	Units	16,725	588	65,133	82,446	3,413	6,366	482	10,261
Amount of units issued		5,180,327	71,726	8,077,748	13,329,801	731,191	746,727	56,795	1,534,713
Number of units redeemed	Units	20,994	2,496	6,914	30,404	(3,075)	(5,840)	(377)	(9,292)
Amount of units redeemed		6,929,124	307,457	844,861	8,081,442	(650,712)	(689,550)	(44,001)	(1,384,263)
<b>Dr. Amjad Waheed - Chief Executive Officer</b>									
Number of units issued	Units	18,693	-	-	-	-	-	-	-
Amount of units issued		6,000,000	-	-	-	-	-	-	-
<b>Aamir Sattar - Director</b>									
Number of units issued	Units	6,262	-	-	-	-	-	-	-
Amount of units issued		2,000,000	-	-	-	-	-	-	-

## 18.5 Amount outstanding as at year end

		2017					2016				
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Other	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Other	Total
----- (Rupees) -----											
<b>NBP Fullerton Asset Management Limited - Pension Fund Manager</b>											
Remuneration payable		1,195,046	417,648	277,867		1,890,561	521,572	327,408	178,978	-	1,027,958
Sindh Sales Tax payable		155,256	54,627	36,119		246,002	84,603	53,503	29,064	-	167,170
Preliminary expenses and floatation cost payable		75,000	75,000	75,000		225,000	75,000	75,000	75,000	-	225,000
Number of units held	Units	111,129	-	34,553		145,682	113,860	233,966	234,091	-	581,917
Amount of units held		36,677,659	-	4,293,927		40,971,586	27,675,921	27,993,222	28,021,264	-	83,690,407
Sales load inclusive of Sinds Sales Tax		-	-	-	2,943,712	2,943,712	-	-	-	1,211,757	1,211,757
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>											
Number of units held	Units	63,651	172,800	172,490	-	408,941	75,907	155,977	156,061	-	387,945
Amount of units held		21,007,723	21,489,253	21,435,184	-	63,932,160	18,450,614	18,662,148	18,680,842	-	55,793,604

# NAFA ISLAMIC PENSION FUND

	2017					2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Other	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Other	Total
----- (Rupees) -----										
<b>Employees of NBP Fullerton Asset Management Limited</b>										
Number of units held	<i>Units</i> 50,009	443	58,691	-	109,143	3,098	2,274	455	-	5,827
Amount of units held	16,505,277	55,108	7,293,530	-	23,853,915	753,082	272,123	54,479	-	1,079,684
<b>Central Depository Company of Pakistan Limited - Trustee</b>										
Remuneration payable	119,028	41,626	26,760	-	187,414	52,160	32,741	17,899	-	102,800
Sindh Sales Tax payable	15,474	5,412	3,479	-	24,365	7,027	4,420	2,412	-	13,859
<b>Dr. Amjad Waheed - Cheif Executive Officer</b>										
Number of units issued	<i>Units</i> 18,693	-	-	-	18,693	-	-	-	-	-
Amount of units issued	6,169,533	-	-	-	6,169,533	-	-	-	-	-
<b>Aamir Sattar - Director</b>										
Number of units issued	<i>Units</i> 6,262	-	-	-	6,262	-	-	-	-	-
Amount of units issued	2,066,667	-	-	-	2,066,667	-	-	-	-	-

## 19 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity, debt and money market investments such as shares of listed companies, investment-grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

### 19.1 Market risk

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

The Pension Fund Manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

Market risk comprises three types of risk; currency risk, interest rate risk and price risk.

#### 19.1.1 Currency risk

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

#### 19.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

# NAFA ISLAMIC PENSION FUND

## a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing GoP Ijara Sukuk that expose the Fund to cash flow interest rate risk as at 30 June 2017. In case of 100 basis points increase in KIBOR on 30 June 2017, with all other variables held constant, the net assets of the Fund for the year would have been higher by Rs. 1.75 million and net income for the year would have been higher by Rs. 1.75 million. In case of 100 basis points decrease in KIBOR on 30 June 2017, with all other variables held constant, the net assets of the Fund for the year would have been lower by Rs. 1.75 million and net income for the year would have been lower by Rs. 1.75 million.

## b) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds KIBOR based interest bearing GoP Ijara Sukuk that expose the Fund to fair value interest rate risk as at 30 June 2017. In case of 100 basis points increase in KIBOR on 30 June 2017, with all other variables held constant, the net assets of the Fund for the year would have been higher by Rs. 0.05 million and net income for the year would have been higher by Rs. 0.05 million. In case of 100 basis points decrease in KIBOR on 30 June 2017, with all other variables held constant, the net assets of the Fund for the year would have been lower by Rs. 0.05 million and net income for the year would have been lower by Rs. 0.05 million.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

	As at 30 June 2017																				
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Others								
	Effective yield / rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk	Total	Effective yield / interest rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk	Total	Effective yield / interest rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk	Total	Effective yield / interest rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk	Total					
	%	Up to three months upto one year	More than three months upto one year	(Rupees)	%	Up to three months	More than three months upto one year	More than three months upto one year	exposed to yield / interest rate risk	%	Up to three months	More than three months upto one year	More than three months upto one year	exposed to yield / interest rate risk	%	Up to three months	More than three months upto one year	More than three months upto one year	exposed to yield / interest rate risk	(Rupees)	
<b>On-balance sheet financial instruments</b>																					
<b>Financial assets</b>																					
Bank balances	2.40 - 6.20	97,597,766	-	-	97,597,766	2.40 - 6.20	198,562,188	-	-	198,562,188	2.40 - 6.20	231,069,973	-	-	231,069,973	2.40 - 6.20	4,932,588	-	-	4,932,588	532,162,515
Investments		-	-	875,929,525	875,929,525	3.97 - 6.10	-	-	167,340,500	-	167,340,500	5.51	-	-	15,298,500	-	15,298,500	-	-	-	1,058,568,525
Dividend receivable		-	-	3,630,981	3,630,981		-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,630,981
Mark-up receivables		-	-	286,444	286,444		-	-	2,131,727	2,131,727		-	-	-	1,577,019	1,577,019		-	-	-	3,995,190
Receivable against sale of investment		-	-	1,467,495	1,467,495		-	-	-	-		-	-	-	-	-	-	-	-	-	1,467,495
Deposits and other receivable		-	-	2,665,243	2,665,243		-	-	7,045,428	7,045,428		-	-	-	7,045,428	7,045,428		-	-	-	16,756,099
		97,597,766	-	883,979,688	981,577,454		198,562,188	-	167,340,500	9,177,155	375,079,843		231,069,973	-	15,298,500	8,622,447	254,990,920		4,932,588	-	1,616,580,805
<b>Financial liabilities</b>																					
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager		-	-	-	1,425,302	1,425,302		-	-	547,275	547,275		-	-	-	388,986	388,986		3,155,986	-	5,517,549
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	134,502	134,502		-	-	47,038	47,038		-	-	-	30,239	30,239		-	-	211,779
Accrued expenses and other liabilities		-	-	-	8,017,580	8,017,580		-	-	439,030	439,030		-	-	-	524,144	524,144		-	-	8,980,754
		-	-	-	9,577,384	9,577,384		-	-	1,033,343	1,033,343		-	-	-	943,369	943,369		-	-	14,710,082
<b>On-balance sheet gap</b>		97,597,766	-	874,402,304	972,000,070		198,562,188	-	167,340,500	8,143,812	374,046,500		231,069,973	-	15,298,500	7,679,078	254,047,551		4,932,588	-	1,601,870,723
<b>Off-balance sheet financial instruments</b>		-	-	-	-		-	-	-	-	-		-	-	-	-	-		-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-		-	-	-	-	-		-	-	-	-	-		-	-	-
<b>Total interest rate sensitivity gap</b>		97,597,766	-	874,402,304	972,000,070		198,562,188	-	167,340,500	8,143,812	374,046,500		231,069,973	-	15,298,500	7,679,078	254,047,551		4,932,588	-	1,601,870,723
<b>Cumulative interest rate sensitivity gap</b>		97,597,766	97,597,766	97,597,766		198,562,188	198,562,188	365,902,688		231,069,973	231,069,973	246,368,473		4,932,588	4,932,588	4,932,588					



# NAFA ISLAMIC PENSION FUND

Interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

		As at 30 June 2016										2016													
		Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Others				Total							
Effective yield / Interest rate	%	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total				
		Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year			Up to three months	More than three months upto one year	More than one year	
		(Rupees)				(Rupees)				(Rupees)				(Rupees)											
<b>On-balance sheet financial instruments</b>																									
<b>Financial assets</b>																									
Bank balances	2.50 - 6.70	40,029,344	-	-	-	40,029,344	2.50 - 6.70	163,819,796	-	-	-	163,819,796	2.50 - 6.70	137,238,592	-	-	-	137,238,592	2.50 - 6.70	3,340,997	-	-	-	3,340,997	344,428,729
Investments		-	-	-	395,128,577	395,128,577	5.24 - 8.96	-	24,740,000	90,751,000	-	115,491,000	5.24 - 8.96	-	-	15,118,500	-	15,118,500	-	-	-	-	-	-	525,738,077
Dividend receivable		-	-	-	1,505,750	1,505,750		-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	1,505,750
Mark-up receivables		-	-	-	182,456	182,456		-	-	-	1,928,955	1,928,955		-	-	-	1,041,937	1,041,937	-	-	-	-	-	-	3,153,348
Receivable against sale of investments		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other receivable		-	-	-	100,000	100,000		-	-	-	100,000	100,000		-	-	-	100,000	100,000	-	-	-	-	-	-	300,000
		40,029,344	-	-	396,916,783	436,946,127		163,819,796	24,740,000	90,751,000	2,028,955	281,339,751		137,238,592	-	15,118,500	1,141,937	153,499,029		3,340,997	-	-	-	3,340,997	875,125,904
<b>Financial liabilities</b>																									
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager		-	-	-	681,175	681,175		-	-	-	455,911	455,911		-	-	-	283,042	283,042		3,155,986	-	-	-	3,155,986	4,576,114
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	59,187	59,187		-	-	-	37,161	37,161		-	-	-	20,311	20,311		-	-	-	-	-	116,659
Accrued expenses and other liabilities		-	-	-	562,728	562,728		-	-	-	185,255	185,255		-	-	-	193,430	193,430		-	-	-	-	-	941,413
		-	-	-	1,303,090	1,303,090		-	-	-	678,327	678,327		-	-	-	496,783	496,783		-	-	-	-	-	5,634,186
<b>On-balance sheet gap</b>		<b>40,029,344</b>	<b>-</b>	<b>-</b>	<b>395,613,693</b>	<b>435,643,037</b>		<b>163,819,796</b>	<b>24,740,000</b>	<b>90,751,000</b>	<b>1,350,628</b>	<b>280,661,424</b>		<b>137,238,592</b>	<b>-</b>	<b>15,118,500</b>	<b>645,154</b>	<b>153,002,246</b>		<b>3,340,997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185,011</b>	<b>869,491,718</b>
<b>Off-balance sheet financial instruments</b>																									
<b>Off-balance sheet gap</b>																									
		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-
<b>Total interest rate sensitivity gap</b>		<b>40,029,344</b>	<b>-</b>	<b>-</b>	<b>395,613,693</b>	<b>435,643,037</b>		<b>163,819,796</b>	<b>24,740,000</b>	<b>90,751,000</b>	<b>1,350,628</b>	<b>280,661,424</b>		<b>137,238,592</b>	<b>-</b>	<b>15,118,500</b>	<b>645,154</b>	<b>153,002,246</b>		<b>3,340,997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185,011</b>	<b>869,491,718</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>40,029,344</b>	<b>40,029,344</b>	<b>40,029,344</b>				<b>163,819,796</b>	<b>188,559,796</b>	<b>279,310,796</b>				<b>137,238,592</b>	<b>137,238,592</b>	<b>152,357,092</b>				<b>3,340,997</b>	<b>3,340,997</b>	<b>3,340,997</b>			

## 19.1.3 Price risk

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

The pension fund manager's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the participants from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the pension fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities, and by complying with the internal risk management policies and regulations laid down in VPS Rules and directives issued by the SECP.

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the Pension Fund Manager.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 6 to these financial statements. At 30 June 2017 the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the Karachi Meezan Index - 30 (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs. 8.759 million (2016: 3.951 million) if the prices of equity vary due to increase / decrease in the KMI. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the KMI and that the KMI increases / decreases by 1% on KMI index with all other factors held constant.

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

# NAFA ISLAMIC PENSION FUND

## 19.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations.

The Fund's credit risk is primarily attributable to balances with banks only. The credit risk of the Fund is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Pension Fund Manager.

The maximum exposure to credit risk is as follows:

Ratings	As at 30 June 2017				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total
----- (Rupees) -----					
AAA	41,923,555	55,787,102	53,161,220	3,949,382	154,821,259
AA+	3,241	65,384,170	47,141,335	-	112,528,746
AA	38,059,104	12,331,848	12,871,917	978,104	64,240,973
AA-	-	1,102,318	70,759,570	-	71,861,888
A+	17,611,866	63,956,750	47,135,931	5,000	128,709,547
	<u>97,597,766</u>	<u>198,562,188</u>	<u>231,069,973</u>	<u>4,932,486</u>	<u>532,162,413</u>
Dividend receivable	<u>3,630,981</u>	-	-	-	<u>3,630,981</u>
Mark-up receivables	<u>286,444</u>	<u>2,131,727</u>	<u>1,577,019</u>	-	<u>3,995,190</u>
Deposits and other receivable	<u>2,665,243</u>	<u>100,000</u>	<u>7,045,428</u>	-	<u>9,810,671</u>
----- (Rupees) -----					
Ratings	As at 30 June 2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total
----- (Rupees) -----					
AAA	7,164,896	68,070,539	37,224,129	1,675,908	114,135,472
AA+	3,957	48,298,334	27,274,183	-	75,576,474
AA	5,903,558	9,180,079	4,199,350	1,660,089	20,943,076
AA-	-	-	26,854,725	-	26,854,725
A+	26,956,933	38,270,844	41,686,205	5,000	106,918,982
	<u>40,029,344</u>	<u>163,819,796</u>	<u>137,238,592</u>	<u>3,340,997</u>	<u>344,428,729</u>
Dividend receivable	<u>1,505,750</u>	-	-	-	<u>1,505,750</u>
Mark-up receivables	<u>182,456</u>	<u>1,928,955</u>	<u>1,041,937</u>	-	<u>3,153,348</u>
Deposits and other receivable	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-	<u>300,000</u>

# NAFA ISLAMIC PENSION FUND

The maximum exposure to credit risk before any credit enhancement is the carrying amount of these financial assets.

## Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Currently the Fund has placed its money in saving accounts with highly rated financial institutions.

## 19.3 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 cash redemptions of its units on a regular basis. Units are redeemable at the participant's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP). The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and cannot be readily disposed and are considered readily realisable.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 10% of the total net assets value at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the period.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Others	2017
	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Upto three months	Total
----- (Rupees) -----														
<b>Financial Liabilities (excluding participants' funds)</b>														
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	1,425,302	1,425,302	-	-	547,275	547,275	-	-	388,986	388,986	-	-	2,943,712	5,305,275
Payable to Central Depository Company of Pakistan Limited - Trustee	134,502	134,502	-	-	47,038	47,038	-	-	30,239	30,239	-	-	-	211,779
Accrued expenses and other liabilities	8,017,580	8,017,580	-	-	439,030	439,030	-	-	524,144	524,144	-	-	-	8,980,754
	<b>9,577,384</b>	<b>9,577,384</b>	<b>-</b>	<b>-</b>	<b>1,033,343</b>	<b>1,033,343</b>	<b>-</b>	<b>-</b>	<b>943,369</b>	<b>943,369</b>	<b>-</b>	<b>-</b>	<b>2,943,712</b>	<b>14,497,808</b>
Participants' funds	<b>964,029,792</b>	<b>964,029,792</b>	<b>-</b>	<b>-</b>	<b>365,707,979</b>	<b>365,707,979</b>	<b>-</b>	<b>-</b>	<b>253,201,235</b>	<b>253,201,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,582,939,006</b>
----- (Rupees) -----														
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Others	2015
	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Upto three months	Total
----- (Rupees) -----														
<b>Financial Liabilities (excluding participants' funds)</b>														
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	681,175	681,175	-	-	1,181,109	1,181,109	-	-	703,936	703,936	-	-	3,155,986	5,722,206
Payable to Central Depository Company of Pakistan Limited - Trustee	59,187	59,187	-	-	37,161	37,161	-	-	20,311	20,311	-	-	-	116,659
Accrued expenses and other liabilities	562,728	562,728	-	-	185,255	185,255	-	-	193,430	193,430	-	-	-	941,413
	<b>1,303,090</b>	<b>1,303,090</b>	<b>-</b>	<b>-</b>	<b>1,403,525</b>	<b>1,403,525</b>	<b>-</b>	<b>-</b>	<b>917,677</b>	<b>917,677</b>	<b>-</b>	<b>-</b>	<b>3,155,986</b>	<b>6,780,278</b>
Participants' funds	<b>433,123,546</b>	<b>433,123,546</b>	<b>-</b>	<b>-</b>	<b>279,690,023</b>	<b>279,690,023</b>	<b>-</b>	<b>-</b>	<b>152,409,030</b>	<b>152,409,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>865,222,599</b>

# NAFA ISLAMIC PENSION FUND

The above mentioned financial liabilities do not carry any mark-up.

Units of the Fund are redeemable on demand at the participants' option. However, participants typically retain them from medium to long term.

## 20 PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

The participants' fund is represented by redeemable units. These units are entitled to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the Fund.

The Fund's objectives when managing participants' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to participants and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with a long term objective, the possibility of a significant redemption pressure is limited, such liquidity being augmented by borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

All units, including the core units, and fractions thereof represent an undivided share in the pertinent sub-funds of the fund and rank parri passu as their rights in the net assets and earning of the sub-fund are not tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

# NAFA ISLAMIC PENSION FUND

	Equity Sub - Fund										Debt Sub - Fund										Money Market Sub - Fund										Others			Total				
	Carrying value					Fair Value					Carrying value					Fair value					Carrying value					Fair value					Loans and receivables	Other financial liabilities	Total					
	Available-for-sale	Held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	Available-for-sale	Held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	Available-for-sale	Held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total											
(Rupees)																																						
<b>On-balance sheet financial instruments</b>																																						
<b>Financial assets measured at fair value</b>																																						
Investments																																						
- Listed equity securities	-	875,929,525	-	-	875,929,525	875,929,525	-	-	875,929,525	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	875,929,525
- Government of Pakistan - Ijarah Sukuk	-	-	-	-	-	-	-	-	-	167,340,500	-	-	167,340,500	167,340,500	-	167,340,500	-	167,340,500	-	-	15,298,500	-	-	15,298,500	-	15,298,500	-	15,298,500	-	-	-	-	-	-	-	-	182,639,000	
	-	875,929,525	-	-	875,929,525	875,929,525	-	-	875,929,525	-	167,340,500	-	167,340,500	167,340,500	-	167,340,500	-	167,340,500	-	-	15,298,500	-	-	15,298,500	-	15,298,500	-	15,298,500	-	-	-	-	-	-	-	1,058,568,525		
<b>Financial assets not measured at fair value</b>																																						
Bank balances																																						
	-	-	97,597,766	-	97,597,766	-	-	-	-	-	198,562,188	-	198,562,188	-	-	-	-	-	-	-	231,069,973	-	-	231,069,973	-	-	-	-	-	-	-	-	-	-	4,932,588	4,932,588	532,162,515	
Dividend receivable	-	-	3,630,981	-	3,630,981	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,630,981		
Mark-up receivables	-	-	286,444	-	286,444	-	-	-	-	-	2,131,727	-	2,131,727	-	-	-	-	-	-	-	-	1,577,019	-	1,577,019	-	-	-	-	-	-	-	-	-	-	-	3,995,190		
Receivable against sale of investment	-	-	1,467,495	-	1,467,495	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,467,495			
Deposits and other receivable	-	-	2,665,243	-	2,665,243	-	-	-	-	-	100,000	-	100,000	-	-	-	-	-	-	-	-	7,045,428	-	7,045,428	-	-	-	-	-	-	-	-	-	-	9,810,671			
21.1	-	-	105,647,929	-	105,647,929	-	-	-	-	-	200,793,915	-	200,793,915	-	-	-	-	-	-	-	239,692,420	-	239,692,420	-	-	-	-	-	-	-	-	-	4,932,588	4,932,588	551,066,852			
<b>Financial liabilities not measured at fair value</b>																																						
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager																																						
	-	-	1,425,302	1,425,302	-	-	-	-	-	-	547,275	547,275	-	-	-	-	-	-	-	-	388,986	388,986	-	-	-	-	-	-	-	-	-	-	2,943,712	2,943,712	5,305,275			
Payable to Central Depository Company of Pakistan Limited - Trustee																																						
	-	-	134,502	134,502	-	-	-	-	-	-	47,038	47,038	-	-	-	-	-	-	-	-	30,239	30,239	-	-	-	-	-	-	-	-	-	-	-	211,779				
Accrued expenses and other liabilities																																						
	-	-	8,017,580	8,017,580	-	-	-	-	-	-	439,030	439,030	-	-	-	-	-	-	-	-	524,144	524,144	-	-	-	-	-	-	-	-	-	-	-	8,980,754				
21.1	-	-	9,577,384	9,577,384	-	-	-	-	-	-	1,033,343	1,033,343	-	-	-	-	-	-	-	-	943,369	943,369	-	-	-	-	-	-	-	-	-	-	2,943,712	2,943,712	14,497,808			

	Equity Sub - Fund										Debt Sub - Fund										Money Market Sub - Fund										Others			Total		
	Carrying value					Fair Value					Carrying value					Fair Value					Carrying value					Fair Value					Loans and receivables	Other financial liabilities	Total			
	Available-for-sale	Held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	Available-for-sale	Held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	Available-for-sale	Held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total									
30 June 2016																																				
(Rupees)																																				
<b>On-balance sheet financial instruments</b>																																				
<b>Financial assets measured at fair value</b>																																				
Investments																																				
- Listed equity securities	-	395,128,577	-	-	395,128,577	394,915,049	-	213,528	395,128,577	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	395,128,577
- Government of Pakistan - Ijarah sukuk	-	-	-	-	-	-	-	-	-	115,491,000	-	115,491,000	115,491,000	-	115,491,000	-	115,491,000	-	115,491,000	-	-	15,118,500	-	15,118,500	-	15,118,500	-	15,118,500	-	-	-	-	-	-	130,609,500	
	-	395,128,577	-	-	395,128,577	394,915,049	-	213,528	395,128,577	-	115,491,000	-	115,491,000	115,491,000	-	115,491,000	-	115,491,000	-	-	15,118,500	-	15,118,500	-	15,118,500	-	15,118,500	-	-	-	-	-	-	525,738,077		
<b>Financial assets not measured at fair value</b>																																				
Bank balances																																				
	-	-	40,029,344	-	40,029,344	-	-	-	-	-	163,819,796	-	163,819,796	-	-	-	-	-	-	-	-	137,238,592	-	137,238,592	-	-	-	-	-	-	-	-	3,340,997	3,340,997	344,428,729	
Dividend receivable	-	-	1,505,750	-	1,505,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,505,750	
Mark-up receivables	-	-	182,456	-	182,456	-	-	-	-	-	1,928,955	-	1,928,955	-	-	-	-	-	-	-	-	1,041,937	-	1,041,937	-	-	-	-	-	-	-	-	-	-	3,153,348	
Receivable against sale of investme	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deposit and other receivable	-	-	100,000	-	100,000	-	-	-	-	-	100,000	-	100,000	-	-	-	-	-	-	-	-	100,000	-	100,000	-	-	-	-	-	-	-	-	-	300,000		
	-	-	41,817,550	-	41,817,550	-	-	-	-	-	165,848,751	-	165,848,751	-	-	-	-	-	-	-	-	138,380,529	-	138,380,529	-	-	-	-	-	-	-	3,340,997	3,340,997	349,387,827		
<b>Financial liabilities not measured at fair value</b>																																				
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager																																				
	-	-	681,175	681,175	-	-	-	-	-	-	455,911	455,911	-	-	-	-	-	-	-	-	-	283,042	283,042	-	-	-	-	-	-	-	-	-	3,155,986	3,155,986	4,576,114	
Payable to Central Depository Company of Pakistan Limited - Trustee																																				
	-	-	59,187	59,187	-	-	-	-	-	-	37,161	37,161	-	-	-	-	-	-	-	-	-	20,311	20,311	-	-	-	-	-	-	-	-	-	-	116,659		
Accrued expenses and other liabilities																																				
	-	-	562,728	562,728	-	-	-	-	-	-	185,255	185,255	-	-	-	-	-	-	-	-	-	193,430	193,430	-	-	-	-	-	-	-	-	-	-	941,413		
	-	-	1,303,090	1,303,090	-	-	-	-	-	-	678,327	678,327	-	-	-	-	-	-	-	-	-	496,783	496,783	-	-	-	-	-	-	-	-	-	3,155,986	3,155,986	5,634,186	

21.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

# NAFA ISLAMIC PENSION FUND

## 22 FINANCIAL PERFORMANCE

### 22.1 Equity sub-fund

	Equity sub-fund					
	2017	2016	% Change	2015	2014	2013
	(Rupees)			(Rupees)		
Net income for the year	254,046,643	62,465,968	307%	52,435,170	13,074,583	254,643
Realised gains	55,005,154	5,445,863	910%	17,811,482	7,151,944	-
Unrealised appreciation	113,480,973	38,840,657	192%	24,960,581	5,137,389	-
Dividend income	28,889,732	14,696,771	97%	4,677,308	2,121,162	-
Mark-up on bank deposits	2,172,866	1,599,504	36%	760,381	316,870	388,488
NAV per unit	330.0453	243.0699	36%	208.0138	137.3012	101
Transactions in securities						
Purchases	541,531,325	315,525,028	72%	223,091,819	106,263,868	-
Sales	229,964,004	163,386,816	41%	115,788,008	7,151,939	-
Total contribution received	429,615,993	233,501,357	84%	151,408,445	14,242,087	30,006,000

### 22.2 Debt sub-fund

	Debt sub-fund					
	2017	2016	% Change	2015	2014	2013
	(Rupees)			(Rupees)		
Net income for the year	13,858,359	10,181,651	36%	5,709,594	2,967,848	275,232
Realized (loss)	260,000	(803,480)	-132%	(24,500)	-	-
Unrealized (diminution) / appreciation	1,589,500	(59,000)	-2794%	(523,150)	558,700	-
Mark-up on bank deposits	10,723,637	6,199,090	73%	1,085,411	505,362	395,091
NAV per unit	124.3591	119.6465	4%	115.2910	109.1759	101
Transactions in securities						
Purchases	75,000,000	127,877,588	-41%	73,660,150	33,135,200	-
Sales	-	-	100%	1,005,000	-	-
Total contribution received	185,579,482	156,738,807	18%	100,310,247	20,492,900	29,997,000

### 22.3 Money market sub-fund

	Money market sub-fund					
	2017	2016	% Change	2015	2014	2013
	(Rupees)			(Rupees)		
Net income for the year	9,304,715	5,762,625	61%	4,030,640	2,421,001	289,408
Realized (loss)	-	(366,750)	100%	-	-	-
Unrealized appreciation / (diminution)	180,000	118,500	52%	(358,600)	153,100	-
Mark-up on bank deposits	9,663,787	4,606,485	110%	784,974	562,048	395,091
NAV per unit	124.2692	119.7025	4%	115.1765	108.5032	101
Transactions in securities						
Purchases	-	15,000,000	-100%	21,772,250	54,300,000	-
Sales	-	-	0%	-	-	-
Total contribution received	137,604,144	75,950,614	81%	40,712,651	9,157,220	29,997,000

### 22.4 Highest and lowest issue price of units during the period

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund	
	2017	2016	2017	2016	2017	2016
	(Rupees)					
Highest issue price	366.6211	247.6637	124.3591	119.6776	124.2692	119.7025
Lowest issue price	243.0494	198.2547	119.6588	115.3074	119.7172	115.1894

## 23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Pension Fund Manager in their meeting held on September 15, 2017.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Financial Officer

Chief Executive Officer

Director












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

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