



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of  
National Bank of Pakistan

# NAFA ISLAMIC PENSION FUND

## ANNUAL REPORT 2014




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

### Company Secretary & CFO of the Management Company

Mr. Muhammad Murtaza Ali

### Audit & Risk Committee

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

### Human Resource Committee

Mr. Nausherwan Adil	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 Shahra-e-Faisal, Karachi.

### Bankers to the Fund

Habib Bank Limited (Islamic)  
United Bank Limited (Ameen)  
Bank Al Habib Limited (Islamic)  
Standard Chartered Bank (Pakistan) Limited (Sadiq)  
Meezan Bank Limited

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

## **Lahore Office:**

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

## **Islamabad Office:**

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

## **Peshawar Office:**

1st Floor, Haji Tehmas Centre,  
Near KFC, Tehkal Payan  
University Road, Peshawar.  
Phone: 92-91-5711784, 5711782  
Fax: 92-91-5211780

## **Multan Office:**

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

# NAFA ISLAMIC PENSION FUND

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# Board of Directors



Mr. Nausherwan Adil  
**Chairman**



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



Mr. Kamal Amir Chinoy  
**Director**



Mr. Koh Boon San  
**Director**



Mr. Aamir Sattar  
**Director**



Mr. Shehryar Faruque  
**Director**



Mr. Wah Geok Sum  
**Director**



Mr. Abdul Hadi Palekar  
**Director**



# Senior Management



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



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



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



**Mr. Zeeshan**  
**Chief – Strategy &**  
**Business Development**



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



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



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



**Mr. Ahmad Nouman CFA, PRM**  
**Head of Risk Management**



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



**Mr. Tahir Lateef**  
**Head of Internal Audit**

# NAFA ISLAMIC PENSION FUND

## DIRECTORS' REPORT

The Board of Directors of NBP Fullerton Asset Management Limited is pleased to present the Second Annual Report of **NAFA Islamic Pension Fund** for the year ended June 30, 2014.

### Fund's Performance

	<b>Fund Size (Rs. in mln)</b>	<b>NAV Per Unit (Rs.) July 02, 2013</b>	<b>NAV Per Unit (Rs.) June 30, 2014</b>	<b>Performance Since Launch July 02, 2013</b>
<b>NIPF-Equity Sub-fund*</b>	<b>50.7</b>	<b>100.7248</b>	<b>137.3012</b>	<b>36.31%</b>
<b>NIPF-Debt Sub-fund**</b>	<b>52.9</b>	<b>100.9502</b>	<b>109.1759</b>	<b>8.19%</b>
<b>NIPF-Money Market Sub-fund**</b>	<b>41.7</b>	<b>100.9426</b>	<b>108.5032</b>	<b>7.53%</b>
<b>* Cumulative Return</b>				
<b>** Simple Annualized Return</b>				
<b>[Net of management fee &amp; all other expenses]</b>				

During FY2013-14, the benchmark KMI-30 Index soared by 29.89%. The aforesaid solid performance was driven by positive developments on the economic front, such as Pakistan's entry into a fresh IMF program, significant improvement in country's external account which buttressed foreign exchange reserves and Pak rupee, controlled inflation, lower fiscal deficit and higher GDP growth supported by a revival in the industrial sector. The improvements on the economic front coupled with increase in Pakistan's weight in the MSCI Frontier Market Index resulted in sizable foreign buying in the local bourse, helping the Index touch new highs.

Due to a precarious external account position and expected increase in inflation, SBP increased the Policy Rate by 100 bps to 10% during FY14. The yields on bonds in the secondary market remained on the higher side due to increase in interest rates and tight liquidity conditions. However, return on Islamic deposits remained capped due to excess liquidity with Islamic financial instruments because of limited new Ijara Sukuk issues by the government. For the same reason, secondary market yields on GOP Ijara sukuks have trended lower.

The equity sub-fund generated a return of 36.31% (since inception i.e. July 02, 2013) during FY14 against 25.87% return of KMI-30 Index during the same period.

The debt sub-fund yielded annualized return of 8.19% and the money market sub-fund returned 7.53% on an annualized basis. As these sub-funds have considerable allocation in GOP Ijara sukuks/Islamic deposits, their future return would depend on fresh issue of Ijara sukuks by the government.

The Fund has earned a total income of Rs.21.86 million during the year. After deducting total expenses of Rs.3.40 million, the net income is Rs.18.46 million.

The asset allocation of NAFA Islamic Pension Fund as on June 30, 2014 is as follows:



# NAFA ISLAMIC PENSION FUND

Asset Allocation (% of Net Assets)	
<b>Equity Sub-fund</b>	
Equity	93.26%
Cash Equivalents	14.54%
Others	-7.80%
<b>Total</b>	<b>100.00%</b>
<b>Debt Sub-fund</b>	
Sukuks	63.73%
Cash Equivalents	35.71%
Others	0.56%
<b>Total</b>	<b>100.00%</b>
<b>Money Market Sub-fund</b>	
Short Term Sukuks	70.65%
Cash Equivalents	29.33%
Others	0.2%
<b>Total</b>	<b>100.00%</b>

## Taxation

No provision for taxation for the year ended June 30, 2014 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, Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment for the year ended June 30, 2015.

## 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  
Date: September 16, 2014  
Place: Karachi.

Director

# 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, 2014 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 10, 2014

# 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 operations, investments and placements made during the year ended June 30, 2014. This has been duly confirmed by the Shariah Advisor of the Fund.

Date: September 16, 2014  
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 Fund

### Investment Objective of the Fund

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

### Fund performance review

			Performance %
	Fund Size (Rs. in mn)	NAV Per Unit (Rs.) 'June 30, 2014	Since Launch 2-Jul-13
NIPF-Equity Sub-fund*	50.7	137.3012	36.31%
NIPF-Debt Sub-fund**	52.9	109.1759	8.19%
NIPF-Money Market Sub-fund**	41.7	108.5032	7.53%

\* Cumulative Returns

[Net of management fee & all other expenses]

\*\*Simple Annualized Return

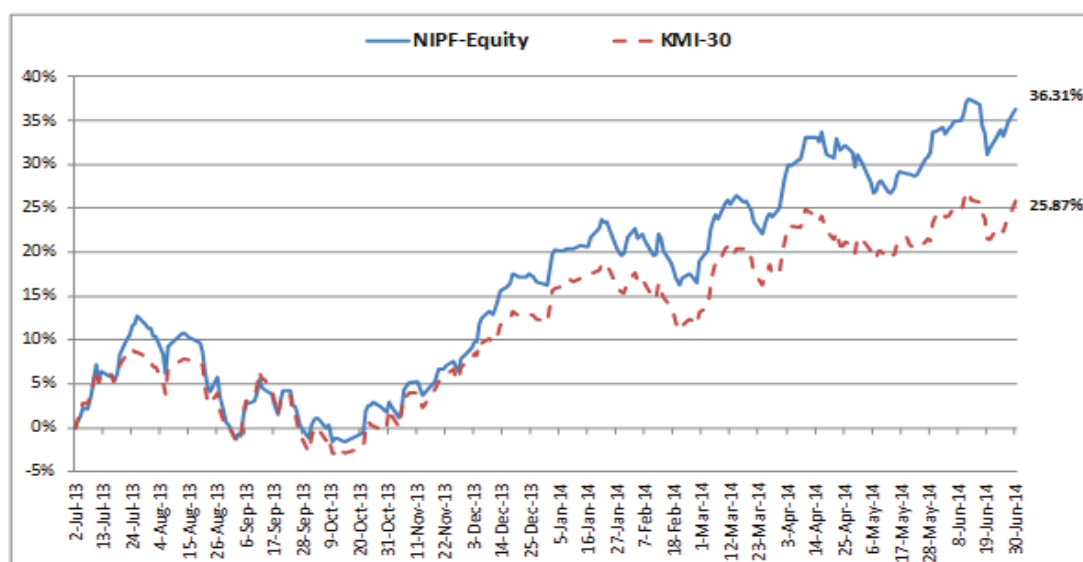
This is the second annual report of the Fund. During FY2013-14, the benchmark KMI-30 Index soared by 29.89%. The aforesaid solid performance was driven by positive developments on the economic front, such as Pakistan's entry into a fresh IMF program, significant improvement in country's external account which buttressed foreign exchange reserves and Pak rupee, controlled inflation, lower fiscal deficit and higher GDP growth supported by a revival in the industrial sector. The improvements on the economic front coupled with increase in Pakistan's weight in the MSCI Frontier Market Index resulted in sizable foreign buying in the local bourse, helping the Index touch new highs.

Due to a precarious external account position and expected increase in inflation, SBP increased the Policy Rate by 100 bps to 10% during FY14. The yields on sukuk in the secondary market remained on the higher side due to increase in interest rates and tight liquidity conditions. However, return on Islamic deposits remained capped due to excess liquidity with Islamic financial instruments because of limited new Ijara Sukuk issues by the government. For the same reason, secondary market yields on GOP Ijara sukuk have trended lower.

The equity sub-fund generated a return of 36.31% (since inception i.e. July 02, 2013) during FY14 against 25.87% return of KMI-30 Index during the same period.

The debt sub-fund yielded annualized return of 8.19% and the money market sub-fund returned 7.53% on an annualized basis. As these sub-funds have considerable allocation in GOP Ijara sukuk/Islamic deposits, their future return would depend on fresh issue of Ijara sukuk by the government.

### NIPF-Equity Performance vs. KMI-30 during FY14



# NAFA ISLAMIC PENSION FUND

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

Asset Allocation (% of Net Assets)	
<b>Islamic Equity Sub-fund</b>	
Equity	93.26%
Cash Equivalents	14.54%
Others	-7.80%
<b>Total</b>	<b>100.00%</b>
<b>Islamic Debt Sub-fund</b>	
Sukuks	63.73%
Cash Equivalents	35.71%
Others	0.56%
<b>Total</b>	<b>100.00%</b>
<b>Islamic Money Market Sub-fund</b>	
Short Term Sukuks	70.65%
Cash Equivalents	29.33%
Others	0.2%
<b>Total</b>	<b>100.00%</b>

## Unit Holding Pattern of NAFA Islamic Pension Fund as on June 30, 2014

Size of Unit Holding (Units)		No. of Unit Holders (Equity)	No. of Unit Holders (Debt)	No. of Unit Holders (Money Market)
1	1,000	34	33	29
1,001	5,000	11	12	7
5,001	10,000	1	3	6
10,001	50,000	3	5	-
50,001	100,000	-	-	-
100,001	500,000	2	2	2
<b>Total</b>		<b>51</b>	<b>55</b>	<b>44</b>

## During the period under question:

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

## Workers' Welfare Fund (WWF)

	Total amount Provided upto June 30, 2014	Amount Per Unit Rs	Since Inception return would otherwise have been higher by:
Equity Sub-Fund <sup>1</sup>	272,025	0.7372	0.73%
Debt Sub-Fund <sup>2</sup>	66,474	0.1373	0.14%
Money Market Sub-Fund <sup>2</sup>	55,314	0.1440	0.14%
<sup>1</sup> Cumulative, <sup>2</sup> Annualized For details investors are advised to read the Note 17 of the Financial Statements of the Scheme for the year ended June 30, 2014.			

# NAFA ISLAMIC PENSION FUND

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

September 15, 2014/Dhul-Qa'dah 19, 1435 A.H

Alhamdulillah, the period from July 1, 2013 to June 30, 2014 was the first year of operations of NAFA Islamic Pension Fund (NIPF). This report is being issued in accordance with clause 4.20 of the Trust Deed 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 five 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, 2014 and their evaluation according to the screening criteria established by us. (December 31, 2013 accounts of the Investee companies have been used)

Company Name	(i) Nature of Business	(ii)*** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Nishat Mills Ltd	Textile Products Manufacturer	27.32	19.71	1.00	67.15	(4.22)	127.24
Pakistan Petroleum Limited	Oil & Gas Exploration and Production	0.13	28.53	3.87	44.17	41.32	213.96
Pakistan Oilfields Limited	Oil & Gas Exploration and Production	0.00	0.01	0.88	74.85	(30.43)	497.71
The Hub Power Co. Ltd	Electricity	33.01	0.00	0.09	51.76	(35.00)	60.72
Fauji Fertilizer Company Ltd	Fertilizer Producer	25.64	31.51	1.42	54.47	(10.01)	111.96
Pakistan State Oil Company Limited	Oil & Gas Distribution	27.06	12.74	1.05	31.51	(136.47)	332.22



# NAFA ISLAMIC PENSION FUND

	(i)	(ii)***	(iii)	(iv)	(v)	(vi)	
Oil and Gas Development Co.****	Oil & Gas Exploration and Production	0.00	41.49	6.01	34.65	44.55	276.36
Pakistan Telecom Company Ltd	Telecom Services Provider	5.50	9.58	2.06	69.61	(9.31)	28.44
Pioneer Cement	Cement Manufacturer	18.39	6.75	0.76	77.94	(11.95)	38.30
Kohat Cement	Cement Manufacturer	10.04	18.11	0.47	70	(9.75)	97.77

\* ii, iii, iv & v are in percentages while vi & vii are in Rs.

\*\* These ratios are for the calculation of non-Shari'ah Compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.

\*\*\* All interest based debts.

\*\*\*\* On Watch List due to being forced to invest in TFCs/PIBs by Government of Pakistan to settle their long standing circular debt resulting in surpassing the 'Non Compliant Income to Total Income' ratio and 'Non Compliant Investments to Total Investments' ratio.

- ii. On the basis of information provided by the management, the provisions of the Scheme and 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 period ended June 30, 2014 are not in compliance with the *Shari'ah* principles.

During the period a provision of PKR 32,953 was created therefore the same are to be disbursed into Charity. However, the rest of the provisional amount will be adjusted after the availability of their respective annual financial statements.

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

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

Bilal Ahmed Qazi  
Shar'iah Advisor

# NAFA ISLAMIC PENSION FUND

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

We have performed an independent assurance engagement of NAFA Islamic Pension Fund, (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the year ended June 30, 2014. Our engagement was carried out as required under clause 4.20 of the Trust Deed of the Fund.

### Management Company's responsibility

The Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance with the Shariah principles specified in the Trust Deed. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and its investment and placements have been made in compliance with the Shariah principles.

### Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed statement reflects the status of the Fund's compliance with the Shariah principles specified in the Trust Deed.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah principles. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. Amongst others, our scope included procedures to:

- Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.
- Check that the Shariah Advisor has certified that investments made by the Fund during the period ended June 30, 2014 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed for the year ended June 30, 2014.

**M. Yousuf Adil Saleem & Co.**  
**Chartered Accountants**  
**Dated:** September 16, 2014  
**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 ("the Fund") as at June 30, 2014 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 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 the 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 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 year ended June 30, 2014 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, 2014 and of its financial performance, cash flows and transactions of the Fund for the year ended June 30, 2014;
- 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, 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).

**M. Yousuf Adil Saleem & Co.**  
**Chartered Accountants**

**Engagement Partner:**  
Nadeem Yousuf Adil

**Date:** September 16, 2014  
**Place:** Karachi

# NAFA ISLAMIC PENSION FUND

## BALANCE SHEET AS AT JUNE 30, 2014

2014						2013					
Note	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						Rupees					
ASSETS											
Bank balances	4	7,367,812	18,881,853	12,226,947	146,000	38,622,612	30,166,395	30,157,123	30,157,123	-	90,480,641
Investments - net	5	47,250,444	33,693,900	29,453,100	-	110,397,444	-	-	-	-	-
Dividend receivable		134,800	-	-	-	134,800	-	-	-	-	-
Profit receivable	6	26,540	527,255	210,774	-	764,569	248,025	254,669	254,669	-	757,363
Preliminary expenses and floatation cost	7	46,027	46,027	46,027	-	138,081	71,027	71,027	71,027	-	213,081
Recievable against sale of investment		3,862,494	-	-	-	3,862,494	-	-	-	-	-
Advances, deposits and other recievables	8	572,500	108,734	101,221	-	782,455	-	-	-	-	-
Total assets		59,260,617	53,257,769	42,038,069	146,000	154,702,455	30,485,447	30,482,819	30,482,819	-	91,451,085
LIABILITIES											
Payable to the Pension Fund Manager	9	188,978	163,557	137,592	146,000	636,127	184,126	169,520	154,984	-	508,630
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	6,373	5,743	4,688	-	16,804	7,182	7,181	7,183	-	21,546
Payable to the Securities and Exchange Commission of Pakistan	11	15,013	13,972	12,642	-	41,627	1,580	1,580	1,580	-	4,740
Payable against purchase of investment		1,670,950	-	-	-	1,670,950	-	-	-	-	-
Payable against redemption of units		6,202,363	-	-	-	6,202,363	-	-	-	-	-
Accrued expenses and other liabilities	12	513,830	201,504	192,921	-	908,255	31,916	32,306	32,664	-	96,886
Total liabilities		8,597,507	384,776	347,843	146,000	9,476,126	224,804	210,587	196,411	-	631,802
NET ASSETS		50,663,110	52,872,993	41,690,226	-	145,226,329	30,260,643	30,272,232	30,286,408	-	90,819,283
PARTICIPANTS' SUB-FUNDS (as per statement attached)		50,663,110	52,872,993	41,690,226	-	145,226,329	30,260,643	30,272,232	30,286,408	-	90,819,283
Contingencies and commitments	13										
Number of units in issue	14	368,992.48	484,292.00	384,230.38	1,237,514.86		300,060.00	299,970.00	299,970.00	900,000.00	
Net asset value per unit		137.3012	109.1759	108.5032			100.8486	100.9175	100.9648		

The annexed notes 1 to 27 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 YEAR ENDED JUNE 30, 2014

Note	For the year ended June 30, 2014				For the period from May 02, 2013 to June 30, 2013			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Market Sub Fund	Total
-----Rupees-----								
<b>INCOME</b>								
Profit on bank deposits	316,870	505,362	562,048	1,384,280	388,448	395,091	395,091	1,178,630
Income from Sukuk certificates	-	2,876,280	2,477,914	5,354,194	-	-	-	-
Dividend income	2,121,162	-	-	2,121,162	-	-	-	-
Net gain on sale of investments at fair value through income statement	7,151,944	-	-	7,151,944	-	-	-	-
Classified as 'financial assets at fair value through profit or loss'	5,137,389	558,700	153,100	5,849,189	-	-	-	-
<b>Total income</b>	<b>14,727,365</b>	<b>3,940,342</b>	<b>3,193,062</b>	<b>21,860,769</b>	<b>388,448</b>	<b>395,091</b>	<b>395,091</b>	<b>1,178,630</b>
<b>EXPENSES</b>								
Remuneration of Pension Fund Manager	610,583	469,388	335,199	1,415,170	71,818	59,845	47,887	179,550
Sindh sales tax on remuneration of the Pension Fund Manager	113,800	87,616	62,574	263,990	12,063	10,026	8,044	30,133
Federal Excise Duty on remuneration of the Pension Fund Manager	97,693	75,102	53,632	226,427	3,577	2,982	2,386	8,945
Remuneration to the Central Depository Company of Pakistan Limited - Trustee	61,058	56,327	50,280	167,665	7,182	7,181	7,183	21,546
Annual fee - Securities and Exchange Commission of Pakistan	13,433	12,392	11,062	36,887	1,580	1,580	1,580	4,740
Auditors' remuneration	90,000	90,000	90,000	270,000	10,000	10,000	10,000	30,000
Amortization of preliminary expense and floatation cost	25,000	25,000	25,000	75,000	3,973	3,973	3,973	11,919
Securities transaction cost	203,309	1,500	1,325	206,134	-	-	-	-
Legal and professional charges	19,668	19,668	19,668	59,004	-	-	-	-
Printing charges	49,950	49,950	49,950	149,850	-	-	-	-
Other charges	-	-	-	-	13,190	13,310	13,379	39,879
Settlement and bank charges	101,460	24,983	23,963	150,406	5,225	5,345	5,345	15,915
<b>Total Expenses</b>	<b>1,385,954</b>	<b>911,926</b>	<b>722,653</b>	<b>3,020,533</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>13,341,411</b>	<b>3,028,416</b>	<b>2,470,409</b>	<b>18,840,236</b>	<b>259,840</b>	<b>280,849</b>	<b>295,314</b>	<b>836,003</b>
Provision for Workers' Welfare Fund	266,828	60,568	49,408	376,804	5,197	5,617	5,906	16,720
<b>Net income for the year / period before taxation</b>	<b>13,074,583</b>	<b>2,967,848</b>	<b>2,421,001</b>	<b>18,463,432</b>	<b>254,643</b>	<b>275,232</b>	<b>289,408</b>	<b>819,283</b>
Taxation	-	-	-	-	-	-	-	-
<b>Net income for the year / period after taxation</b>	<b>13,074,583</b>	<b>2,967,848</b>	<b>2,421,001</b>	<b>18,463,432</b>	<b>254,643</b>	<b>275,232</b>	<b>289,408</b>	<b>819,283</b>
<b>Earnings per unit</b>								
The annexed notes 1 to 27 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 YEAR ENDED JUNE 30, 2014

	For the year ended June 30, 2014				For the period from May 02, 2013 to June 30, 2013			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	-----Rupees-----				-----Rupees-----			
Net income for the year / period after taxation	13,074,583	2,967,848	2,421,001	18,463,432	254,643	275,232	289,408	819,283
Other comprehensive income								
Items that may be reclassified subsequently to income statement	-	-	-	-	-	-	-	-
Items that will not be reclassified subsequently to income statement	-	-	-	-	-	-	-	-
Total comprehensive income for the year / period	13,074,583	2,967,848	2,421,001	18,463,432	254,643	275,232	289,408	819,283

The annexed notes 1 to 27 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 YEAR ENDED JUNE 30, 2014

	Note	For the year ended June 30, 2014				For the period from May 02, 2013 to June 30, 2013			
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
		-----Rupees-----				-----Rupees-----			
<b>Net assets at the beginning of the year / period</b>		30,260,643	30,272,232	30,286,408	90,819,283	-	-	-	-
Amount received on issuance of units	15	14,242,087	17,284,098	6,199,358	37,725,543	30,006,000	29,997,000	29,997,000	90,000,000
Amount paid on redemption of units		(747,539)	(859,987)	(174,403)	(1,781,929)	-	-	-	-
Effect of reallocation		(6,166,664)	3,208,802	2,957,862	-	-	-	-	-
Net element of income and capital gains included in prices of units issued less those in units redeemed		375,959	1,036,537	492,828	1,905,324	-	-	-	-
Total comprehensive income for the period		13,074,583	2,967,848	2,421,001	18,463,432	254,643	275,232	289,408	819,283
Net element of income and capital gains included in prices of units issued less those in units redeemed		(375,959)	(1,036,537)	(492,828)	(1,905,324)	-	-	-	-
<b>Net assets at the end of the year / period</b>		<b>50,663,110</b>	<b>52,872,993</b>	<b>41,690,226</b>	<b>145,226,329</b>	<b>30,260,643</b>	<b>30,272,232</b>	<b>30,286,408</b>	<b>90,819,283</b>

The annexed notes 1 to 27 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 YEAR ENDED JUNE 30, 2014

For the year ended June 30, 2014

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

### CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the year / period before taxation

### Adjustments for non-cash items

Net unrealised appreciation / Diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'  
Gain on sale of investment-net

### Decrease / (increase) in assets

Investments net  
Dividend receivable

Profit receivable

Security deposit and other receivables

### (Decrease) / increase in Liabilities

Payable against purchase of investments  
Payable to the Pension Fund Manager  
Payable to the Central Depository Company of Pakistan Limited  
Annual fee payable to the Securities and Exchange Commission of Pakistan

Payable against redemption of units  
Accrued expenses and other liabilities

### Net cash (used in) / generated from operating activities

### CASH FLOWS FROM FINANCING ACTIVITIES

Amount received on issue of units  
Amount paid on redemption of units  
Effect of reallocation

### Net cash generated from financing activities

### Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year / period

Cash and cash equivalents at the end of the year / period 4

The annexed notes 1 to 27 form an integral part of these financial statements.

Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total
-----Rupees-----				
13,074,583	2,967,848	2,421,001	-	18,463,432
(5,137,389)	(558,700)	(153,100)	-	(5,849,189)
(7,151,944)	-	-	-	(7,151,944)
<b>785,250</b>	<b>2,409,148</b>	<b>2,267,901</b>	<b>-</b>	<b>5,462,299</b>
(38,823,605)	(33,135,200)	(29,300,000)	-	(101,258,805)
(134,800)	-	-	-	(134,800)
25,000	25,000	25,000	-	75,000
221,485	(272,586)	43,895	-	(7,206)
(572,500)	(108,734)	(101,221)	-	(782,455)
<b>(39,284,420)</b>	<b>(33,491,520)</b>	<b>(29,332,326)</b>	<b>-</b>	<b>(102,108,266)</b>
1,670,950	-	-	-	1,670,950
4,852	(5,963)	(17,392)	146,000	127,497
(809)	(1,438)	(2,495)	-	(4,742)
13,433	12,392	11,062	-	36,887
6,202,363	-	-	-	6,202,363
481,914	169,198	160,257	-	811,369
<b>8,372,703</b>	<b>174,189</b>	<b>151,432</b>	<b>146,000</b>	<b>8,844,324</b>
<b>(30,126,467)</b>	<b>(30,908,183)</b>	<b>(26,912,993)</b>	<b>146,000</b>	<b>(87,801,643)</b>
14,242,087	17,284,098	6,199,358	-	37,725,543
(747,539)	(859,987)	(174,403)	-	(1,781,929)
(6,166,664)	3,208,802	2,957,862	-	-
<b>7,327,884</b>	<b>19,632,913</b>	<b>8,982,817</b>	<b>-</b>	<b>35,943,614</b>
<b>(22,798,583)</b>	<b>(11,275,270)</b>	<b>(17,930,176)</b>	<b>146,000</b>	<b>(51,858,029)</b>
30,166,395	30,157,123	30,157,123	-	90,480,641
<b>7,367,812</b>	<b>18,881,853</b>	<b>12,226,947</b>	<b>146,000</b>	<b>38,622,612</b>

Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total
-----Rupees-----				
254,643	275,232	289,408	-	819,283
-	-	-	-	-
-	-	-	-	-
<b>254,643</b>	<b>275,232</b>	<b>289,408</b>	<b>-</b>	<b>819,283</b>
-	-	-	-	-
-	-	-	-	-
3,973	3,973	3,973	-	11,919
(248,025)	(254,669)	(254,669)	-	(757,363)
-	-	-	-	-
<b>(244,052)</b>	<b>(250,696)</b>	<b>(250,696)</b>	<b>-</b>	<b>(745,444)</b>
-	-	-	-	-
109,126	94,520	79,984	-	283,630
7,182	7,181	7,183	-	21,546
1,580	1,580	1,580	-	4,740
-	-	-	-	-
31,916	32,306	32,664	-	96,886
<b>149,804</b>	<b>135,587</b>	<b>121,411</b>	<b>-</b>	<b>406,802</b>
<b>160,395</b>	<b>160,123</b>	<b>160,123</b>	<b>-</b>	<b>480,641</b>
30,006,000	29,997,000	29,997,000	-	90,000,000
-	-	-	-	-
-	-	-	-	-
<b>30,006,000</b>	<b>29,997,000</b>	<b>29,997,000</b>	<b>-</b>	<b>90,000,000</b>
<b>30,166,395</b>	<b>30,157,123</b>	<b>30,157,123</b>	<b>-</b>	<b>90,480,641</b>
-	-	-	-	-
<b>30,166,395</b>	<b>30,157,123</b>	<b>30,157,123</b>	<b>-</b>	<b>90,480,641</b>

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director

# NAFA ISLAMIC PENSION FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 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 (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.

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 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. Up to 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.

# NAFA ISLAMIC PENSION FUND

Pakistan Credit Rating Agency (PACRA) has assigned management quality rating of 'AM2' to the Pension Fund Manager while the Fund is currently not rated.

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 the 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 IFRS, the requirements of 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, 2014

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. 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
The amendments to IAS 19 - Employee Benefits – treatment of actuarial gains and losses	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 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

### 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.

# NAFA ISLAMIC PENSION FUND

Amendments to IAS 19 Employee Benefits: Employee contributions	Effective from accounting period beginning on or after July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	Effective from accounting period beginning on or after January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	Effective from accounting period beginning on or after January 01, 2014
IFRS 10 – Consolidated Financial Statements*	Effective from accounting period beginning on or after January 01, 2015. Earlier adoption is encouraged.
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015
IFRS 13 – Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015
IFRIC 21 - Levies	Effective from accounting period beginning on or after January 01, 2014

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 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

## 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 3.5)

# NAFA ISLAMIC PENSION FUND

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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.

#### 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 recognised 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 privately placed Sukuk

The privately placed Sukuks are valued on the basis of rates determined by the Mutual Fund 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 October 24, 2012 (which is essentially the same as contained in circular no. 1 of 2009, previous used). 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 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.



# NAFA ISLAMIC PENSION FUND

## c) 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.

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

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'.

### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Pension Fund Manager.

### b) Equity Securities

The fund assess at each reporting date whether there is objective evidence that a financial asset or a group of financial asset is impaired. 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 income statement is reclassified 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.

## 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.

## 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 subsequently 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 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.

## 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.

# NAFA ISLAMIC PENSION FUND

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 period 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 gains / (losses) arising on revaluation 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 the dividend is established.
- Markup / return on government securities, term finance certificate, sukuks, commercial papers, clean placements, bank balances and term deposit receipts are recognized on a time proportion 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 (NAV) per unit, as disclosed in the Balance Sheet, 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.

# NAFA ISLAMIC PENSION FUND

Note	2014					2013				
	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-----					-----Rupees-----				

## 4 BALANCES WITH BANK

Savings accounts	4.1	7,367,812	18,881,853	12,226,947	146,000	38,622,612	30,166,395	30,157,123	30,157,123	-	90,480,641
		7,367,812	18,881,853	12,226,947	146,000	38,622,612	30,166,395	30,157,123	30,157,123	-	90,480,641

4.1 These carry a rate of return ranging from 6.00% to 8.75% (June 2013: 6% to 9.20%) per annum.

4.2 This represents collection account and redemption account maintained by the fund. The amount in this fund represents sales load payable to the pension fund manager

Note	2014				2013			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	-----Rupees-----				-----Rupees-----			

## 5 INVESTMENTS - NET

At fair value through profit or loss - held for trading	5.1	47,250,444	-	-	47,250,444	-	-	-	-
Equity securities - listed	5.1	-	32,664,400	29,453,100	62,117,500	-	-	-	-
Government of Pakistan - Ijara Sukus	5.2	-	1,029,500	-	1,029,500	-	-	-	-
KE Sukuk	5.3	47,250,444	33,693,900	29,453,100	110,397,444	-	-	-	-

### 5.1 Listed equity securities - at fair value through profit or loss / held for trading - Equity Sub-Fund

All shares have a nominal face value of Rs. 10 each except for shares of Thal Limited and K-Electric which have a face value of Rs. 5 and Rs. 3.5 each respectively.

Name of the investee company	As at July 1, 2013	Purchases during the period	Bonus / Right during the period	Sales during the period	As at June 30, 2014	Market value	Market value as a % of		
							Net assets	Total Investment of the Sub-Fund	Paid-up capital of the investee company
		-----Number of shares-----			-----Rupees-----		----- % -----		
Pharama and Bio tech									
Abbot Laboratories (Pakistan) Limited	-	4,100	-	1,300	2,800	1,602,496	3.16	3.39	0.0029
GlaxoSmithKline (Pakistan) Limited	-	5,800	580	-	6,380	1,059,271	2.08	2.24	0.0020
Commercial Banks									
Bank Islami Pakistan Limited	-	187,500	-	109,000	78,500	774,010	1.53	1.64	0.0149
Meezan Bank Limited	-	121,500	-	66,500	55,000	2,378,200	4.69	5.03	0.0055
Construction and Materials (Cement)									
Cherat Cement Company Limited	-	36,500	750	37,250	-	-	-	-	-
D.G. Khan Cement Company Limited	-	55,500	-	41,000	14,500	1,275,420	2.52	2.70	0.0033
Kohat Cement Limited	-	31,500	3,200	34,700	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	33,000	-	15,000	18,000	287,640	0.57	0.61	0.0014
Lucky Cement Limited	-	14,900	-	7,700	7,200	2,954,160	5.83	6.25	0.0022
Maple Leaf Cement Factory Limited	-	126,000	-	53,000	73,000	2,193,650	4.33	4.64	0.0138
Fauji Cement Company Limited	-	139,500	-	139,500	-	-	-	-	-
Akzo Nobel Pakistan Limited	-	12,200	-	-	12,200	2,061,312	4.07	4.36	0.0263
Pioneer Cement Limited	-	105,500	-	57,500	48,000	2,239,680	4.42	4.74	0.0211
Chemicals									
Engro Corporation Limited	-	4,400	-	4,400	-	-	-	-	-
Fauji Fertilizer Company Limited	-	47,900	-	47,900	-	-	-	-	-
General Industries									
Ghani Glass Mills Limited	-	38,500	-	15,500	23,000	1,242,000	2.45	2.63	0.0187
Thal Limited	-	23,400	-	11,000	12,400	2,571,636	5.08	5.44	0.0153
Automobile and Parts									
Ghandhara Nissan Limited	-	77,500	-	-	77,500	3,117,050	6.15	6.60	0.1722
Honda Atlas Cars (Pakistan) Limited	-	42,500	-	32,000	10,500	977,445	1.93	2.07	0.0074
Pak Suzuki Motor Company Limited	-	8,300	-	900	7,400	2,026,786	4.00	4.29	0.0090
Sazgar Engineering Works Limited	-	84,500	-	-	84,500	2,957,500	5.84	6.26	0.4702

# NAFA ISLAMIC PENSION FUND

Name of the investee company	As at July 1, 2013	Purchases during the period	Bonus / Right during the period	Sales during the period	As at June 30, 2014	Market value	Market value as a % of		
							Net assets of the Sub-Fund	Total Investment of the Sub-Fund	Paid-up capital of the investee company

5.2 Government securities - at fair value through profit or loss - held for trading

## 5.2.1 Ijara Sukuks - Debt Sub-Fund

Issue date	Note	Tenor	As at July 1, 2013	Purchases during the period	Matured/ sold during the period	As at June 30, 2014	Market value	Market value as a % of		
								Net assets of the Sub-Fund	Total investment of sub fund	Issue size
								-----Face value (Rupees)-----		
								-----Rupees-----		
								-----%-----		
December 26, 2011	5.2.3	3 Years	-	4,000,000	-	4,000,000	4,051,200	7.66	12.02	0.0057
April 30, 2012	5.2.3	3 Years	-	28,000,000	-	28,000,000	28,613,200	54.12	84.92	0.0945
			-	32,000,000	-	32,000,000	32,664,400	61.78	96.94	
Carrying Value as at June 30, 2014							32,135,200			

## 5.2.2 Ijara Sukus - Money Market Sub-Fund

Issue date	Note	Tenor	As at July 1, 2013	Purchases during the period	Matured/ sold during the period	As at June 30, 2014	Market value	Market value as a % of		
			-----Face value (Rupees)-----			-----Rupees-----	Net assets of the Sub-Fund	Total investment of sub fund	Issue size	
								-----%-----		
April 30, 2012	5.2.3	3 Years	-	9,000,000	-	9,000,000	9,197,100	22.06	31.23	0.0304
November 15, 2010	5.2.3	3 Years	-	25,000,000	25,000,000	-	-	-	-	-
December 26, 2011	5.2.3	3 Years	-	20,000,000	-	20,000,000	20,256,000	48.59	68.77	0.0285
			-	54,000,000	25,000,000	29,000,000	29,453,100	70.65	100.00	
Carrying Value as at June 30, 2014							29,242,500			

5.2.3 These Government Ijara Sukuks yield of 9.43% to 9.98% per annum (June 2013 : Nil)

## 5.3 Sukuks - at fair value through profit or loss - held for trading (listed)

All Sukuks have a face value of Rs.100 each.

All Sukuks have a face value of Rs.100 each.											
Issue date	Note	Tenor	As at July 1, 2013	Purchases during the period	Matured/ Sold during the period	As at June 30, 2014	Market value	Market value as a % of			
								Net assets of the Sub-Fund	Total investment of sub fund	Issue size	
				-----Face value (Rupees)-----		-----Rupees-----		-----%-----			
K-Electric		3 Years	-	1,000,000	-	1,000,000	1,029,500	1.95	3.06	0.0267	
		-	-	1,000,000	-	1,000,000	1,029,500	1.95	3.06		
Carrying Value as at June 30, 2014							1,000,000				

5.3.1 K-Electric sukuks carry yield of 12.31% (June 2013: Nil)

# NAFA ISLAMIC PENSION FUND

## 6 PROFIT RECEIVABLE

	2014				2013			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	Rupees				Rupees			
Debt Securities	-	466,961	173,065	640,026	-	-	-	-
Savings accounts	26,540	60,294	37,709	124,543	248,025	254,669	254,669	757,363
	<b>26,540</b>	<b>527,255</b>	<b>210,774</b>	<b>764,569</b>	<b>248,025</b>	<b>254,669</b>	<b>254,669</b>	<b>757,363</b>

## 7 PRELIMINARY EXPENSES AND FLOATATION COST

	Note	2014				2013			
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
		Rupees				Rupees			
Preliminary Expenses and Floatation Costs incurred	7.1	71,027	71,027	71,027	213,081	75,000	75,000	75,000	225,000
Less: Amortization for the year		25,000	25,000	25,000	75,000	3,973	3,973	3,973	11,919
		<b>46,027</b>	<b>46,027</b>	<b>46,027</b>	<b>138,081</b>	<b>71,027</b>	<b>71,027</b>	<b>71,027</b>	<b>213,081</b>

**7.1** Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operation of Fund and are being amortized over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

## 8 ADVANCES, DEPOSITS AND OTHER RECIEVABLE

	Note	2014				2013			
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
Advance against book building process	8.1	472,500	-	-	472,500	-	-	-	-
Security deposit with Central Depository Company of Pakistan Limited		100,000	100,000	100,000	300,000	-	-	-	-
Other recievables		-	8,734	1,221	9,955	-	-	-	-
		<b>572,500</b>	<b>108,734</b>	<b>101,221</b>	<b>782,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**8.1** This represents advance against investment in book building process of Pakistan Petroleum Limited.

## 9 PAYABLE TO NBP FULLERTON ASSET MANAGEMENT LIMITED

### Pension Fund Manager

	Note	2014					2013				
		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Others	Total
Management fee payable	9.1	10,803	8,831	5,548	-	25,182	71,818	59,845	47,887	-	179,550
Front end load payable		-	-	-	146,000	146,000	-	-	-	-	-
Sindh Sales Tax payable- on management fee	9.2	1,904	1,642	1,026	-	4,572	12,063	10,026	8,044	-	30,133
Federal Excise Duty payable- on management fee	9.3	101,271	78,084	56,018	-	235,373	3,577	2,982	2,386	-	8,945
Preliminary expenses and- floatation cost payable		75,000	75,000	75,000	-	225,000	75,000	75,000	75,000	-	225,000
Other charges payable		-	-	-	-	-	21,668	21,667	21,667	-	65,002
		<b>188,978</b>	<b>163,557</b>	<b>137,592</b>	<b>146,000</b>	<b>636,127</b>	<b>184,126</b>	<b>169,520</b>	<b>154,984</b>	<b>-</b>	<b>508,630</b>

**9.1** 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 year. 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

**9.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 16% on the services provided by the Pension Fund Manager as required by Sindh Sales Tax on Services Act, 2011.

**9.3** As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on services provided by the Pension Fund Manager has been applied effective from June 13, 2013. During the year demand notices were received by some asset management companies for collection of FED. Mutual Fund Association of Pakistan (MUFAP) has taken up the matter collectively and filed a petition with the Honorable Sindh High Court and has been granted stay in this regard. During the year, the Pension Fund Manager has also received a notice under section 14 of the Federal Excise Act, 2005 regarding payment of FED on management remuneration. The Pension Fund Manager 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. Therefore, the Pension Fund Manager has also filed a petition against the demand notice in the Honorable High Court of Sindh and has been granted stay on the basis of the pending constitutional petition from MUFAP in the said court as referred above. However, as a matter of abundant caution, the Fund has made the provision against FED on services provided by the Pension Fund Manager.

# NAFA ISLAMIC PENSION FUND

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

		2014				2013			
Note		Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		Rupees				Rupees			
Trustee Fee	10.1	6,373	5,743	4,688	16,804	7,182	7,181	7,183	21,546

- 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 there in, based on the daily Net Asset Value (NAV) of the Fund. The remuneration is paid to the trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2014 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
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 to 0.15% p.a of the NAV in case the average NAV of the sub-fund is upto Rs. 1,000 million

## 11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Note	2014				2013			
		Equity Sub Fund	Debt Sub Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		----- Rupees -----				----- Rupees -----			
Annual fee	11.1	15,013	13,972	12,642	41,627	1,580	1,580	1,580	4,740

- 11.1** 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.

## 12 ACCRUED EXPENSES AND OTHER LIABILITIES

	2014				2013			
	Equity Sub Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	Rupees				Rupees			
Provision for Workers' Welfare Fund	272,025	66,474	55,314	393,813	5,197	5,617	5,906	16,720
Payable to the auditors	59,700	59,700	59,700	179,100	10,000	10,000	10,000	30,000
Bank charges Payable	2,306	1,261	4,182	7,749	3,529	3,379	3,379	10,287
Printing charges	49,950	49,950	49,950	149,850	-	-	-	-
Legal and professional	19,668	19,668	19,668	59,004	-	-	-	-
Brokerage payable	74,573	-	-	74,573	-	-	-	-
Other charges payable	35,608	4,451	4,107	44,166	13,190	13,310	13,379	39,879
	513,830	201,504	192,921	908,255	31,916	32,306	32,664	96,886

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014



# NAFA ISLAMIC PENSION FUND

## 14 NUMBER OF UNITS IN ISSUE

	2014				2013			
	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-----				-----Number of units-----			
Total units in issue at the beginning of the year / period	300,060	299,970	299,970	900,000	-	-	-	-
Add: Issue of units during the year / period	120,343	163,049	58,662	342,054	300,060	299,970	299,970	900,000
Less: Units redeemed during the year / period	(5,523)	(7,406)	(1,210)	(14,139)	-	-	-	-
Reallocation Effect	(45,888)	28,679	26,808	9,600	-	-	-	-
Total units in issue at the end of the year / period	<b>368,992</b>	<b>484,292</b>	<b>384,230</b>	<b>1,237,515</b>	<b>300,060</b>	<b>299,970</b>	<b>299,970</b>	<b>900,000</b>

## 15 CONTRIBUTION TABLE

	2014							
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total	
	Units	Rupees	Units	Rupees	Units	Rupees	Units	Rupees
Individuals	120,343	14,242,087	163,049	17,284,098	58,662	6,199,358	342,054	37,725,543
Pension Fund Sponsor	-	-	-	-	-	-	-	-
	<b>120,343</b>	<b>14,242,087</b>	<b>163,049</b>	<b>17,284,098</b>	<b>58,662</b>	<b>6,199,358</b>	<b>342,054</b>	<b>37,725,543</b>

	2013							
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total	
	Units	Rupees	Units	Rupees	Units	Rupees	Units	Rupees
Pension Fund Sponsor	300,060	30,006,000	299,970	29,997,000	299,970	29,997,000	900,000	90,000,000
	<b>300,060</b>	<b>30,006,000</b>	<b>299,970</b>	<b>29,997,000</b>	<b>299,970</b>	<b>29,997,000</b>	<b>900,000</b>	<b>90,000,000</b>

## 16 AUDITOR'S REMUNERATION

	For the year ended June 30, 2014				For the period from May 02, 2013 to June 30, 2013			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	-----Rupees-----				-----Rupees-----			
Annual Audit fee	50,000	50,000	50,000	150,000	10,000	10,000	10,000	30,000
Half yearly review fee	25,000	25,000	25,000	75,000	-	-	-	-
Out of pocket expenses	15,000	15,000	15,000	45,000	-	-	-	-
	<b>90,000</b>	<b>90,000</b>	<b>90,000</b>	<b>270,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>30,000</b>

# NAFA ISLAMIC PENSION FUND

## 17 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) whose income exceeds Rs. 0.5 million 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, 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.

Last year, 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.

During the current year, the Honourable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as *ultra vires* the Constitution.

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. 393,813 in aggregate including Rs. 376,804 for the year June 30, 2014. Had the same not been made the net asset value per unit / return of the equity, debt and money market sub funds would have been higher by Rs. 0.7372, Rs. 0.1373 and Rs. 0.1440 (2013: Rs. 0.0180, Rs. 0.0194, Rs 0.0203 ) per unit, respectively.

## 18 TAXATION

No provision for taxation for the period ended June 30, 2014 has been made in view of the exemption available under clause 57 (1) (viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

## 19 EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2014 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

## 20 TRANSACTIONS WITH CONNECTED PERSONS

20.1 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 and other collective investment schemes managed by the NBP Fullerton Asset Management Limited, directors and officers of the NBP Fullerton Asset Management Limited and employee benefit funds of the NBP Fullerton Asset Management Limited.

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

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

# NAFA ISLAMIC PENSION FUND

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

	2014				2013			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Sub Fund	Sub Fund	Money Market Sub Fund	Total
	-----Rupees-----				-----Rupees-----			
<b>NBP Fullerton Asset Management Limited - Pension Fund Manager</b>								
Management fee	610,583	469,388	335,199	1,415,170	71,818	59,845	47,887	179,550
Sales tax on remuneration of Pension Fund Manager	113,800	87,616	62,574	263,990	12,063	10,026	8,044	30,133
FED on remuneration of the Pension Fund Manager	97,693	75,102	53,632	226,427	3,577	2,982	2,386	8,945
Other charges paid	-	-	-	-	75,000	75,000	75,000	225,000
Amount of units issued	-	-	-	-	18,003,600	17,998,200	17,998,200	54,000,000
Number of units issued (Seed Capital)	-	-	-	-	180,036	179,982	179,982	540,000
Reallocation in Amount	(3,238,128)	1,557,564	1,680,564	-	-	-	-	-
Reallocation (number of units)	(23,836)	14,262	15,485	5,911	-	-	-	-
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>								
Amount of units issued	-	-	-	-	12,002,400	11,998,800	11,998,800	36,000,000
Number of units issued (Seed Capital)	-	-	-	-	120,024	119,988	119,988	360,000
Reallocation in Amount	(2,158,752)	1,038,376	1,120,376	-	-	-	-	-
Reallocation (number of units)	(15,890)	9,508	10,323	3,941	-	-	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Remuneration	61,058	56,327	50,280	167,665	7,182	7,181	7,183	21,546
<b>Employees of the Company</b>								
Amount of units issued	520,000	130,000	-	650,000	-	-	-	-
Number of units Issued	4,011	1,210	-	5,221	-	-	-	-
Reallocation in Amount	(23,004)	23,004	-	-	-	-	-	-
Reallocation (number of units)	(169)	211	-	42	-	-	-	-
<b>Taurus Securities Limited</b>								
Brokerage Paid	24,023	-	-	24,023	-	-	-	-
<b>Thal Limited</b>								
Dividend Received	153,500	-	-	153,500	-	-	-	-
Purchase of shares 23,400 (June 2013:Nil)	3,484,670	-	-	3,484,670	-	-	-	-
Sale of shares 11,000 (June 2013:Nil)	240,644	-	-	240,644	-	-	-	-
<b>Cherat Cement Company Limited</b>								
Dividend Received	18,750	-	-	18,750	-	-	-	-
Purchase of shares 36,500 (June 2013:Nil)	2,303,065	-	-	2,303,065	-	-	-	-
Bonus shares 750 (June: Nil)	-	-	-	-	-	-	-	-
Sale of shares 37,250 (June 2013:Nil)	2,500,375	-	-	2,500,375	-	-	-	-

## 20.5 Amounts outstanding as at year end

	2014				2013			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	-----Rupees-----				-----Rupees-----			
<b>NBP Fullerton Asset Management Limited - Pension Fund Manager</b>								
Management fee payable	10,803	8,831	5,548	25,182	71,818	59,845	47,887	179,550
Sindh Sales tax payable on management fee	1,904	1,642	1,026	4,572	12,063	10,026	8,044	30,133
FED payable on management fee	101,271	78,084	56,018	235,373	3,577	2,982	2,386	8,945
Preliminary expenses and floatation cost payable	75,000	75,000	75,000	225,000	75,000	75,000	75,000	225,000
Other charges payable	-	-	-	-	21,668	21,667	21,667	65,002
Amount of units issued	21,446,447	21,206,764	21,208,795	63,862,006	18,003,600	17,998,200	17,998,200	54,000,000
Number of units issued (seed capital)	156,200	194,244	195,467	545,911	180,036	179,982	179,982	540,000
<b>Alexandra Fund Management Pte. Limited - Sponsor</b>								
Amount of units issued	14,297,723	14,137,842	14,139,160	42,574,726	12,002,400	11,998,800	11,998,800	36,000,000
Number of units issued (seed capital)	104,134	129,496	130,311	363,941	120,024	119,988	119,988	360,000
<b>Employees of the Company</b>								
Amount of units issued	550,715	132,103	-	682,818	-	-	-	-
Number of units issued	4,011	1,210	-	5,221	-	-	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Trustee Fee payable	6,373	5,743	4,688	16,804	7,182	7,181	7,183	21,546
<b>Thal Limited</b>								
Ordinary Shares Held 12,400 (2013:Nil)	2,571,636	-	-	2,571,636	-	-	-	-

# NAFA ISLAMIC PENSION FUND

## 21 FINANCIAL INSTRUMENTS BY CATEGORY

-----June 30, 2014-----											
Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund			
Loans and receivables	At fair value through profit & Loss	Available for sale	Total	Loans and receivables	At fair value through profit & Loss	Available for sale	Total	Loans and receivables	At fair value through profit & Loss	Available for sale	Total
----- Rupees -----											
<b>Financial Assets</b>											
Balances with banks	7,367,812	-	7,367,812	18,881,853	-	-	18,881,853	12,226,947	-	-	12,226,947
Investments-net	-	47,250,444	47,250,444	-	33,693,900	-	33,693,900	-	29,453,100	-	29,453,100
Dividend receivable	134,800	-	134,800	-	-	-	-	-	-	-	-
Interest Accrued	26,540	-	26,540	527,255	-	-	527,255	210,774	-	-	210,774
Receivable against the sale of investment	3,862,494	-	3,862,494	-	-	-	-	-	-	-	-
Security deposit and other receivable	572,500	-	572,500	108,734	-	-	108,734	101,221	-	-	101,221
<b>11,964,146</b>	<b>47,250,444</b>	<b>-</b>	<b>59,214,590</b>	<b>19,517,842</b>	<b>33,693,900</b>	<b>-</b>	<b>53,211,742</b>	<b>12,538,942</b>	<b>29,453,100</b>	<b>-</b>	<b>41,992,042</b>
<b>154,418,374</b>											

-----June 30, 2014-----								
Equity Sub Fund			Debt Sub Fund			Money Market Sub Fund		
At fair value through profit & Loss	Other Financial Liabilities	Total	At fair value through profit & Loss	Other Financial Liabilities	Total	At fair value through profit & Loss	Other Financial Liabilities	Total
----- Rupees -----								

### Financial Liabilities

Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	-	188,978	188,978	-	163,557	163,557	-	137,592	137,592	490,127
Payable to Central Depository Company of Pakistan Limited - Trustee	-	6,373	6,373	-	5,743	5,743	-	4,688	4,688	16,804
	-	15,013	15,013	-	13,972	13,972	-	12,642	12,642	41,627
Payable on purchase of investment	-	1,670,950	1,670,950	-	-	-	-	-	-	1,670,950
Payable against redemption of units	-	6,202,363	6,202,363	-	-	-	-	-	-	6,202,363
Accrued expenses and other liabilities	-	241,805	241,805	-	135,030	135,030	-	137,607	137,607	514,442
<b>-</b>	<b>8,325,482</b>	<b>8,325,482</b>	<b>-</b>	<b>318,302</b>	<b>318,302</b>	<b>-</b>	<b>292,529</b>	<b>292,529</b>	<b>8,936,313</b>	

-----June 30, 2013-----											
Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund			
Loans and receivables	At fair value through profit & Loss	Available for sale	Total	Loans and receivables	At fair value through profit & Loss	Available for sale	Total	Loans and receivables	At fair value through profit & Loss	Available for sale	Total
----- Rupees -----											
Balances with banks	30,166,395	-	30,166,395	30,157,123	-	-	30,157,123	30,157,123	-	-	30,157,123
Interest Accrued	248,025	-	248,025	254,669	-	-	254,669	254,669	-	-	254,669
<b>30,414,420</b>	<b>-</b>	<b>-</b>	<b>30,414,420</b>	<b>30,411,792</b>	<b>-</b>	<b>-</b>	<b>30,411,792</b>	<b>30,411,792</b>	<b>-</b>	<b>-</b>	<b>91,238,004</b>

-----June 30, 2013-----								
Equity Sub Fund			Debt Sub Fund			Money Market Sub Fund		
At fair value through profit & Loss	Other Financial Liabilities	Total	At fair value through profit & Loss	Other Financial Liabilities	Total	At fair value through profit & Loss	Other Financial Liabilities	Total
----- Rupees -----								
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	-	184,126	184,126	-	169,520	169,520	-	154,984
Payable to Central Depository Company of Pakistan Limited - Trustee	-	7,182	7,182	-	7,181	7,181	-	7,183
Payable to Securities and Exchange Commission of Pakistan	-	1,580	1,580	-	1,580	1,580	-	1,580
Accrued expenses and other liabilities	-	26,719	26,719	-	26,689	26,689	-	26,758
<b>-</b>	<b>219,607</b>	<b>219,607</b>	<b>-</b>	<b>204,970</b>	<b>204,970</b>	<b>-</b>	<b>190,505</b>	<b>615,082</b>

# NAFA ISLAMIC PENSION FUND

## 22 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.

### 22.1 Market risk

Market risk is the risk that the fair value or future cashflows 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 of three types of risk: currency risk, interest rate risk and price risk.

#### 22.1.1 Currency risk

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

#### 22.1.2 Interest rate risk

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

##### a) Sensitivity analysis for Fixed rate instruments

Presently, neither of the Sub-Fund hold any fixed rate instruments as at June 30, 2014, that could expose the Fund to cash flow interest rate risk.

##### b) Sensitivity analysis for variable rate instruments

As at June 30 the Debt and Money market sub-funds holds KIBOR based profit bearing and GoP Ijara Sukuks exposing the sub-funds to cash flow interest rate risk. The impact of 100 base points increase / (decrease) in KIBOR on 30 June 2014, with all other variables held constant, on the net assets of the fund and on total comprehensive income for the year is shown below:

		Effect on total comprehensive income and net assets		
		Debt Sub Fund	Money Market Sub Fund	Total
		-----Rupees-----		
Change in basis points				
	100	300,356	256,548	556,904
	(100)	(300,356)	(256,548)	(556,904)

The composition of the Fund's investment portfolio, KIBOR rates, rates announced by Mufap and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

# 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.

June 30, 2014																	Total	
Yield / Inter strate	Equity Sub Fund				Total	Yield / Interest rate	Debt Sub Fund				Total	Yield / Interest rate	Money Market Sub Fund				Total	
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk			Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk			Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk		
	Upto three months	More than three months and upto	More than one year				Upto three months	More than three months and upto one year	More than one year				Upto three months	More than three months and upto one year	More than one year			
-%----- Rupees-----																	%----- Rupees-----	
On-balance sheet financial instruments																		
Financial assets																		
Balances with banks	6 - 8.75	7,367,812	-	-	7,367,812	6 - 8.75	18,881,853	-	-	-	18,881,853	6 - 8.75	12,226,947	-	-	-	12,226,947	38,476,612
Investments-net	-	-	-	47,250,444	47,250,444	9.43-12.31	-	33,693,900	-	-	33,693,900	9.43-9.98	-	29,453,100	-	-	29,453,100	110,397,444
Dividend receivable	-	-	-	134,800	134,800	-	-	-	-	-	-	-	-	-	-	-	-	134,800
Interest Accrued	-	-	-	26,540	26,540	-	-	-	-	527,255	527,255	-	-	-	-	210,774	210,774	764,569
Receivable against the sale of investment	-	-	-	3,862,494	3,862,494	-	-	-	-	-	-	-	-	-	-	-	-	3,862,494
Security deposit and other receivable	-	-	-	572,500	572,500	-	-	-	-	108,734	108,734	-	-	-	-	101,221	101,221	782,455
		7,367,812	-	-	51,846,778		18,881,853	33,693,900	-	635,989	53,211,742		12,226,947	29,453,100	-	311,995	41,992,042	154,418,374
Financial liabilities																		
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	-	-	-	188,978	188,978	-	-	-	-	163,557	163,557	-	-	-	-	137,592	137,592	490,127
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	6,373	6,373	-	-	-	-	5,743	5,743	-	-	-	-	4,688	4,688	16,804
Payable to Securities and Exchange Commission of Pakistan	-	-	-	15,013	15,013	-	-	-	-	13,972	13,972	-	-	-	-	-	-	28,985
Payable on purchase of investment	-	-	-	1,670,950	1,670,950	-	-	-	-	-	-	-	-	-	-	-	-	1,670,950
Payable on redemption	-	-	-	6,202,363	6,202,363	-	-	-	-	-	-	-	-	-	-	-	-	6,202,363
Accrued expenses and other liabilities	-	-	-	241,805	241,805	-	-	-	-	135,030	135,030	-	-	-	-	137,607	137,607	514,442
	-	-	-	8,325,482	8,325,482	-	-	-	-	318,302	318,302	-	-	-	-	279,887	279,887	8,923,671
On-balance sheet gap		7,367,812	-	-	43,521,296		18,881,853	33,693,900	-	317,687	52,893,440		12,226,947	29,453,100	-	32,108	41,712,155	145,494,703
Off-balance sheet financial instruments																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## 22.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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 financial instruments traded in the market.

The Equity Sub-Fund of the Fund exposed to equity price risk because of the investments held by the Fund and classified in the 'Statement of Assets and Liabilities' as financial asset 'at fair value through profit or loss'. The Fund manages price risk by limiting individual equity securities to not more than ten percent of net assets attributable to holders of the Fund's assets. Moreover, the sector limits have also been restricted to thirty five percent. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and is reviewed on a regular basis by the investment committee as well as the Board of Directors.

In case of 5% increase / decrease in KSE 100 index on June 30, 2014 net income for the year would increase / decrease by Rs. 2.36 million (2013: Rs. Nil) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

## 22.1.4 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.

# NAFA ISLAMIC PENSION FUND

The maximum exposure to credit risk is as follows:

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Others	Total
	-----Rupees-----				
<b>Balances with banks</b>					
A1+	7,367,812	18,881,853	12,226,947	146,000	38,622,612
<b>Sukuks</b>					
A+	-	1,029,500	-	-	1,029,500

## 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 account of a bank.

## 22.1.5 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 the total net asset 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 reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:



# NAFA ISLAMIC PENSION FUND

June 30, 2014											
Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund			
Upto three months	Over three months and upto one year	Over one year	Total	Upto three months	Over three months and upto one year	Over one year	Total	Upto three months	Over three months and upto one year	Over one year	Total
Rupees											
<b>Financial liabilities</b>											
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	188,978	-	188,978	163,557	-	-	163,557	137,592	-	-	137,592
Payable to Central Depository Company of Pakistan Limited - Trustee	6,373	-	6,373	5,743	-	-	5,743	4,688	-	-	4,688
Payable to Securities and Exchange Commission of Pakistan	15,013	-	15,013	13,972	-	-	13,972	12,642	-	-	12,642
Payable against purchase of investment	1,670,950	-	1,670,950	-	-	-	-	-	-	-	-
Payable against redemption of units	6,202,363	-	6,202,363	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	241,805	-	241,805	135,030	-	-	135,030	137,607	-	-	137,607
	8,325,482	-	8,325,482	318,302	-	-	318,302	292,529	-	-	292,529
Participant Fund	50,663,110	-	50,663,110	52,872,993	-	-	52,872,993	41,690,226	-	-	41,690,226

June 30, 2014											
Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund			
Upto three months	Over three months and upto one year	Over one year	Total	Upto three months	Over three months and upto one year	Over one year	Total	Upto three months	Over three months and upto one year	Over one year	Total
Rupees											
<b>Financial liabilities</b>											
Payable to NBP Fullerton Asset Management Limited - Pension Fund Manager	184,126	-	184,126	169,520	-	-	169,520	154,984	-	-	154,984
Payable to Central Depository Company of Pakistan Limited - Trustee	7,182	-	7,182	7,181	-	-	7,181	7,183	-	-	7,183
Payable to Securities and Exchange Commission of Pakistan	1,580	-	1,580	1,580	-	-	1,580	1,580	-	-	1,580
Accrued expenses and other liabilities	26,719	-	26,719	26,689	-	-	26,689	26,758	-	-	26,758
	219,607	-	219,607	204,970	-	-	204,970	190,505	-	-	190,505
Participant Fund	30,006,000	-	30,006,000	29,997,000	-	-	29,997,000	29,997,000	-	-	29,997,000

## 23 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 22, 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.

## 24 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.

# NAFA ISLAMIC PENSION FUND

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.

	2014				2013			
	Equity Sub Fund				Equity Sub Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	-----Rupees-----				-----Rupees-----			
<b>Financial assets held for trading</b>								
Equity Securities	47,250,444	-	-	47,250,444	-	-	-	-
	-----Rupees-----				-----Rupees-----			
	2014				2013			
	Debt Sub Fund				Debt Sub Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	-----Rupees-----				-----Rupees-----			
Government Ijara Sukuks	-	32,664,400	-	32,664,400	-	-	-	-
Non-Government Sukuks	-	1,029,500	-	1,029,500	-	-	-	-
	-----Rupees-----				-----Rupees-----			
	2014				2013			
	Money market Sub Fund				Money market Sub Fund			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	-----Rupees-----				-----Rupees-----			
Government Ijara Sukuks	-	29,453,100	-	29,453,100	-	-	-	-

## 25 FINANCIAL PERFORMANCE

### 25.1 Equity sub-fund

	Equity sub-fund					
	2014	2013*	% Change	2012	2011	2010
	-----Rupees-----			-----Rupees-----		
Net Income for the year / period	13,074,583	254,643	5034%	-	-	-
Realized Capital Gains	7,151,944	-	100%	-	-	-
Unrealized Capital Gains	5,137,389	-	100%	-	-	-
Dividend Income	2,121,162	-	100%	-	-	-
Interest Income	316,870	388,448	-18%	-	-	-
NAV per Unit	137	101	36%	-	-	-
Transactions in Securities						
Purchases	(106,263,868)	-	100%	-	-	-
Sales	7,151,939	-	100%	-	-	-
Total Contribution Received	14,242,087	30,006,000	-53%	-	-	-

# NAFA ISLAMIC PENSION FUND

## 25.2 Debt sub-fund

	Debt sub-fund					
	2014	2013*	% Change	2012	2011	2010
	-----Rupees-----			-----Rupees-----		
Net Income for the year / period	2,967,848	275,232	978%	-	-	-
Realized Capital Gains	-	-	100%	-	-	-
Unrealized Capital Gains	558,700	-	100%	-	-	-
Dividend Income	-	-	100%	-	-	-
Interest Income	505,362	395,091	28%	-	-	-
NAV per Unit	109	101	8%	-	-	-
Transactions in Securities						
Purchases	(33,135,200)	-	100%	-	-	-
Sales	-	-	100%	-	-	-
Total Contribution Received	17,284,098	29,997,000	-42%	-	-	-

## 25.3 Money market sub-fund

	Money market sub-fund					
	2014	2013*	% Change	2012	2011	2010
	-----Rupees-----			-----Rupees-----		
Net Income for the year / period	2,421,001	289,408	737%	-	-	-
Realized Capital Gains	-	-	100%	-	-	-
Unrealized Capital Gains	153,100	-	100%	-	-	-
Dividend Income	-	-	100%	-	-	-
Interest Income	562,048	395,091	42%	-	-	-
NAV per Unit	109	101	7%	-	-	-
Transactions in Securities						
Purchases	(54,300,000)	-	100%	-	-	-
Sales	-	-	100%	-	-	-
Total Contribution Received	6,199,358	29,997,000	-79%	-	-	-

\*It represents period from May 02, 2013 to June 30, 2013

## 25.4 Highest and Lowest issue price of Units during the Year

	Equity Sub-Fund		Debt Sub-Fund		Money market Sub-Fund	
	2014	2013*	2014	2013	2014	2013
	-----Rupees-----					
Highest issue price	137	100	109	100	109	100
Lowest issue price	101	100	101	100	101	100

## 26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 16, 2014 by the Board of Directors of the Pension Fund Manager.

## 27 GENERAL

27.1 Figures have been rounded off to the nearest rupee, unless otherwise specified.

For NBP Fullerton Asset Management Limited  
(Pension Fund Manager)

Chief Executive

Director



NBP Fullerton  
Asset Management Ltd.

A Subsidiary of

National Bank of Pakistan

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