

NIT Pension Fund aims to provide participants with a savings vehicle geared for retirement planning and providing decent returns through investments in its various sub-funds.



CORPORATE INFORMATION

FUND NAME

NIT - Pension Fund

NAME OF AUDITORS

KPMG Taseer Hadi & Co. Chartered Accountants

LIST OF BANKERS

Bank Al Habib Limited

NIB Bank Limited

United Bank Limited

Habib Bank Limited

TRUSTEE REPORT

TRUSTEE REPORT TO THE PARTICIPANTS

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 NIT Pension Fund (the Fund) are of the opinion that National Investment Trust Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the period from June 12, 2015 to June 30, 2015 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005

Sd/-

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

Karachi, October 19, 2015

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE PARTICIPANTS OF NIT PENSION FUND

We have audited the annexed financial statements comprising:

- Balance Sheet;
- Income Statement;
- Statement of Comprehensive Income;
- Statement of Movement in Participants' Fund; and
- Cash Flow Statement

of NIT Pension Fund ("the Fund") as at 30 June 2015 and for the period from 14 May 2015 to 30 June 2015 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 Pension Fund in conformity with the Approved Accounting Standards as applicable in Pakistan. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- the financial statements as at 30 June 2015 and for the period from 14 May 2015 to 30 June 2015 have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2015 and of its financial performance, cash flows and transactions for the period from 14 May 2015 to 30 June 2015 in accordance with approved accounting standards as applicable in Pakistan;
- 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;
- the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;
- the financial statements prepared are in agreement with the pension fund's books and records;
- we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Sd/-

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem
Dated: September 30, 2015
Karachi

NIT - PENSION FUND BALANCE SHEET AS AT 30 JUNE 2015

Note	2015				Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	
	(Rupees in '000)				
Assets					
5	47,682	75,459	75,110	75,005	273,256
6	28,002	-	-	-	28,002
	229	262	262	262	1,015
7	61	61	60	60	242
8	12,600	100	-	-	12,700
	88,574	75,882	75,432	75,327	315,215
Liabilities					
9	2,740	240	135	134	3,249
10	4	4	4	4	16
11	1	1	1	2	5
	10,007	-	-	-	10,007
12	37	38	37	37	149
	12,789	283	177	177	13,426
	75,785	75,599	75,255	75,150	301,789
Net assets					
	75,785	75,599	75,255	75,150	301,789
Participants' funds (as per statement attached)					
	75,785	75,599	75,255	75,150	301,789
	7,563,907	7,544,824	7,510,517	7,500,000	30,119,248
Number of units in issue					
	7,563,907	7,544,824	7,510,517	7,500,000	30,119,248
Net assets value per unit					
	10.0193	10.0200	10.0200	10.0200	

The annexed notes from 1 to 24 form an integral part of these financial statements.

For National Investment Trust Limited
(Pension Fund Manager)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director



NIT - PENSION FUND INCOME STATEMENT

FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

Note	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund	Total
----- (Rupees in '000) -----					
Income					
Mark-up on bank deposits	229	262	261	261	1,013
Total income	229	262	261	261	1,013
Remuneration of National Investment Trust Limited - Pension Fund Manager	59	59	59	59	236
Sindh Sales Tax on remuneration of Pension Fund Manager	10	10	10	10	40
Federal Excise Duty on remuneration of Pension Fund Manager	10	10	9	9	38
Remuneration of Central Depository Company of Pakistan Limited - Trustee	4	4	4	4	16
Annual fee to Securities and Exchange Commission of Pakistan	2	1	1	1	5
Auditors' remuneration	25	25	25	25	100
Total expenses	110	109	108	108	435
Net income from operating activities	119	153	153	153	578
Provision for Workers' Welfare Fund	(2)	(3)	(3)	(3)	(11)
Net income for the period	117	150	150	150	567
----- (Rupees) -----					
Earnings per unit - basic and diluted	0.02	0.02	0.02	0.02	

The annexed notes from 1 to 24 form an integral part of these financial statements.

For National Investment Trust Limited
(Pension Fund Manager)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - PENSION FUND STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

Note	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund	Total
----- (Rupees in '000) -----					
Net income for the period	117	150	150	150	567
Other comprehensive income for the period					
Items to be reclassified to income statement in subsequent periods:					
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	29	-	-	-	29
Total comprehensive income for the period	146	150	150	150	596

The annexed notes from 1 to 24 form an integral part of these financial statements.

For National Investment Trust Limited
(Pension Fund Manager)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - PENSION FUND
STATEMENT OF MOVEMENT IN PARTICIPANTS' FUNDS
FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

Note	2015					
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund	Total	
	(Rupees in '000)					
Amount received on issuance of units	14	75,639	75,449	75,105	75,000	301,193
Net income for the period		117	150	150	150	567
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'		29	-	-	-	29
Total comprehensive income for the period		146	150	150	150	596
Net assets at end of the period		75,785	75,599	75,255	75,150	301,789

The annexed notes from 1 to 24 form an integral part of these financial statements.

For National Investment Trust Limited
(Pension Fund Manager)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - PENSION FUND
CASH FLOW STATEMENT
FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

Note	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund	Total
	(Rupees in '000)				
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the period	117	150	150	150	567
Increase in assets					
Investments	(27,973)	-	-	-	(27,973)
Mark-up receivable on bank deposits	(229)	(262)	(262)	(262)	(1,015)
Preliminary expenses and floatation costs	(61)	(61)	(60)	(60)	(242)
Security deposits	(12,600)	(100)	-	-	(12,700)
	(40,863)	(423)	(322)	(322)	(41,930)
Increase in liabilities					
Payable to National Investment Trust Limited - Pension Fund Manager	2,740	240	135	134	3,249
Payable to Central Depository Company of Pakistan Limited - Trustee	4	4	4	4	16
Payable to Securities and Exchange Commission of Pakistan	1	1	1	2	5
Payable against purchase of investments	10,007	-	-	-	10,007
Accrued expenses and other liabilities	37	38	37	37	149
	12,789	283	177	177	13,426
Net cash (used in) operating activities	(28,074)	(140)	(145)	(145)	(28,504)
CASH FLOW FROM FINANCING ACTIVITIES					
Amount received on issuance of units	75,639	75,449	75,105	75,000	301,193
Cash and cash equivalents at end of the period	47,682	75,459	75,110	75,005	273,256

The annexed notes from 1 to 24 form an integral part of these financial statements.

For National Investment Trust Limited
(Pension Fund Manager)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

NIT Pension Fund ("the Fund") was established under a Trust Deed executed between National Investment Trust Limited as Pension Fund Manager and Central Depository Company of Pakistan Limited (CDC) as trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on 30 April 2015 and the Trust Deed was executed on 14 May 2015.

National Investment Trust Limited has been licensed to act as a Pension Fund Manager under the Voluntary Pension Scheme Rules, 2005 through a certificate of registration issued by SECP. The registered office of the Pension Fund Manager is situated at 6th floor, National Bank of Pakistan Building I.I. Chundrigar Road, Karachi.

The Fund is an unlisted 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 comprises of four sub-funds namely equity sub-fund, debt sub-fund, money market sub-fund & commodities sub-funds. Participants are offered various investment allocation schemes depending on their investment horizon, return requirements, risk tolerance and unique circumstances. Allocation schemes can be selected at the time of opening of account and subsequently at anniversary of the account. The contributions from participants are invested in various instruments belonging to different asset classes to get full benefits of risk minimisation through diversification.

The Fund received Seed Money from Pension Fund Manager amounting to Rs. 300 million (i.e. Rs. 75 million in each Sub-Fund) on 12 June 2015 against which 30 million units at the offer price of Rs. 10 each unit were issued (i.e. 75 million of each Sub-fund). Accordingly, the Fund commenced its operations from 12 June 2015.

PACRA has maintained an asset manager rating of "AM2" to the Pension Fund Manager while the fund is not currently rated.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provisions of the Voluntary Pension System Rules, 2005 (VPS Rules) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the VPS Rules or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the VPS Rules or the directives issued by the SECP shall prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at fair value.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NIT - PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally related to classification and valuation of investments and impairment thereagainst, if any (note 4.1 and note 6).

3 NEW OR AMENDMENTS / INTERPRETATION TO EXISTING STANDARD, INTERPRETATION AND FORTHCOMING REQUIREMENTS

The following standards, amendments and interpretations of approved accounting standards and new interpretations to existing standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of

NIT - PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Fund's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Fund's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual period beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial assets

4.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

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

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 (a) financial assets at fair value through profit or loss, or (b) loans and receivables.

NIT - PENSION FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

4.1.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

4.1.3 Initial recognition and measurement

a) Financial assets at fair value through profit or loss

These investments are initially recognised at fair value. Transaction costs are expensed in the income statement.

b) Available for sale and loans and receivables

These are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of such assets.

4.1.4 Subsequent measurement

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

a) Basis of valuation of Debt Securities (other than Government Securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular 33 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of Government Securities

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

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

c) Basis of valuation of equity securities

The equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

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'.

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.

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

4.1.5 Impairment of financial assets

Equity Securities

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as 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 from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

NIT - PENSION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

Debt securities and other exposures

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular 33 of 2012 dated 24 October 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Pension Fund Manager.

4.1.6 Derecognition

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

4.1.7 Offsetting of financial instruments

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

4.2 Cash and cash equivalents

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

4.3 Derivatives

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

4.4 Financial liabilities

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

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

4.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of three years commencing from the date of complete receipt of proceeds against Seed Capital Units subscribed by the Seed Investor as per the requirements set out in the Trust Deed of the Fund.

4.6 Provisions

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

4.7 Taxation

The income of the Fund is exempt from income tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

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

4.8 Issue, allocation, reallocation and redemption of units

Contribution received in the individual pension account after deduction of applicable front end fee is used to purchase the units of

NIT - PENSION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

sub-funds of the pension fund according to the Allocation Scheme selected by the participant. The units are allotted at the net assets value notified by the pension fund manager at the close of the business day for each sub-fund on the date on which funds are actually realized against application after deduction of front end fee. 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 assets 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 assets value of each of the Sub - Fund as of the close of the business day on which retirement age is reached.

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

4.9 Net Assets Value per unit

The Net Assets Value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, 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 of the reporting period.

4.10 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as available for sale are included in the statement of comprehensive income in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Mark-up on bank deposits and mark-up income on debt securities is recognised using effective yield.

5 BANK BALANCES

		2015				
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	Total
		----- (Rupees in '000) -----				
Savings accounts	5.1	47,682	75,459	75,110	75,005	273,256

5.1 These accounts carry mark-up rates ranging from 5.00% to 6.70% per annum.

6 INVESTMENTS

		2015				
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	Total
		----- (Rupees in '000) -----				
Investments by category						
Available for sale investments						
Listed equity securities	6.1	28,002	-	-	-	28,002
		28,002	-	-	-	28,002

NIT - PENSION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 14 MAY 2015 TO 30 JUNE 2015

6.1 Listed equity securities

6.1.1 Held by Equity Sub-Fund

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

Name of the Investee Company	Purchases during the year	As at 30 June 2015	Cost of holdings as at 30 June 2015	Market value as at 30 June 2015	Market value as a percentage of investment of sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
	(Number of shares)		(Rupees in '000)			(%)	
OIL AND GAS MARKETING COMPANIES							
Pakistan State Oil Company Limited	16,500	16,500	6,410	6,365	22.74	8.40	0.01
Pakistan Petroleum Limited	12,500	12,500	2,088	2,053	7.33	2.71	-
	29,000	29,000	8,498	8,418	30.07	11.11	
FERTILIZER							
Fauji Fertilizer Company Limited	40,000	40,000	6,006	5,977	21.34	7.89	-
Fauji Fertilizer Bin Qasim Limited	85,000	85,000	4,720	4,702	16.79	6.20	0.01
Engro Corporation Limited	12,000	12,000	3,554	3,562	12.72	4.70	-
	137,000	137,000	14,280	14,241	50.85	18.79	
CEMENT							
Lucky Cement Limited	5,000	5,000	2,477	2,598	9.28	3.43	-
	5,000	5,000	2,477	2,598	9.28	3.43	
POWER GENERATION AND DISTRIBUTION							
Hub Power Company Limited	10,000	10,000	962	936	3.34	1.24	-
	10,000	10,000	962	936	3.34	1.24	
COMMERCIAL BANKS							
Bank Al Habib Limited	10,000	10,000	441	439	1.57	0.58	-
MCB Bank Limited	5,000	5,000	1,315	1,370	4.89	1.81	-
	15,000	15,000	1,756	1,809	6.46	2.39	
Total	196,000	196,000	27,973	28,002	100.00	36.96	

6.2 Net unrealised appreciation on re-measurement of investments classified as 'available for sale'

Market value of Investments	6.1.1	28,002
Less: Cost of investments	6.1.1	(27,973)
		29

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	Total
	(Rupees in 000)				
Incurring during the period	61	61	60	60	242
Less: amortization for the period	-	-	-	-	-
Balance at end of the period	61	61	60	60	242

7.1 Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund and have been allocated amongst Sub-Funds on the pro-rata basis of contribution received against Seed Capital Units. These expenses are being amortised over a period of three years commencing from the date of complete receipt of proceeds against Seed Capital Units subscribed by the Seed Investor as per the requirements set out in the Trust Deed of the Fund.

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8 SECURITY DEPOSITS

	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	Total
	(Rupees in 000)				
National Clearing Company of Pakistan	12,600	-	-	-	12,600
Central Depository Company of Pakistan Limited	-	100	-	-	100
	12,600	100	-	-	12,700

9 PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED - PENSION FUND MANAGER

	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	Total
	(Rupees in 000)				
Management fee	9.1	59	59	59	236
Sindh Sales Tax	9.1	10	10	10	40
Preliminary expenses and floatation costs		61	61	60	243
Security Deposit		2,600	100	-	2,700
Others		10	10	5	30
	2,740	240	135	134	3,249

9.1 As per rule 11 of the Voluntary Pension System Rules, 2005, the Pension Fund Manager has charged its remuneration at the rate of 1.5 percent per annum of the average annual net assets of each of the Sub-Fund for the current period. The remuneration is paid on a monthly basis in arrears. The Sindh Government has levied Sindh Sales Tax at the rate of 15% on the remuneration of the pension fund manager through Sindh Sales Tax Act, 2011 effective from 01 July 2014.

10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at 30 June 2015 is as follows:

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

The remuneration is paid to the Trustee monthly in arrears.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

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12 ACCRUED EXPENSES AND OTHER LIABILITIES

	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	Total
	(Rupees in '000)				
Auditors' remuneration	25	25	25	25	100
Federal Excise Duty	10	10	9	9	38
Provision for Workers' Welfare Fund	2	3	3	3	11
	37	38	37	37	149

12.1 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. The High Court of Sindh in its order dated 09 September 2013 granted stay to the various funds for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from 12 June 2015, aggregating to Rs. 0.010 million, Rs. 0.010 million, 0.009 million and Rs. 0.009 million for Equity Sub-Fund, Debt Sub-Fund, Money Market Sub-Fund and Commodity Sub-Fund respectively. Had the provision not been made, the net assets value (NAV) per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at 30 June 2015 would have been higher by Rs. 0.0013, Rs.0.0013, 0.0012 and Rs. 0.0012 per unit respectively.

12.2 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 Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended 30 June 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. The decisions of SHC (in against) and LHC (in favour) are pending before Supreme Court. However, the Pension Fund Manager, as a matter of abundant caution, has decided to maintain the provision for WWF amounting to Rs. 0.002 million, Rs. 0.003 million, 0.003 million and Rs. 0.003 million for Equity Sub-Fund, Debt Sub-Fund, Money Market Sub-Fund and Commodity Sub-Fund respectively for the current year. Had the same not been made the net assets value per unit of Equity Sub-Fund, Debt Sub-Fund, Money Market Sub-Fund and Commodity Sub-Fund would have been higher by Rs 0.0003, Rs. 0.0004, Rs. 0.0004 and Rs. 0.0004 per unit respectively.

13 NUMBER OF UNITS IN ISSUE

	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund	Total
	(Number of units)				
Units issued against Seed Capital	7,500,000	7,500,000	7,500,000	7,500,000	30,000,000
Units issued during the period	63,907	44,824	10,517	-	119,248
Total units in issue at end of the period	7,563,907	7,544,824	7,510,517	7,500,000	30,119,248

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14 CONTRIBUTION TABLE

Contributions received during the period are as follows:

	2015									
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Commodity Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
Individuals	63,907	639	44,824	449	10,517	105	-	-	119,248	1,193
Non-Banking Financial Institutions - against Seed Capital from Pension Fund Manager	7,500,000	75,000	7,500,000	75,000	7,500,000	75,000	7,500,000	75,000	30,000,000	300,000
	7,563,907	75,639	7,544,824	75,449	7,510,517	75,105	7,500,000	75,000	30,119,248	301,193

15 AUDITOR'S REMUNERATION

	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money market Sub-Fund	Commodity Sub-Fund	Total
	(Rupees in '000)				
Annual Audit fee	25	25	25	25	100

16 EARNINGS PER UNIT - BASIC AND DILUTED

	2015				
	Equity Sub-Fund	Debt Sub-Fund	Money market Sub-Fund	Commodity Sub-Fund	Total
	(Rupees in '000)				
Net income for the period	117	150	150	150	567
	(Units)				
Weighted average number of units in issue during the period	7,520,743	7,508,266	7,506,293	7,500,000	
	(Rupees)				
Earnings per unit	0.02	0.02	0.02	0.02	

16.1 Earnings per unit (EPU) has been determined using units outstanding as at period end as in the opinion of the management, determination of cumulative weighted average number of outstanding units as at period end is not practicable.

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17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2015												
	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			Commodity Sub-Fund			Total
	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	
(Rupees in 000)													
Financial assets													
Bank balances	47,682	-	47,682	75,459	-	123,141	75,110	-	198,251	75,005	-	75,005	444,079
Investments	-	28,002	28,002	-	-	56,004	-	-	56,004	-	-	-	140,010
Mark-up receivable on bank deposits	229	-	229	262	-	491	262	-	753	262	-	262	1,735
Security deposits	12,600	-	12,600	100	-	12,700	-	-	12,700	-	-	-	38,000
	<u>60,511</u>	<u>28,002</u>	<u>88,513</u>	<u>75,821</u>	<u>-</u>	<u>192,336</u>	<u>75,372</u>	<u>-</u>	<u>267,708</u>	<u>75,267</u>	<u>-</u>	<u>75,267</u>	<u>623,824</u>
	As at 30 June 2015												
	Equity Sub-Fund			Debt Sub-Fund			Money market Sub-Fund			Commodity Sub-Fund			Total
	Liabilities at fair value through profit or loss	At amortised cost	Total	Liabilities at fair value through profit or loss	At amortised cost	Total	Liabilities at fair value through profit or loss	At amortised cost	Total	Liabilities at fair value through profit or loss	At amortised cost	Total	
(Rupees in 000)													
Financial liabilities													
Payable to National Investment Trust Limited - Pension Fund Manager	-	2,740	2,740	-	240	240	-	135	135	-	134	134	3,249
Payable to Central Depository Company of Pakistan Limited - Trustee	-	4	4	-	4	4	-	4	4	-	4	4	16
Payable against purchase of investments	-	10,007	10,007	-	-	-	-	-	-	-	-	-	10,007
Accrued expenses and other liabilities	-	35	35	-	35	35	-	34	34	-	34	34	138
	<u>-</u>	<u>12,786</u>	<u>12,786</u>	<u>-</u>	<u>279</u>	<u>279</u>	<u>-</u>	<u>173</u>	<u>173</u>	<u>-</u>	<u>172</u>	<u>172</u>	<u>13,410</u>

18. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS

Connected persons include National Investment Trust Limited being the Pension Fund Manager, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Pension Fund Manager, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Pension Fund Manager or the net assets of the Fund and directors and officers of the Pension Fund Manager and unit holders holding 10 percent or more units of the Fund.

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

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

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

18.1 Transactions during the period

	Number	2015				
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund	Total
(Rupees in 000)						
National Investment Trust Limited - Pension Fund Manager						
Issue of units		<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>30,000,000</u>
Amount of units issued		75,000	75,000	75,000	75,000	300,000
Management participant fee		59	59	59	59	236
Sindh Sales Tax on Pension Fund Manager remuneration		10	10	10	10	40
Central Depository Company of Pakistan Limited - Trustee						
Remuneration		4	4	4	4	16

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18.2 Amount outstanding as at period end

	Number	2015				
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund	Total
(Rupees in 000)						
National Investment Trust Limited - Pension Fund Manager						
Units held		<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>30,000,000</u>
Amount of units held		75,145	75,150	75,150	75,150	300,595
Management fee payable		59	59	59	59	236
Sindh Sales Tax payable		10	10	10	10	40
Preliminary expenses and floatation cost payable		61	61	61	60	243
Security Deposit		2,600	100	-	-	2,700
Other payable		10	10	5	5	30
Central Depository Company of Pakistan Limited - Trustee						
Remuneration		4	4	4	4	16

19. FINANCIAL RISK MANAGEMENT

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

19.1 Market risk

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

19.1.1 Currency risk

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

19.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any fixed rate instruments and is not exposed to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instruments and is not exposed to cash flow interest rate risk.

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

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	As at 30 June 2015										2015					
	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			Commodity Sub-Fund			Total			
	Effective interest rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk	Effective interest rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk	Effective interest rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk	Effective interest rate	Exposed to yield / interest rate risk	Not exposed to yield / interest rate risk				
	5.00 - 6.70	47,682	47,682	5.47	75,459	75,459	5.47	75,110	75,110	5.47	75,006	75,006	5.47	75,006	75,006	273,266
Bank balances		-	-		-	-		-	-		-	-		-	-	23,042
Investments		-	28,045		-	-		-	-		-	-		-	-	28,045
Investments receivable on bank deposits		-	255		-	-		-	-		-	-		-	-	255
Security deposits		-	-		-	-		-	-		-	-		-	-	12,700
		47,682	47,682		75,459	75,459		75,110	75,110		75,006	75,006		75,006	75,006	12,700
Financial liabilities		-	-		-	-		-	-		-	-		-	-	-
Payable to National Investment Trust Limited - Pension Fund Manager		-	-		-	-		-	-		-	-		-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-		-	-		-	-		-	-		-	-	-
Payable against purchase of investments		-	-		-	-		-	-		-	-		-	-	-
Accrued expenses and other liabilities		-	-		-	-		-	-		-	-		-	-	-
		47,682	47,682		75,459	75,459		75,110	75,110		75,006	75,006		75,006	75,006	314,973
On-balance sheet financial instruments		47,682	47,682		75,459	75,459		75,110	75,110		75,006	75,006		75,006	75,006	311,570
Off-balance sheet financial instruments		-	-		-	-		-	-		-	-		-	-	-
Off-balance sheet gap		-	-		-	-		-	-		-	-		-	-	-
Total interest rate sensitivity gap		47,682	47,682		75,459	75,459		75,110	75,110		75,006	75,006		75,006	75,006	311,570
Cumulative interest rate sensitivity gap		47,682	47,682		75,459	75,459		75,110	75,110		75,006	75,006		75,006	75,006	314,973

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19.1.3 Price risk

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

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

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the pension fund manager.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 6 to these financial statements. At 30 June 2015 the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the Karachi Stock Exchange Index - 100 (KSE 100). The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs. 1.400 million if the prices of equity vary due to increase / decrease in the KSE 100. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the KSE 100 and that the KSE 100 increases / decreases by 1% on KSE 100 index with all other factors held constant.

The pension fund manager uses the KSE 100 as a reference point in making investment decisions. However, the pension fund manager does not manage the Fund's investment strategy to track the KSE 100 or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at 30 June 2015 and the historical correlation of the securities comprising the portfolio of the KSE 100. The composition of the Fund's investment portfolio and the correlation thereof to the KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2015 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of the KSE 100.

19.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's credit risk is primarily attributable to its investment in debt securities and government securities, balances with banks and advances, deposits and other receivables. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

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.

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The maximum exposure to credit risk is as follows:

	As at 30 June 2015				Rating agency	Published rating	Percentage of total bank balances
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodities Sub-Fund			
(Rupees in '000)							
Bank balances by rating category							
Bank Al-Habib Limited	47,682	75,459	75,110	75,005	273,256	AA+	PACRA 100
Mark-up receivable on bank deposits	229	262	261	261	1,013		
Security deposits	12,600	100	-	-	12,700		

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

19.3 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. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentrations of credit risk.

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.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder'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.

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

	As at 30 June 2015				As at 30 June 2015			
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Money Market Sub-Fund	
	Upto three months and upto one year	More than three months and upto one year	Upto three months and upto one year	More than three months and upto one year	Total	Upto three months and upto one year	More than three months and upto one year	Total
(Rupees in '000)								
Financial Liabilities (excluding participants' funds)								
Payable to National Investment Trust Limited - Pension Fund	2,740	-	240	-	135	134	-	3,249
Payable to Central Depository Company of Pakistan Limited - Trustee	4	-	4	-	4	4	-	16
Payable against purchase of investments	10,007	-	-	-	34	34	-	138
Accrued expenses and other liabilities	35	-	279	-	173	172	-	3,403
Participants' funds	12,786	-	75,599	-	75,255	75,150	-	301,789
	75,785	-	75,785	-	75,255	75,150	-	301,789

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

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

20. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

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

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

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

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

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

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 33 of 2012 dated 24 October 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its value is determined by making provisions in accordance with Circular 33 of 2012 dated 24 October 2012 issued by the SECP.

The estimated fair value of 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.

IFRS 7, 'Financial instruments: Disclosures' requires the Fund to 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 (that is, as prices) or indirectly (that is, derived from prices) (Level 2)

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- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

Investment of the Fund carried at fair value as at 30 June 2015 are categorised as follows:

	As at 30 June 2015			Total
	Level 1	Level 2	Level 3	
	Equity Sub-Fund			
	----- (Rupees in 000) -----			
Financial assets - available for sale				
Equity Securities	28,002	-	-	28,002

22. PERFORMANCE TABLE

22.1 Net Assets value and net assests per unit

	2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund
Net Assets Value (Rupees in '000)	75,785	75,599	75,255	75,150
Net Assets Value Per Unit (Rupees)	10.0193	10.0200	10.0200	10.0200

22.2 Highest and lowest issue Price of units during the period

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Commodity Sub-Fund	
	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price	Lowest issue price	Highest issue price
	----- (Rupees) -----							
For the period ended 30 June 2015	9.9891	10.0193	10.0124	10.0206	10.0124	10.0206	10.0124	10.0206

22.3 Financial performance of pension fund

	2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Commodity Sub-Fund
	----- (Rupees in 000) -----			
Net Income	117	150	150	150
Unrealized gains	29	-	-	-
Mark-up income	229	262	261	261
NAV per unit (Rupees)	10.0193	10.0200	10.0200	10.0200
Transactions in securities - purchases	27,973	-	-	-
Total contribution received				
Individuals	639	449	105	-
Non-Banking Financial Institutions	75,000	75,000	75,000	75,000

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Pension Fund Manager in their meeting held on 30 September 2015.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

**For National Investment Trust Limited
(Pension Fund Manager)**

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**

