

**Punjab Pension Fund
Investment Account (“the Fund”)**

**Accounts for the year ended
30 June 2010**



KPMG Taseer Hadi & Co.
Chartered Accountants
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Independent Auditors' Report to the Management Committee

We have audited the annexed balance sheet of **Punjab Pension Fund – Investment Account** (“the Fund”) as at 30 June 2010 and the related income and expenditure account, cash flow statement, statement of comprehensive income and the statement of movement in accumulated pension fund together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Fund’s management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of Punjab Pension Fund Act 2007 (“the Act”) and Punjab Pension Fund Rules 2007 (“the Rules”). Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Fund as required by the Act and the Rules as well as other laws, to the extent these are applicable.
- b) in our opinion
 - i) the financial statements together with the notes forming part thereof have been drawn up in conformity with the Act and the Rules and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.1 with which we concur;
 - ii) the costs and expenses debited to the Fund were for the purpose of Fund’s business and as specified in the Act and the Rules as well as other laws, to the extent these are applicable; and

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KPMG Taseer Hadi & Co.

- iii) the business conducted, investments made and expenditure incurred during the period were in accordance with the objects of the Fund.
- c) in our opinion and to the best of our information and according to the explanations given to us, the financial statements together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Act and the Rules in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2010 and its net income, cash flows and statement of movement in accumulated pension fund for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 30 MAY 2011.

Lahore

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Punjab Pension Fund - Investment Account

Statement of Assets and Liabilities

As at 30 June 2010

	Note	30 June 2010 Rupees	30 June 2009 Rupees
Assets			
Investments	4	8,786,209,583	-
Receivable from the Government of the Punjab	5	-	3,000,000,000
Bank Deposits	6	-	3,439,233,000
Prepayments		4,448	-
Accrued interest	7	243,771,529	-
Cash and cash equivalents	8	3,020,591,114	47,377,661
Total Assets		12,050,576,674	6,486,610,661
Liability			
Brokerage payable		81,935	-
Total Liability		81,935	-
Contingencies and commitments	10	-	-
Net assets		12,050,494,739	6,486,610,661
Represented by:			
Accumulated Pension Fund		12,050,494,739	6,486,610,661

The annexed notes 1 to 12 form an integral part of these financial statements.

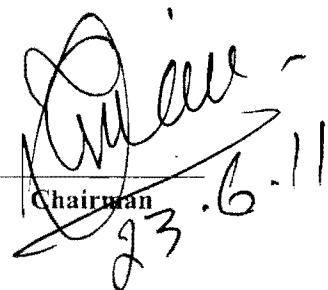
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General Manager



Private Member



Chairman

Lahore:

30 MAY 2011

Punjab Pension Fund - Investment Account

Income Statement

For the year ended 30 June 2010

	30 June 2010 Rupees	For the period from 16 May 2008 to 30 June 2009 Rupees
Income		
Income on Term Deposit Receipts	872,566,164	486,611,011
Income on Pakistan Investment Bonds	367,982,144	-
Income on Term Finance Certificates	1,747,692	-
Income on Market Treasury Bills	190,213,674	-
Capital gain	697,504	-
	1,433,207,178	486,611,011
Expenses		
Brokerage expenses	74,957	-
Custody charges	3,552	-
Fund's operational expenses	25,567,552	350
	25,646,061	350
Net income for the period	1,407,561,117	486,610,661

The annexed notes 1 to 12 form an integral part of these financial statements.

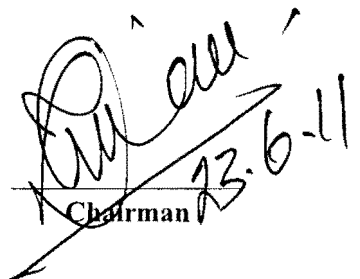
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General Manager



Private Member



Chairman 23.6.11

Lahore:

30 MAY 2011

Punjab Pension Fund - Investment Account
Cash Flow Statement

For the year ended 30 June 2010

For the period from
16 May 2008 to
30 June 2009
Rupees

30 June 2010
Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period	1,407,561,117	486,610,661
Adjustments for non cash and other items:		
Discount on Pakistan Investment Bonds	(3,097,006)	-
Discount on Market Treasury Bills	(19,977,553)	-
Premium on Term Finance Certificates	23,528	-
	<u>1,384,510,086</u>	<u>486,610,661</u>
(Increase) / decrease in assets:		
Investments	(8,806,835,591)	-
Receivable from the Government of the Punjab	3,000,000,000	(3,000,000,000)
Bank Deposits	3,439,233,000	(3,439,233,000)
Prepayments	(4,448)	-
Accrued interest	(243,771,529)	-
	<u>(2,611,378,568)</u>	<u>(6,439,233,000)</u>
Increase / (decrease) in liability:		
Brokerage payable	81,935	-
Cash (used in) / generated from operating activities	<u>(1,226,786,547)</u>	<u>(5,952,622,339)</u>


CASH FLOWS FROM FINANCING ACTIVITIES

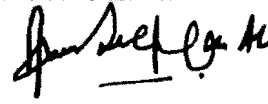
Amount received from the Reserve Pension Fund	6,000,000,000	6,000,000,000
Profit transferred to Reserve Pension Fund	(1,800,000,000)	-
Cash generated from financing activities	<u>4,200,000,000</u>	<u>6,000,000,000</u>
Net increase in cash and cash equivalents during the period	<u>2,973,213,453</u>	<u>47,377,661</u>
Cash and cash equivalents at the beginning of the period	47,377,661	-
Cash and cash equivalents at the end of the period	<u><u>3,020,591,114</u></u>	<u><u>47,377,661</u></u>

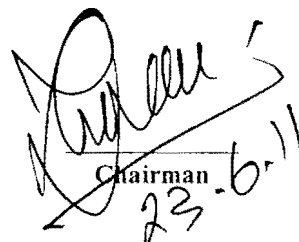
The annexed notes 1 to 12 form an integral part of these financial statements.

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Lahore:
30 MAY 2011


General Manager


Private Member


Chairman
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Punjab Pension Fund - Investment Account
Statement of Comprehensive Income

For the year ended 30 June 2010

	30 June 2010	For the period from 16 May 2008 to 30 June 2009
	Rupees	Rupees
Net income for the period	1,407,561,117	486,610,661
Diminution in fair value of available-for-sale investments	(43,677,039)	-
Total comprehensive income for the period	<u>1,363,884,078</u>	<u>486,610,661</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

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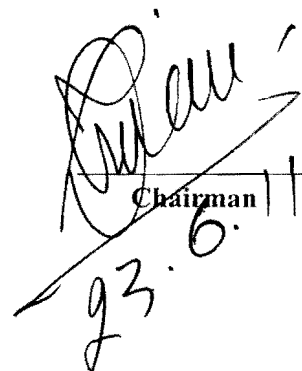
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General Manager



Private Member



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Punjab Pension Fund - Investment Account
Statement of Movement in Accumulated Pension Fund
As at 30 June 2010

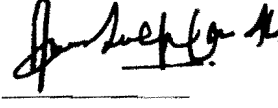
	30 June 2010 Rupees	For the period from 16 May 2008 to 30 June 2009 Rupees
Balance at the beginning of the period	6,486,610,661	-
Amount directly transferred by Finance Department the Government of the Punjab	-	3,000,000,000
Amount received from the Reserve Pension Fund	6,000,000,000	3,000,000,000
Total comprehensive income for the period	1,363,884,078	486,610,661
Profit transferred to Reserve Pension Fund	(1,800,000,000)	-
Balance at the end of the period	12,050,494,739	6,486,610,661

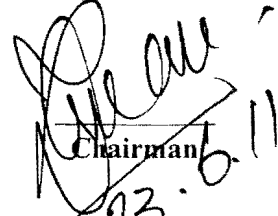
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General Manager


Private Member


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30 MAY 2011.

Punjab Pension Fund- Investment Account

Notes to the Financial Statements

For the year ended 30 June 2010

1 Status and nature of the business

The Punjab Pension Fund (the Fund) has been established under the Punjab Pension Fund Act 2007 (the Act) to generate revenue for the discharge of pension liabilities of the Government of the Punjab. The Fund is a body corporate with perpetual succession. The Fund shall perform such functions and exercise such powers as are vested in it under the Act and the Punjab Pension Fund Rules 2007 (the Rules). The management and administration of the Fund vests in the Management Committee notified under section 5 of the Act.

The Fund invests in a diversified portfolio of government securities, debt securities, shares, unit trusts, mutual funds and bank deposits.

2 Statement of compliance and significant disclosures

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules 2007 and the approved International Financial Reporting Standards (IFRSs) as applicable in Pakistan. Approved accounting standards comprise of such IFRSs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Punjab Pension Fund Act 2007 and Punjab Pension Fund Rules 2007 differ with the requirements of these standards, the requirements of Punjab Pension Fund Act 2007 and Punjab Pension Fund Rules 2007 shall prevail.

2.2 Changes in accounting policies

Starting 1 July 2009, the Fund has adopted accounting policies in the following areas:

The Fund has adopted revised IAS 1 "Presentation of Financial Statements (2007)" which became effective from 1 January 2009. This standard required the Fund to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

The Fund has also adopted IFRS 7 "Financial Instruments: Disclosures" from 1 July 2009. As a result, additional disclosures have been made relating to financial instruments.

2.3 Significant estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The area where various assumptions and estimates are significant to Fund's financial statements or where judgments were exercised in application of accounting policies is classification and valuation of financial assets.

3 Summary of significant accounting policies

3.1 Basis of preparation

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

3.2 Standards, interpretations and amendments to published approved accounting standards

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010. However these are not relevant to the Fund except in few cases these may require additional disclosures:

<i>Improvements to IFRSs 2009</i>	<i>Effective date</i>
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
- Amendments to IFRS 8 Operating Segments	1 January 2010
- Amendments to IAS 1 Presentation of Financial Statements	1 January 2010
- Amendments to IAS 7 Statement of Cash Flows	1 January 2010
- Amendments to IAS 17 Leases	1 January 2010
- Amendments to IAS 36 Impairment of Assets	1 January 2010
- Amendments to IAS 39 Financial Instruments: Recognition and measurement	1 January 2010
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting	1 January 2010

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Standards – Additional Exemptions for First-time Adopters

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues	1 January 2010
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010

Improvements to IFRSs 2010

- Amendments to IFRS 3 Business Combinations	1 July 2010
- Amendments to IAS 27 Consolidated and Separate Financial Statements	1 July 2010
- IAS 24 Related Party Disclosures (revised 2009)	1 January 2011
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2011
- IFRS 1 First-time Adoption of IFRSs	1 January 2011
- IFRS 7 Financial Instruments: Disclosures	1 January 2011
- IAS 1 Presentation of Financial Statements	1 January 2011
- IAS 34 Interim Financial Reporting	1 January 2011
- IFRIC 13 Customer Loyalty Programmes	1 January 2011

3.3 Investments

The Fund classifies its investments as held to maturity, available-for-sale and at fair value through profit or loss.

Initial measurement

All investments are initially recognized at cost being the fair value of the consideration given including acquisition cost, except in case of financial assets at fair value through profit or loss, in which case the transaction costs are taken directly to the income statement in the period in which they arise.

Subsequent measurement

Financial assets at fair value through profit or loss

These include investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices are classified as financial assets at fair value through profit or loss. These are stated at fair values with any resulting surplus/(deficit) recognized in the income statement.

Held to maturity

The investments with fixed maturity or determinable payments where management has both intent and ability to hold to maturity are classified as held to maturity. These are stated at amortized cost using the effective interest rate method less impairment, if any. The amortization for the period is taken to the income statement.

Available-for-sale

Investments which can not be classified as loans and receivables, held to maturity or at fair value through profit or loss are classified as available-for-sale.

Investments intended to be held for an unidentified period of time, which may be sold in response to need for liquidity or changes to interest rates or equity prices are classified as available-for-sale.

Available-for-sale investments are measured at subsequent reporting dates at fair value. However investments for which fair value cannot be determined are valued at cost. Surplus/(deficit) on re-measurement is kept in accumulated pension fund, until the security is disposed off or is determined to be impaired, at which time, the cumulative surplus/(deficit) is included in the income statement.

Fair value of financial assets is determined as follows:

a) **Government securities**

Fair value of government securities is determined on the basis of rates announced by the Financial Market Association.

b) **National saving schemes**

Fair value of national saving schemes is determined on the basis of redemption value for each scheme.

c) **Debt securities**

Fair value of debt securities, other than government securities, is determined on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the Securities and Exchange Commission of Pakistan (SECP) Circular No. 1 of 2009 dated 6 January 2009.

d) **Listed shares**

Fair value of listed shares is determined on the basis of closing quoted market prices available at the Karachi stock exchange.

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e) **Mutual Fund**

Fair value of mutual fund's units is determined with reference to the net asset value declared by the respective fund.

3.4 Revenue recognition

- a) Gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- b) Dividend income is recognized when the Fund's right to receive dividend is established. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.
- c) Income on government securities, national saving schemes, bonds and term finance certificates is recognized on an accrual basis using the effective interest rate method.
- d) Income on bank deposits is recognized on accrual basis.

3.5 Financial instruments

- (i) Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognized when the Fund loses control of the contractual rights that comprise the financial asset.
- (iii) Financial liabilities are de-recognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.
- (iv) Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.
- (v) Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.
- (vi) The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.6 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if the Fund has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

3.7 Provisions

A provision is recognized in the statement of assets and liabilities when the Fund has legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

3.8 Impairment

The carrying amounts of the assets are reviewed at each reporting date to identify the circumstances indicating the occurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the income statement. Where an impairment loss subsequently reverses, the carrying amount of such asset is increased to the revised recoverable amount. A reversal of the impairment loss is recognized in income statement.

Provision for non-performing debt securities is made on the basis of time based criteria in accordance with the SECP Circular No. 1 of 2009 dated 6 January 2009.

As allowed under SECP Circular No. 13 of 2009 dated 4 May 2009, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Management Committee.

3.9 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupee at the foreign exchange rate ruling at the date of transaction. Assets and liabilities in foreign currency are translated at the rates of exchange prevailing on the reporting date. All exchange gains/losses are taken to the income statement.

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3.10 Spread transactions (Ready-Future Transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the future market. The security purchased in ready market is classified as "Investment at fair value through profit or loss" and carried in the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement account. The forward sale of the security in the future market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement account in accordance with the requirements of International Accounting Standard 39: 'Financial Instruments: Recognition and Measurement'.

3.11 Regular way contracts

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

3.12 Transactions with related parties

The Fund enters into transaction with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents includes cash in hand and balances with banks.

3.14 Taxation

The income of the Fund is exempt from tax under Section 49(2) of the Income Tax Ordinance 2001, therefore no provision for taxation has been made in these financial statements. From the financial year 2010-2011 the income of the Fund shall be exempt from tax under clause 57(3) part I of the second schedule of the Income Tax Ordinance 2001.

4 Investments
- Available for sale

	Carrying value		Fair value	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	5,512,150,268	-	5,472,318,631	-
Market Treasury Bills	3,144,920,929	-	3,144,671,275	-
Term Finance Certificates	172,815,425	-	169,219,677	-
	<u>8,829,886,622</u>	<u>-</u>	<u>8,786,209,583</u>	<u>-</u>

5 Receivable from the Government of the Punjab

This represents amount sanctioned by the Government of the Punjab to the Punjab Pension Fund for investment purposes.

	30 June 2010	30 June 2009
	Rupees	Rupees
6 Bank Deposits		
Term Deposit Receipts	-	3,439,233,000
7 Accrued interest		
Accrued interest on:		
Term Deposit Receipts	15,606,164	-
Pakistan Investment Bonds	224,454,556	-
Term Finance Certificates	3,710,809	-
	<u>243,771,529</u>	<u>-</u>
8 Cash and cash equivalents		
Cash at bank		
Saving account	8.1 20,591,114	47,377,661
Term deposit receipts	8.2 3,000,000,000	-
	<u>3,020,591,114</u>	<u>47,377,661</u>

8.1 This carries interest @ of 11.50% per annum (30 June 2009: 8.5% per annum).

8.2 These represent Term Deposit Receipts placed with a commercial bank @ of 12.25% per annum.

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9 Financial instruments

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Management Committee has overall responsibility for the establishment and oversight of Fund's risk management framework. The Management Committee is also responsible for developing and monitoring the Fund's risk management policies.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Fund's activities.

9.1 Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from debt securities held, term deposits, bank balances and profit / markup recoverable, etc. Out of the total financial assets of Rs 12,050 million (2009: Rs 6,487 million) financial assets which are subject to credit risk amount to Rs 3,209 million (2009: Rs 3,487 million).

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	<u>30 June 2010</u>	<u>30 June 2009</u>
	<u>Statement</u>	<u>Statement</u>
	<u>of assets and</u>	<u>of assets and</u>
	<u>liabilities</u>	<u>liabilities</u>
	<u>Rupees</u>	<u>Rupees</u>
Bank balances	20,591,114	47,377,661
Investments	169,219,677	-
Term Deposit Receipts	3,000,000,000	3,439,233,000
Mark-up receivable	19,316,973	-
	<u>3,209,127,764</u>	<u>3,486,610,661</u>

Differences in the balances as per the the statement of assets and liabilities and maximum exposure in investments is due to the fact that investments of Rs 8.841 million relates to investments in Government Securities which are not considered to carry credit risk.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 73.4% of the Fund's financial assets are in Government securities which are not exposed to the credit risk, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentrations of credit risk.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

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	30 June 2010		30 June 2009	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	3,036,197,278	95%	3,486,610,661	100%
Miscellaneous	172,930,486	5%	-	0%
	<u>3,209,127,764</u>	<u>100%</u>	<u>3,486,610,661</u>	<u>100%</u>

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker or bank to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

9.2 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Fund has effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities as on 30 June 2010 :

Carrying amount	6 months or less	1-2 years	More than 2 years
Brokerage payable	81,935	-	-
	<u>81,935</u>	<u>-</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as on 30 June 2009 :

Carrying amount	6 months or less	1-2 years	More than 2 years
Brokerage payable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

9.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will effect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Management Committee and regulations laid down by the Punjab Pension Fund Act 2007 and Punjab Pension Fund Rules 2007. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk only

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9.3.1 *Interest rate risk*

9.3.1.1 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. Currently the Funds interest rate exposure arises on investment in Government securities, term finance certificates, term deposit receipts with banks and balances with banks on saving account. Currently all of the Fund's investment carry fixed interest rates except for investments in Term Finance Certificates. In addition the Fund may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines. Other risk management procedures are the same as those mentioned in the credit risk management.

9.3.1.2 At 30 June, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

Fixed rate instruments	2010	2009	2010	2009
	Effective rate (in Percentage)		Fair value Rupees	
Market Treasury Bills	11.81 to 12.30	-	3,144,671,275	-
Pakistan Investment Bonds	10 to 13.75	-	5,472,318,631	-
Term Finance Certificates	15.5	-	102,291,102	-
Term Deposit Receipts	12.25	12 to 17	3,000,000,000	3,439,233,000
Bank balances	11.5	8.5	20,591,114	47,377,661
			<u>11,739,872,122</u>	<u>3,486,610,661</u>

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect income statement.

Variable rate instruments	2010	2009	2010	2009
	Effective rate (in Percentage)		Fair value (Rupees)	
Term Finance Certificates	14.14	-	66,928,575	-

None of the financial liabilities carry any interest rate.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end, the Fund's net assets would have increased / (decreased) by Rs 0.67 million. The analysis assumes that all other variables remain constant.

10 **Contingencies and commitments**

There were no significant contingencies and commitments as at 30 June 2010.

11 **Date of authorization for issue**

The financial statements were authorized for issue on _____ by the Management Committee of the Fund.

12 **General**

Figures have been presented in rupees

WPH/in

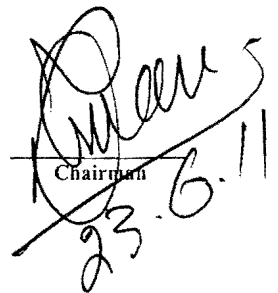


Lahore:

General Manager



Private Member



Chairman
23.6.11