

## 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. Asif Hassan       | Chairman                |
| Dr. Amjad Waheed      | Chief Executive Officer |
| Mr. Khalid Mahmood    | Director                |
| Mr. Aamir Shehzad     | Director                |
| Mr. Wah Geok Sum      | Director                |
| Mr. Koh Boon San      | Director                |
| Mr. Shehryar Faruque  | Director                |
| Mr. Kamal Amir Chinoy | Director                |

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

|                      |          |
|----------------------|----------|
| Mr. Shehryar Faruque | Chairman |
| Mr. Koh Boon San     | Member   |
| Mr. Aamir Shehzad    | Member   |

### Human Resource Committee

|                       |          |
|-----------------------|----------|
| Mr. Khalid Mahmood    | Chairman |
| Mr. Wah Geok Sum      | Member   |
| Mr. Kamal Amir Chinoy | Member   |

### Trustee

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

### Bankers to the Fund

Burj bank Limited  
Habib Bank Limited (Islamic)  
United Bank Limited (Ameen)

# NAFA ISLAMIC PENSION FUND

## **Auditors**

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Cavish Court,  
A-35, Block 7 & 8,  
KCHSU, Sharae Faisal  
Karachi-75350 Pakistan

## **Legal Advisor**

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

## **Head Office:**

7th Floor Clifton Diamond Vuilding, 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:**

House # 10 - A, Block -S, Gulberg - II, Lahore.  
UAN: (+92-42) 111-111-NFA (632)  
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## **Peshawar Office:**

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Near KFC, Tehkal Payan  
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Phone: 92-91-5711784, 5711782  
Fax: 92-91-5211780

## **Multan Office:**

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

# NAFA ISLAMIC PENSION FUND

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# NAFA ISLAMIC PENSION FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS 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 period from May 02, 2013 to June 30, 2013 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

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

Karachi, October 14, 2013

# NAFA ISLAMIC PENSION FUND

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

NAFA Islamic Pension Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its placements made during the period May 02, 2013 to June 30, 2013. This has been duly confirmed by the Shariah Advisor of the Fund.

Date: August 27, 2013  
Karachi.

Dr. Amjad Waheed, CFA  
Chief Executive Officer

# NAFA ISLAMIC PENSION FUND

## Report of the Shari'ah Advisor NAFA Islamic Pension Fund

October 29, 2013 /Dhul-laijjah 23, 1434 A.H

Since the fund wasn't operational during the period from May 2, 2013 to June 30, 2013, the only activity that took place during this period was the placement of funds in Islamic banks / Islamic banking windows.

The funds were placed in following Islamic banks / Islamic banking windows:

- Burj Bank Limited
- HBL (Islamic banking)
- UBL Ameen (Islamic banking)

We have prescribed the criteria and procedures to be followed in ensuring Shariah Compliance in every investment.

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 with the Shari'ah policies & 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 of the management company's personnel to comply with the prescribed criteria.

In light of the above, we hereby certify that

- i. We have reviewed and approved the modes of investments of NIPF in light of Shari ah guidelines.
- ii. All the provisions of the scheme and investments made on account of NIPF by NAFA are Shari'ah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, nothing has come to our attention that cause us to believe that all the operations of NIPF for the period ended June 30, 2013 are not in compliance with Shariah principles.

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

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For and on behalf of Meezan Bank Limited  
Shari ah Technical Services & Support Provider

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Bilal Ahmed Qazi  
Sbari'ab Advisor

# NAFA ISLAMIC PENSION FUND

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

We were engaged by the Board of Directors of NBP Fullerton Asset Management Limited, the Pension Fund Manager, of NAFA Islamic Pension Fund (the Fund), to report on Fund's Compliance with the Shariah principles and guidelines prescribed by the Shariah Advisor as set out in the annexed statement prepared by the Pension Fund Manager for the period from May 2, 2013 to June 30, 2013 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 principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 4.20 of the Trust Deed 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 principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

### 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 comply with ethical requirements, including independence requirements, and 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 principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles 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 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.

Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions, having Shariah implications, on a test basis whether such financial arrangements, contracts and transactions having shariah implications are in line with the shariah rules and principles as prescribed by Shariah Advisor of the Fund. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the period from May 2, 2013 to 30 June 2013.

### Chartered Accountants

**Engagement Partner**  
Nadeem Yousuf Adil

**Date:** October 31, 2013  
**Place:** Karachi



# NAFA ISLAMIC PENSION FUND

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

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement;
- iii. Statement of Comprehensive Income;
- iv. Cashflow Statement; and
- v. Statement of Movement in Participants' Fund.

of NAFA Islamic Pension Fund ("theFund") as at June 30, 2013 together with the notes forming part thereof, for the period from May 02, 2013 to June 30, 2013.

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 International Accounting Standards notified under the sub-section(3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pensions System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- a) the accounts prepared for the period from May 02, 2013 to June 30, 2013 have been properly drawn in accordance with the relevant provisions of the trust deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2013 and of its financial performance, cash flows and transactions of the Fund for the period from May 02, 2013 to June 30, 2013;
- 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 accounts 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, are necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

### Chartered Accountants

**Engagement Partner:**  
Nadeem Yousuf Adil

**Place:** Karachi

**Date:** September 18, 2013

# NAFA ISLAMIC PENSION FUND

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2013

|  |      | -----2013-----     |                   |                          |                   |
|--|------|--------------------|-------------------|--------------------------|-------------------|
|  | Note | Equity<br>Sub-Fund | Debt<br>Sub-Fund  | Money Market<br>Sub-Fund | Total             |
| -----Rupees-----   |      |                    |                   |                          |                   |
| <b>ASSETS</b>  |      |                    |                   |                          |                   |
| Balances with banks  | 4    | 30,166,395         | 30,157,123        | 30,157,123               | 90,480,641        |
| Profit receivable  |      | 248,025            | 254,669           | 254,669                  | 757,363           |
| Preliminary expenses and floatation costs                                | 5    | 71,027             | 71,027            | 71,027                   | 213,081           |
| <b>Total assets</b>  |      | <b>30,485,447</b>  | <b>30,482,819</b> | <b>30,482,819</b>        | <b>91,451,085</b> |
| <b>LIABILITIES</b>   |      |                    |                   |                          |                   |
| Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager | 6    | 184,126            | 169,520           | 154,984                  | 508,630           |
| Payable to Central Depository Company of Pakistan Limited - Trustee      | 7    | 7,182              | 7,181             | 7,183                    | 21,546            |
| Annual fee payable to Securities and Exchange Commission of Pakistan     | 8    | 1,580              | 1,580             | 1,580                    | 4,740             |
| Accrued expenses and other liabilities                                   | 9    | 31,916             | 32,306            | 32,664                   | 96,886            |
| <b>Total liabilities</b>   |      | <b>224,804</b>     | <b>210,587</b>    | <b>196,411</b>           | <b>631,802</b>    |
| <b>NET ASSETS</b>  |      | <b>30,260,643</b>  | <b>30,272,232</b> | <b>30,286,408</b>        | <b>90,819,283</b> |
| <b>Participants' sub-funds (as per statement attached)</b>               |      | <b>30,260,643</b>  | <b>30,272,232</b> | <b>30,286,408</b>        | <b>90,819,283</b> |
| Contingencies and commitments  | 10   |                    |                   |                          |                   |
| -----Number of units-----  |      |                    |                   |                          |                   |
| Number of units in issue   | 11   | 300,060            | 299,970           | 299,970                  | 900,000           |
| -----Rupees-----   |      |                    |                   |                          |                   |
| Net assets value per unit  | 3.10 | 100.8486           | 100.9175          | 100.9648                 |                   |

The annexed notes 1 to 22 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director

# NAFA ISLAMIC PENSION FUND

## INCOME STATEMENT FOR THE PERIOD FROM MAY 02, 2013 TO JUNE 30, 2013

| For the Period from May 02, 2013 to June 30, 2013                             |                    |                  |                          |                |                |
|---|--------------------|------------------|--------------------------|----------------|----------------|
| Note  | Equity<br>Sub-Fund | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total          |                |
| -----Rupees-----  |                    |                  |                          |                |                |
| <b>INCOME</b>   |                    |                  |                          |                |                |
|   | 388,448            | 395,091          | 395,091                  | 1,178,630      |                |
| <b>EXPENSES</b>   |                    |                  |                          |                |                |
| Remuneration of NBP Fullerton Asset Management Limited - Pension Fund Manager | 6.1                | 71,818           | 59,845                   | 47,887         | 179,550        |
| Sindh sales tax on remuneration of Pension Fund Manager                       | 6.2                | 12,063           | 10,026                   | 8,044          | 30,133         |
| Federal Excise Duty on remuneration of Pension Fund Manager                   | 6.3                | 3,577            | 2,982                    | 2,386          | 8,945          |
| Remuneration of Central Depository Company Pakistan Limited - Trustee         | 7                  | 7,182            | 7,181                    | 7,183          | 21,546         |
| Annual fee to Securities and Exchange Commission of Pakistan                  | 8                  | 1,580            | 1,580                    | 1,580          | 4,740          |
| Auditors' remuneration  | 9                  | 10,000           | 10,000                   | 10,000         | 30,000         |
| Amortisation of preliminary expenses and floatation costs                     | 5                  | 3,973            | 3,973                    | 3,973          | 11,919         |
| Bank charges  |                    | 5,225            | 5,345                    | 5,345          | 15,915         |
| Other charges   |                    | 13,190           | 13,310                   | 13,379         | 39,879         |
| <b>Total Expenses</b>   |                    | <b>128,608</b>   | <b>114,242</b>           | <b>99,777</b>  | <b>342,627</b> |
| <b>Net income from operating activities</b>                                   |                    | <b>259,840</b>   | <b>280,849</b>           | <b>295,314</b> | <b>836,003</b> |
| Provision for Workers' Welfare Fund   | 14                 | 5,197            | 5,617                    | 5,906          | 16,720         |
| <b>Net income for the period before taxation</b>                              |                    | <b>254,643</b>   | <b>275,232</b>           | <b>289,408</b> | <b>819,283</b> |
| Taxation  | 15                 | -                | -                        | -              | -              |
| <b>Net income for the period after taxation</b>                               |                    | <b>254,643</b>   | <b>275,232</b>           | <b>289,408</b> | <b>819,283</b> |
| <b>Earnings per unit</b>  |                    | <b>0.85</b>      | <b>0.92</b>              | <b>0.96</b>    |                |

The annexed notes 1 to 22 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director

# NAFA ISLAMIC PENSION FUND

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM MAY 02, 2013 TO JUNE 30, 2013

|  | For the Period from May 02, 2013 to June 30, 2013 |                  |                          |                |
|--|---|------------------|--------------------------|----------------|
|  | Equity<br>Sub-Fund                                | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total          |
|  | -----Rupees-----                                  |                  |                          |                |
| Net income for the period after taxation         | 254,643   | 275,232          | 289,408                  | 819,283        |
| Other comprehensive income for the period        | -   | -                | -                        | -              |
| <b>Total comprehensive income for the period</b> | <b>254,643</b>                                    | <b>275,232</b>   | <b>289,408</b>           | <b>819,283</b> |

The annexed notes 1 to 22 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director

# NAFA ISLAMIC PENSION FUND

## STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB - FUNDS FOR THE PERIOD FROM MAY 02, 2013 TO JUNE 30, 2013

|  | For the Period from May 02, 2013 to June 30, 2013 |                   |                          |                   |
|--|---|-------------------|--------------------------|-------------------|
|  | Equity<br>Sub-Fund                                | Debt<br>Sub-Fund  | Money Market<br>Sub-Fund | Total             |
|  | -----Rupees-----                                  |                   |                          |                   |
| Net assets at the beginning of the period                      | -   | -                 | -                        | -                 |
| Amount received on issue of units<br>to Pension Fund Sponsor * | 30,006,000  | 29,997,000        | 29,997,000               | 90,000,000        |
| Total comprehensive income for the period                      | 254,643   | 275,232           | 289,408                  | 819,283           |
| <b>Net assets at the end of the period</b>                     | <b>30,260,643</b>                                 | <b>30,272,232</b> | <b>30,286,408</b>        | <b>90,819,283</b> |

|                | For the period from May 02, 2013 to June 30, 2013 |                  |                          |         |
|----------------|---|------------------|--------------------------|---------|
|                | Equity<br>Sub-Fund                                | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total   |
|                | -----Rupees-----                                  |                  |                          |         |
| * Units issued | 300,060   | 299,970          | 299,970                  | 900,000 |
| Units redeemed | -   | -                | -                        | -       |

The annexed notes 1 to 22 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director

# NAFA ISLAMIC PENSION FUND

## CASH FLOW STATEMENT FOR THE PERIOD FROM MAY 02, 2013 TO JUNE 30, 2013

|  | For the Period from May 02, 2013 to June 30, 2013 |                  |                          |            |
|--|---|------------------|--------------------------|------------|
|  | Equity<br>Sub-Fund                                | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total      |
| -----Rupees-----   |   |                  |                          |            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |   |                  |                          |            |
| Net income for the period before taxation                                | 254,643   | 275,232          | 289,408                  | 819,283    |
| <b>Adjustments for non cash items:</b>                                   |   |                  |                          |            |
| Amortisation of preliminary expenses and floatation costs                | 3,973   | 3,973            | 3,973                    | 11,919     |
| <b>Increase in assets</b>  | 258,616   | 279,205          | 293,381                  | 831,202    |
| Profit receivable  | (248,025)   | (254,669)        | (254,669)                | (757,363)  |
| <b>Increase in liabilities</b>   |   |                  |                          |            |
| Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager | 109,126   | 94,520           | 79,984                   | 283,630    |
| Payable to Central Depository Company of Pakistan Limited - Trustee      | 7,182   | 7,181            | 7,183                    | 21,546     |
| Annual fee payable to Securities and Exchange Commission of Pakistan     | 1,580   | 1,580            | 1,580                    | 4,740      |
| Accrued expenses and other liabilities                                   | 31,916  | 32,306           | 32,664                   | 96,886     |
|  | 149,804   | 135,587          | 121,411                  | 406,802    |
| <b>Net cash generated from operating activities</b>                      | 160,395   | 160,123          | 160,123                  | 480,641    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                              |   |                  |                          |            |
| Amount received on issue of units  | 30,006,000  | 29,997,000       | 29,997,000               | 90,000,000 |
| <b>Net increase in cash and cash equivalent</b>                          | 30,166,395  | 30,157,123       | 30,157,123               | 90,480,641 |
| <b>Cash and cash equivalent at the beginning of the period</b>           | -   | -                | -                        | -          |
| <b>Cash and cash equivalent at the end of the period</b>                 | 4   | 30,157,123       | 30,157,123               | 90,480,641 |

The annexed notes 1 to 22 form an integral part of these financial statements.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director

# NAFA ISLAMIC PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MAY 02, 2013 TO JUNE 30, 2013

### 1 LEGAL STATUS AND NATURE OF BUSINESS

NAFA Islamic Pension Fund (the Fund) was established under a Trust Deed, dated October 12, 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 authorised by the Securities and Exchange Commission of Pakistan (SECP) as a pension fund on November 16, 2012.

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (the 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, Phase 4, Scheme 5, Clifton Karachi.

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, no distribution of income or dividend is allowed from any of the sub-funds.

The objective of the Fund is to provide the individuals with a portable, individualised, funded (based on defined contribution), flexible pension scheme, assisting and facilitating them to plan and provide for their retirement.

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.

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 Asset 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, the 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 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.

The Fund offers five 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 & 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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2' to the Pension Fund Manager while the Fund is currently not rated.

Title of the assets of the Fund are held in the name of CDC as the trustee of the Fund.

# NAFA ISLAMIC PENSION 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 Companies Ordinance, 1984, the provisions of the Voluntary Pension System Rules, 2005 ( the 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 NBFC Rules and Regulations, the VPS Rules or the directives issued by the SECP shall prevail.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

### 2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2013

The following standards, amendments and interpretations are effective for the year ended June 30, 2013. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

|  |  |
|--|--|
| Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income | Effective from accounting period beginning on or after July 01, 2012 |
|--|--|

### 2.5 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

|  |   |
|--|---|
| Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information   | Effective from accounting period beginning on or after January 01, 2013 |
| Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment   | Effective from accounting period beginning on or after January 01, 2013 |
| Amendments to IAS 19 - Employee Benefits   | Effective from accounting period beginning on or after January 01, 2013 |
| Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction | Effective from accounting period beginning on or after January 01, 2013 |
| Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities   | Effective from accounting period beginning on or after January 01, 2014 |
| Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities                                       | Effective from accounting period beginning on or after January 01, 2013 |
| Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities  | Effective from accounting period beginning on or after January 01, 2013 |
| IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine   | Effective from accounting period beginning on or after January 01, 2013 |



# NAFA ISLAMIC PENSION FUND

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the SECP:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

## 2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of investments (Note 3.2.1)
- (b) impairment of financial asset (Note 3.2.5)
- (c) provisions (Note 3.9)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 3.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

#### a) Financial assets at fair value through profit or loss-held for trading

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as "fair value through profit or loss-held-for-trading".

#### b) Loans and receivables

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

#### c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

# NAFA ISLAMIC PENSION FUND

## 3.2.2 Regular way contracts

All regular purchases / sales of investments are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the regulations.

## 3.2.3 Initial recognition and measurement

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

## 3.2.4 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

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP).

### b) Basis of valuation of government securities

The investment of the Fund in government securities is 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'.

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

## 3.2.5 Impairment of financial assets

Impairment loss on investments other than 'available-for-sale' is recognised in the income statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the income statement.

In case of investments classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are 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 profit or loss is removed from other comprehensive income and recognised in the income statement. However, the decrease in impairment loss on equity securities classified as 'available-for-sale' is not reversed through the income statement.

## 3.2.6 Derecognition

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

## 3.2.7 Offsetting of financial assets and financial liabilities

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

# NAFA ISLAMIC PENSION FUND

## 3.3 Financial liabilities

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

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

## 3.4 Preliminary expenses and flotation costs

Preliminary expenses and flotation costs represents 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.

## 3.5 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.

Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed is determined based on the income earned during the year and on unrealised appreciation / (diminution) arising during the year on available for sale securities. The amount so determined is taken directly to the distribution statement.

## 3.6 Provisions

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

## 3.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised capital gains / (losses) arising on marking to market 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.

- Dividend income is recognised when the right to receive dividend is established.

- Mark-up / return on government securities, sukuks, bank balances and term deposit receipts are recognised on a time apportionment basis using the effective interest method.

## 3.8 Taxation

The income of the Fund is exempt from income Tax under clause 57(1)(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.

## 3.9 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-fund's of the Pension Fund according to the Allocation Scheme selected by the participant. The units are allotted at the net asset value notified by the Pension Fund Manager at the close of the business day for each sub-fund. The front end fee is 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 asset value of each of the Sub-Fund 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 asset 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 asset 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.

## 3.10 Net Asset Value per unit

The Net Asset Value per unit as disclosed in the balance sheet is calculated by dividing the net assets of each of the Sub-Funds by the number of units in circulation in the Sub-Funds at the period end.

# NAFA ISLAMIC PENSION FUND

## 4 BALANCES WITH BANKS

|                  |      | June 30, 2013      |                  |                          |            |
|------------------|------|--------------------|------------------|--------------------------|------------|
|                  | Note | Equity<br>Sub-Fund | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total      |
| -----Rupees----- |      |                    |                  |                          |            |
| Savings accounts | 4.1  | 30,166,395         | 30,157,123       | 30,157,123               | 90,480,641 |

4.1 Savings accounts with banks carry interest at the rate of 6% to 9.20% per annum.

## 5 PRELIMINARY EXPENSES AND FLOATATION COSTS

|  |     |               |               |               |                |
|--|-----|---------------|---------------|---------------|----------------|
| Preliminary expenses and floatation costs incurred |     |               |               |               |                |
| Less: Accumulated amortization for the period      | 5.1 | 75,000        | 75,000        | 75,000        | 225,000        |
|  |     | 3,973         | 3,973         | 3,973         | 11,919         |
|  |     | <u>71,027</u> | <u>71,027</u> | <u>71,027</u> | <u>213,081</u> |

5.1 Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of the operations of the Fund and 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.

|   |      | June 30, 2013      |                  |                          |                |
|---|------|--------------------|------------------|--------------------------|----------------|
|   | Note | Equity<br>Sub-Fund | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total          |
| -----Rupees-----  |      |                    |                  |                          |                |
| <b>6 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER</b> |      |                    |                  |                          |                |
| Management fee  | 6.1  | 71,818             | 59,845           | 47,887                   | 179,550        |
| Sindh Sales tax payable on management fee   | 6.2  | 12,063             | 10,026           | 8,044                    | 30,133         |
| Federal excise duty payable on management fee                                     | 6.3  | 3,577              | 2,982            | 2,386                    | 8,945          |
| Preliminary expenses and floatation costs on behalf of the Fund                   |      | 75,000             | 75,000           | 75,000                   | 225,000        |
| Other charges payable   |      | 21,668             | 21,667           | 21,667                   | 65,002         |
|   |      | <u>184,126</u>     | <u>169,520</u>   | <u>154,984</u>           | <u>508,630</u> |

6.1 As per rule 11 of the VPS Rules, the Pension Fund Manager is allowed to charge maximum annual management fee of 1.5% of the average of the values of the net assets of each of the Sub-Fund calculated during the period. Accordingly, the Management fee has been accrued at:

- 1.5% of the average annual net assets of Equity Sub-Fund
- 1.25% of the average annual net assets of Debt Sub-Fund; and
- 1% of the average annual net assets of Money Market Sub-Fund

6.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 16% on the management fee of the Pension Fund Manager as required by Sindh Sales Tax on Services Act, 2011.

6.3 During the year, the Federal Government of Pakistan amended the First schedule Table II to the Federal Excise Act, 2005, and imposed excise duty on services provided by Asset Management Companies at the rate of 16% effective from June 13, 2013.

# NAFA ISLAMIC PENSION FUND

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

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 there in, based on the daily Net Asset Value (NAV) of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2013 is as follows:

| Average Net Asset                                  | Tariff  |
|--|---|
| Upto Rs. 1,000 million                             | Rs. 0.3 million or 0.15% p.a of NAV, whichever is higher          |
| Exceeding Rs 1,000 million upto Rs. 3,000 million  | Rs. 1.5 million plus 0.10% p.a of NAV exceeding Rs. 1,000 million |
| Exceeding Rs. 3,000 million upto Rs. 6,000 million | Rs. 3.5 million plus 0.08% p.a of NAV exceeding Rs. 3,000 million |
| Exceeding Rs. 6,000 million                        | Rs. 5.9 million plus 0.06% p.a of NAV exceeding Rs. 6,000 million |

However, the Trustee has withdrawn minimum trusteeship tariff for the first year of operation and restricted it to 0.15% p.a. of NAV in case the average NAV of the sub-fund is upto Rs. 1,000 million.

## 8 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to the SECP in accordance with rule 36 of the VPS Rules whereby the Fund is required to pay SECP, an amount equal to one thirtieth of 1% of the average annual net asset value of each of the sub-funds.

## 9 ACCRUED EXPENSES AND OTHER LIABILITIES

|                                     | Note | June 30, 2013   |               |                       |               |
|-------------------------------------|------|-----------------|---------------|-----------------------|---------------|
|                                     |      | Equity Sub-Fund | Debt Sub-Fund | Money Market Sub-Fund | Total         |
| -----Rupees-----                    |      |                 |               |                       |               |
| Auditors' remuneration              | 9.1  | 10,000          | 10,000        | 10,000                | 30,000        |
| Provision for Workers' Welfare Fund |      | 5,197           | 5,617         | 5,906                 | 16,720        |
| Bank charges payables               |      | 3,529           | 3,379         | 3,379                 | 10,287        |
| Other charges payable               |      | 13,190          | 13,310        | 13,379                | 39,879        |
|                                     |      | <b>31,916</b>   | <b>32,306</b> | <b>32,664</b>         | <b>96,886</b> |
| 9.1 Annual Audit Fee                |      | 10,000          | 10,000        | 10,000                | 30,000        |

## 10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013.

|  | June 30, 2013   |                |                       |                |
|--|-----------------|----------------|-----------------------|----------------|
|  | Equity Sub-Fund | Debt Sub-Fund  | Money Market Sub-Fund | Total          |
| -----Number of units-----                          |                 |                |                       |                |
| 11 NUMBER OF UNITS IN ISSUE                        |                 |                |                       |                |
| Total Units outstanding at beginning of the period | -               | -              | -                     | -              |
| Add: Units issued during the period                | 300,060         | 299,970        | 299,970               | 900,000        |
| Less: Units redeemed during the period             | -               | -              | -                     | -              |
| Total units in issue at the end of the period.     | <b>300,060</b>  | <b>299,970</b> | <b>299,970</b>        | <b>900,000</b> |

# NAFA ISLAMIC PENSION FUND

## 12 CONTRIBUTION TABLE

Contributions received during the period are as follows:

For the period from May 02, 2013 to June 30, 2013

| From:                | Equity Sub-Fund |            | Debt Sub-Fund |            | Money Market Sub-Fund |            | Total   |            |
|----------------------|-----------------|------------|---------------|------------|-----------------------|------------|---------|------------|
|                      | Units           | Rupees     | Units         | Rupees     | Units                 | Rupees     | Units   | Rupees     |
| Individuals          | -               | -          | -             | -          | -                     | -          | -       | -          |
| Pension Fund Sponsor | 300,060         | 30,006,000 | 299,970       | 29,997,000 | 299,970               | 29,997,000 | 900,000 | 90,000,000 |
|                      | 300,060         | 30,006,000 | 299,970       | 29,997,000 | 299,970               | 29,997,000 | 900,000 | 90,000,000 |

## 13 HIGHEST AND LOWEST ISSUE PRICE OF UNITS DURING THE PERIOD

There were no issuance of units other than against seed capital which were issued at par value.

## 14 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) and Pension Funds whose income exceeds Rs. 0.5 milli on in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs and Pension Funds, which is pending adjudication.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010, clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010, to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011, has cancelled ab-initio clarificatory letter dated October 6, 2010, on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honourable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

Furthermore, in 2011 the Honourable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the Honourable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh.

During the period, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

However, without prejudice to the above, the Pension Fund Manager, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 16,720 in these financial statements.

## 15 TAXATION

No provision for taxation for the year ended 30 June 2013 has been made in view of the exemption clause 57(1)(viii) of Part I of Second Schedule to the Income Tax Ordinance, 2001.

# NAFA ISLAMIC PENSION FUND

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

June 30, 2013

| EQUITY SUB-FUND       |                                      |                    |           | DEBT SUB-FUND         |                                      |                    |           | MONEY MARKET SUB-FUND |                                      |                    |           | Total      |            |
|-----------------------|--------------------------------------|--------------------|-----------|-----------------------|--------------------------------------|--------------------|-----------|-----------------------|--------------------------------------|--------------------|-----------|------------|------------|
| Loans and receivables | At fair value through profit or loss | Available for sale | Sub-total | Loans and receivables | At fair value through profit or loss | Available for sale | Sub-total | Loans and receivables | At fair value through profit or loss | Available for sale | Sub-total |            |            |
| Financial assets      |                                      |                    |           |                       |                                      |                    |           |                       |                                      |                    |           |            |            |
| Balances with banks   | 30,166,395                           | -                  | -         | 30,166,395            | 30,57,23                             | -                  | -         | 30,57,23              | 30,57,23                             | -                  | -         | 30,57,23   | 90,480,641 |
| Profit receivable     | 248,025                              | -                  | -         | 248,025               | 254,669                              | -                  | -         | 254,669               | 254,669                              | -                  | -         | 254,669    | 757,363    |
|                       | 30,414,420                           | -                  | -         | 30,414,420            | 30,411,792                           | -                  | -         | 30,411,792            | 30,411,792                           | -                  | -         | 30,411,792 | 91,238,004 |

June 30, 2013

| EQUITY SUB-FUND   |                             |           | DEBT SUB-FUND                                    |                             |           | MONEY MARKET SUB-FUND                            |                             |           | Total   |         |
|---|-----------------------------|-----------|--|-----------------------------|-----------|--|-----------------------------|-----------|---------|---------|
| Liabilities at fair value through profit or loss                        | Other financial liabilities | Sub-total | Liabilities at fair value through profit or loss | Other financial liabilities | Sub-total | Liabilities at fair value through profit or loss | Other financial liabilities | Sub-total |         |         |
| Financial liabilities   |                             |           |  |                             |           |  |                             |           |         |         |
| Payable to NBP Fullerton Asset Management Limited- Pension Fund Manager | -                           | 14,126    | 14,126   | -                           | 19,520    | 19,520   | -                           | 14,984    | 14,984  | 508,630 |
| Payable to Central Depository Company of Pakistan Limited -Trustee      | -                           | 7,82      | 7,82   | -                           | 7,81      | 7,81   | -                           | 7,83      | 7,83    | 21546   |
| Annual fee payable to Securities and Exchange Commission of Pakistan    | -                           | 1580      | 1580   | -                           | 1580      | 1580   | -                           | 1580      | 1580    | 4,740   |
| Accrued expenses and other liabilities                                  | -                           | 26,79     | 26,79  | -                           | 26,689    | 26,689   | -                           | 26,758    | 26,758  | 80,166  |
|   | -                           | 219,607   | 219,607  | -                           | 204,970   | 204,970  | -                           | 190,505   | 190,505 | 615,082 |



# NAFA ISLAMIC PENSION FUND

## 17 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.

### 17.1 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.

#### 17.1.1 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.

#### 17.1.2 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.

##### a) Sensitivity analysis for variable rate instrument

Presently, the Fund does not hold any variable rate instruments as at June 30, 2013, that could expose the Fund to cash flow interest rate risk.

##### b) Sensitivity analysis for fixed rate instrument

As at June 30, 2013, the Fund holds balances in deposit accounts with bank, exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR, with all other variables held constant, the net assets of the Fund as on June 30, 2013 and net income for the year then ended would have been higher / lower by Rs. 904,806.

The composition of Fund's investment portfolio and KIBOR rates is expected to change overtime. Therefore, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect in the Fund's net assets due to future movements in interest rates.



# NAFA ISLAMIC PENSION FUND

17.1.3 Yield / 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 the settlement date.

|  | EQUITY SUB-FUND                       |   |                    |   |            | DEBT SUB-FUND                         |   |                    |   |            | MONEY MARKET SUB-FUND                 |   |                    |   |            | Total      |
|--|---------------------------------------|---|--------------------|---|------------|---------------------------------------|---|--------------------|---|------------|---------------------------------------|---|--------------------|---|------------|------------|
|  | Exposed to yield / interest rate risk |   |                    |   | Sub-Total  | Exposed to yield / interest rate risk |   |                    |   | Sub-Total  | Exposed to yield / interest rate risk |   |                    |   | Sub-Total  |            |
|  | Up to three months                    | More than three months and up to one year | More than one year | Not exposed to yield / interest rate risk |            | Up to three months                    | More than three months and up to one year | More than one year | Not exposed to yield / interest rate risk |            | Up to three months                    | More than three months and up to one year | More than one year | Not exposed to yield / interest rate risk |            |            |
| On-balance sheet financial instruments                                   |                                       |   |                    |   |            |                                       |   |                    |   |            |                                       |   |                    |   |            |            |
| Financial assets   |                                       |   |                    |   |            |                                       |   |                    |   |            |                                       |   |                    |   |            |            |
| Balances with banks  | 30,166,395                            | -   | -                  | -   | 30,166,395 | 30,57,123                             | -   | -                  | -   | 30,157,123 | 30,57,123                             | -   | -                  | -   | 30,157,123 | 90,480,641 |
| Profit receivable  | -                                     | -   | -                  | 248,025                                   | 248,025    | -                                     | -   | -                  | 254,669                                   | 254,669    | -                                     | -   | -                  | 254,669                                   | 254,669    | 757,363    |
|  | 30,166,395                            | -   | -                  | 248,025                                   | 30,414,420 | 30,57,123                             | -   | -                  | 254,669                                   | 30,411,792 | 30,57,123                             | -   | -                  | 254,669                                   | 30,411,792 | 91,238,004 |
| Financial liabilities  |                                       |   |                    |   |            |                                       |   |                    |   |            |                                       |   |                    |   |            |            |
| Payable to NBP Fullerton Asset-Management Limited - Pension Fund Manager | -                                     | -   | -                  | 184,126                                   | 184,126    | -                                     | -   | -                  | 169,520                                   | 169,520    | -                                     | -   | -                  | 154,984                                   | 154,984    | 508,630    |
| Payable to Central Depository - Company of Pakistan Limited - Trustee    | -                                     | -   | -                  | 7,182                                     | 7,182      | -                                     | -   | -                  | 7,181                                     | 7,181      | -                                     | -   | -                  | 7,183                                     | 7,183      | 21,546     |
| Annual fee payable to the Securities and Exchange Commission of Pakistan | -                                     | -   | -                  | 1,580                                     | 1,580      | -                                     | -   | -                  | 1,580                                     | 1,580      | -                                     | -   | -                  | 1,580                                     | 1,580      | 4,740      |
| Accrued expenses and other liabilities                                   | -                                     | -   | -                  | 26,719                                    | 26,719     | -                                     | -   | -                  | 26,689                                    | 26,689     | -                                     | -   | -                  | 26,758                                    | 26,758     | 80,166     |
|  | -                                     | -   | -                  | 219,607                                   | 219,607    | -                                     | -   | -                  | 204,970                                   | 204,970    | -                                     | -   | -                  | 190,505                                   | 190,505    | 615,082    |
| On-balance sheet gap   | 30,166,395                            | -   | -                  | 28,418                                    | 30,194,813 | 30,157,123                            | -   | -                  | 49,699                                    | 30,206,822 | 30,157,123                            | -   | -                  | 64,164                                    | 30,221,287 | 90,622,922 |
| Off-balance sheet financial instruments                                  | -                                     | -   | -                  | -   | -          | -                                     | -   | -                  | -   | -          | -                                     | -   | -                  | -   | -          | -          |
| Off-balance sheet gap  | -                                     | -   | -                  | -   | -          | -                                     | -   | -                  | -   | -          | -                                     | -   | -                  | -   | -          | -          |

# NAFA ISLAMIC PENSION FUND

## 17.1.4 Price risk

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

The Fund is not expose to price risk as at June 30, 2013.

## 17.2 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 follow:

-----As at June 30, 2013-----

| Equity<br>Sub-Fund | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total |
|--------------------|------------------|--------------------------|-------|
|--------------------|------------------|--------------------------|-------|

-----Rupees-----

### Balances with banks

|      |            |            |            |            |
|------|------------|------------|------------|------------|
| A-1+ | 30,066,237 | 30,065,966 | 30,065,966 | 90,198,169 |
| A-1  | 100,158    | 91,157     | 91,157     | 282,472    |

### 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 of a bank.

## 17.3 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 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

# NAFA ISLAMIC PENSION FUND

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

----- June 30, 2013 -----

|  | EQUITY SUB-FUND    |                                      |               |            | DEBT SUB-FUND      |                                      |               |            | MONEY MARKET SUB-FUND |                                      |               |            | Totals     |
|--|--------------------|--------------------------------------|---------------|------------|--------------------|--------------------------------------|---------------|------------|-----------------------|--------------------------------------|---------------|------------|------------|
|  | Up to three months | Over three months and up to one year | Over one year | Sub total  | Up to three months | Over three months and up to one year | Over one year | Sub total  | Up to three months    | Over three months and up to one year | Over one year | Sub total  |            |
| <b>Liabilities</b>   |                    |                                      |               |            |                    |                                      |               |            |                       |                                      |               |            |            |
| Payable to NBP Fullerton Asset Management Limited                        |                    |                                      |               |            |                    |                                      |               |            |                       |                                      |               |            |            |
| - Pension Fund Manager   | 184,126            | -                                    | -             | 184,126    | 169,520            | -                                    | -             | 169,520    | 154,984               | -                                    | -             | 154,984    | 508,630    |
| Payable to Central Depository Company of Pakistan Limited                |                    |                                      |               |            |                    |                                      |               |            |                       |                                      |               |            |            |
| - Trustee  | 7,182              | -                                    | -             | 7,182      | 7,181              | -                                    | -             | 7,181      | 7,183                 | -                                    | -             | 7,183      | 21,546     |
| Annual fee payable to the Securities and Exchange Commission of Pakistan | 1,580              | -                                    | -             | 1,580      | 1,580              | -                                    | -             | 1,580      | 1,580                 | -                                    | -             | 1,580      | 4,740      |
| Accrued expenses and other liabilities                                   | 26,719             | -                                    | -             | 26,719     | 26,689             | -                                    | -             | 26,689     | 26,758                | -                                    | -             | 26,758     | 80,166     |
|  | 219,607            | -                                    | -             | 219,607    | 204,970            | -                                    | -             | 204,970    | 190,505               | -                                    | -             | 190,505    | 615,082    |
| Participant's fund   | 30,006,000         | -                                    | -             | 30,006,000 | 29,997,000         | -                                    | -             | 29,997,000 | 29,997,000            | -                                    | -             | 29,997,000 | 90,000,000 |

## 18 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 participant's funds are to safeguard its ability to continue as going concern so that it can continue to provide returns to participants and to maintain a strong base of asset under management.

In accordance with the risk management policies stated in note 17, 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 long term objective, the possibility of a significant redemption pressure is limited, such liquidity is 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 represents an undivided share in the pertinent sub-funds of the Fund and rank pari 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.

## 19 TRANSACTIONS WITH CONNECTED PERSONS

19.1 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, Taurus Securities being an entity having the directorship common with that of NBP Fullerton Asset Management Limited, other collective investment schemes managed by NBP Fullerton Asset Management Limited, directors and officers of NBP Fullerton Asset Management Limited and employee benefit funds of the NBP Fullerton Asset Management Limited.

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

# NAFA ISLAMIC PENSION FUND

- 19.3 Remuneration payable to the Pension Fund Manager and Trustee is determined in accordance with the provisions of the VPS Rules and the Trust Deed.

For the period from May 02, 2013 to June 30, 2013

|  | Equity<br>Sub-Fund | Debt<br>Sub-Fund | Money Market<br>Sub-Fund | Total      |
|--|--------------------|------------------|--------------------------|------------|
| -----Rupees-----   |                    |                  |                          |            |
| <b>19.4 Details of the transactions with connected persons are as follows:</b> |                    |                  |                          |            |
| <b>NBP Fullerton Asset Management Limited<br/>- Pension Fund Manager</b>       |                    |                  |                          |            |
| Remuneration of NBP Fullerton Asset Management Limited - Pension Fund Manager  | 71,818             | 59,845           | 47,887                   | 179,550    |
| Sindh sales tax on remuneration of Pension Fund Manager                        | 12,063             | 10,026           | 8,044                    | 30,133     |
| Federal Excise Duty on remuneration of Pension Fund Manager                    | 3,577              | 2,982            | 2,386                    | 8,945      |
| Number of units issued (seed capital)  | 180,036            | 179,982          | 179,982                  | 540,000    |
| Amount of units issued   | 18,003,600         | 17,998,200       | 17,998,200               | 54,000,000 |
| <b>Alexandra Fund Management Pte Limited<br/>- Sponsor</b>                     |                    |                  |                          |            |
| Number of units issued (seed capital)  | 120,024            | 119,988          | 119,988                  | 360,000    |
| Amount of units issued   | 12,002,400         | 11,998,800       | 11,998,800               | 36,000,000 |
| <b>Central Depository Company of Pakistan Limited<br/>-Trustee</b>             |                    |                  |                          |            |
| Trustee fee  | 7,182              | 7,181            | 7,183                    | 21,546     |
| <b>19.5 Amounts outstanding as at year end are as follows:</b>                 |                    |                  |                          |            |
| <b>NBP Fullerton Asset Management Limited<br/>- Pension Fund Manager</b>       |                    |                  |                          |            |
| Management fee - payable   | 71,818             | 59,845           | 47,887                   | 179,550    |
| Sindh sales tax on Management fee - payable                                    | 12,063             | 10,026           | 8,044                    | 30,133     |
| Federal Excise Duty on Management fee - payable                                | 3,577              | 2,982            | 2,386                    | 8,945      |
| Preliminary expenses and floatation costs on behalf of the Fund - payable      | 75,000             | 75,000           | 75,000                   | 225,000    |
| Other charges payable  | 21,668             | 21,667           | 21,667                   | 65,002     |
| Number of units issued (seed capital)  | 180,036            | 179,982          | 179,982                  | 540,000    |
| Amount of units issued   | 18,003,600         | 17,998,200       | 17,998,200               | 54,000,000 |
| <b>Alexandra Fund Management Pte Limited<br/>- Sponsor</b>                     |                    |                  |                          |            |
| Number of units issued (seed capital)  | 120,024            | 119,988          | 119,988                  | 360,000    |
| Amount of units issued   | 12,002,400         | 11,998,800       | 11,998,800               | 36,000,000 |
| <b>Central Depository Company Pakistan Limited<br/>-Trustee</b>                |                    |                  |                          |            |
| Trustee fee  | 7,182              | 7,181            | 7,183                    | 21,546     |

# NAFA ISLAMIC PENSION FUND

## 20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of the 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. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value.

## 21 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on 27 August, 2013.

## 22 GENERAL

### 22.1 Figures have been rounded off to the nearest Rupee.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director