

Punjab Pension Fund

Financial statements for the year ended
30 June 2013



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

We have audited the annexed statement of assets and liabilities of **Punjab Pension Fund** ("the Fund") as at 30 June 2013 and the related income statement, statement of comprehensive income, cash flow statement and statement of movement in accumulated pension fund ("the financial statements") 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 conducted 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;
 - 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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- iii) the business conducted, investments made and expenditure incurred during the year 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 2013 and of its net income, its cash flows and changes 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: 27th November 2013

Lahore


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

Punjab Pension Fund
Statement of Assets and Liabilities
As at 30 June 2013

	Note	2013 Rupees	2012 Rupees
Assets			
Operating fixed assets	4	288,150	263,179
Investments	5	10,619,061,774	9,703,882,047
Short term investments	6	1,129,700,000	150,000,000
Security Deposits - Central Depository Company		100,000	100,000
Accrued interest	7	583,599,974	434,446,734
Prepayments		239,580	239,580
Cash and cash equivalents	8	6,489,706,007	5,326,100,475
Total assets		18,822,695,485	15,615,032,015
Liabilities			
Trustee fee payable		389,798	337,369
Brokerage payable		-	75,000
Accrued expenses		575,759	712,106
Total liabilities		965,557	1,124,475
Contingencies and commitments	9	-	-
Net assets		18,821,729,928	15,613,907,540
Represented by:			
Accumulated Pension Fund		18,821,729,928	15,613,907,540

The annexed notes 1 to 15 form an integral part of these financial statements.

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Lahore

27 NOV 2013


General Manager


Private Member


Chairman

Punjab Pension Fund
Income Statement
For the year ended 30 June 2013

	Note	2013 Rupees	2012 Rupees
Income			
Income from Term Deposit Receipts and Saving account		635,521,781	656,893,008
Income from National Savings Accounts		61,000,809	-
Income from Pakistan Investment Bonds		1,205,574,549	1,135,665,223
Income from Term Finance Certificates		44,118,852	78,151,459
Income from Market Treasury Bills		34,028,925	48,355,526
Other income		2,473	1,297
Capital gain/(loss)		24,031,978	(1,966)
		<u>2,004,279,367</u>	<u>1,919,064,547</u>
Expenditure			
Operating expenses	10	19,421,784	19,640,015
Trustee Fee and custody charges		4,479,656	3,063,542
Brokerage expenses		131,555	22,616
		<u>24,032,995</u>	<u>22,726,173</u>
Net income for the year		<u><u>1,980,246,372</u></u>	<u><u>1,896,338,374</u></u>

The annexed notes I to 15 form an integral part of these financial statements.

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Lahore

27 NOV 2013



General Manager



Private Member



Chairman

Punjab Pension Fund
 Statement of Comprehensive Income
 For the year ended 30 June 2013

	2013 Rupees	2012 Rupees
Net income for the year	1,980,246,372	1,896,338,374
Items that may be reclassified subsequently to income statement		
Net unrealized appreciation in fair value of available-for-sale investments	1,236,972,866	361,639,493
Gain realized on sale of available-for-sale investments	(9,396,850)	-
	1,227,576,016	361,639,493
Total comprehensive income for the year	3,207,822,388	2,257,977,867

The annexed notes 1 to 15 form an integral part of these financial statements.

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Lahore



General Manager



Private Member



Chairman

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Punjab Pension Fund

Cash Flow Statement

For the year ended 30 June 2013

	2013 Rupees	2012 Rupees
Cash flow from operating activities		
Net income for the year	1,980,246,372	1,896,338,374
Adjustments for non cash and other items:		
Discount on Pakistan Investment Bonds	(30,319,595)	(24,634,884)
Discount on Marketable Treasury Bills	(34,028,925)	(6,592,363)
Discount on Term Finance Certificates	(2,722,668)	(1,636,021)
Depreciation	244,051	187,878
	(66,827,137)	(32,675,390)
(Increase)/ decrease in assets:		
Investments	379,467,477	632,833,246
Short term investments	(979,700,000)	(150,000,000)
Security Deposits - Central Depository Company	-	(100,000)
Prepayments	-	(11,392)
Accrued interest	(149,153,240)	(30,150,562)
	(749,385,763)	452,571,292
Increase/ (decrease) in liabilities:		
Trustee fee payable	52,429	337,369
Brokerage payable	(75,000)	3,975
Accrued expenses	(136,347)	(715,127)
	(158,918)	(373,783)
Cash generated from operating activities	1,163,874,554	2,315,860,493
Cash flow from investing activities		
Fixed assets additions	(269,022)	(159,499)
Cash used in investing activities	(269,022)	(159,499)
Net increase in cash and cash equivalents during the year	1,163,605,532	2,315,700,994
Cash and cash equivalents at the beginning of the year	5,326,100,475	3,010,399,481
Cash and cash equivalents at the end of the year	6,489,706,007	5,326,100,475

The annexed notes 1 to 15 form an integral part of these financial statements.

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General Manager



Private Member



Chairman

Lahore

27 NOV 2013

Punjab Pension Fund

Statement of Movement in Accumulated Pension Fund

For the year ended 30 June 2013

	2013 Rupees	2012 Rupees
Balance at the beginning of the year	15,613,907,540	13,355,929,673
Total comprehensive income for the year		
Net income for the year	1,980,246,372	1,896,338,374
Net changes in fair value of available -for-sale investments	1,227,576,016	361,639,493
	3,207,822,388	2,257,977,867
Balance at the end of the year	18,821,729,928	15,613,907,540

The annexed notes 1 to 15 form an integral part of these financial statements.

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General Manager

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Private Member



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Punjab Pension Fund
Notes to the Financial Statements
For the year ended 30 June 2013

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 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.

On 27 September 2011, the Fund signed a Trust Deed with Central Depository Company of Pakistan Limited whereby the Fund, through the Management Committee and the Trustee, have formed the Punjab Pension Fund Trust (the Trust) for the benefit of the Reserve Pension Fund created under Section 3 of the Act. The Fund shall manage, operate and administer the Trust and the Trustee will act as the custodian of the assets of the Fund. The Trust shall be of a perpetual nature and shall continue until the Trust is dissolved upon receipt of directions from the Government of Punjab.

The Fund is responsible for investing the funds in profitable avenues to generate revenue. Currently, the Fund has invested in a diversified portfolio of government securities, debt securities, national savings account and bank deposits.

These financial statements represent the consolidated position of the Fund. Financial Statements of the Trust are drawn separately.

Expenses incurred on operations of the Fund, including expenses relating to functioning of the Management Committee, are paid out of the trust property in the form of annual / supplementary budgets approved by the Management Committee.

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 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect 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.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. The areas where various assumptions and estimates are significant to Fund's financial statements or where judgments were exercised in application of accounting policies are as follows:

a)	Useful life of depreciable assets	3.3
b)	Investments	3.4
c)	Accrued liabilities	3.8

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 that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013. However, these are not relevant to the Fund except in few cases these may require additional disclosures.

- Amendments to IAS 19 - Employee Benefits.
- Amendments IAS 27 - Separate Financial Statements (2011) - Disclosures.
- Amendments to IAS 28 - Investments in Associates and Joint Ventures (2011).
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities.
- Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities.
- Annual Improvements 2009–2011.
 - o *IAS 1 Presentation of Financial Statements*
 - o *IAS 16 Property, Plant and Equipment*
 - o *IAS 32 Financial Instruments: Presentation*
 - o *IAS 34 Interim Financial Reporting*
- Amendments to IFRIC 20 - Stripping cost in the production phase of a surface mining.
- Amendments to IFRIC 21 - Levies 'an Interpretation on the accounting for levies imposed by governments'
- Amendments to IAS 39 Financial Instruments - Recognition and Measurement- Novation of derivatives and continuation of Hedge accounting
- Amendments to IAS 36 " Impairment of Assets" - Recoverable amount disclosures for Non-Financial Assets.

3.3 Fixed assets and depreciation

These are stated as cost less accumulated depreciation. Depreciation is charged to income by applying the straight line method so as to write off the operating fixed assets over their expected useful life at the rates given in note 4. Depreciation is charged from the month of acquisition while no depreciation is charged in the month of disposal or deletion of asset. Normal repairs and maintenance are charged to income statement as and when incurred.

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Profit and loss on disposal of fixed assets represented by difference between the sale proceeds and the carrying amount of the assets is included in income statement.

3.4 Investments

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

3.4.1 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.

3.4.2 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.

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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.

e) **Mutual Fund**

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

3.5 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.

3.6 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 year 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.

3.7 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.

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3.8 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.

3.9 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.

3.10 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.

3.11 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. 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 in accordance with the requirements of International Accounting Standard 39: 'Financial Instruments: Recognition and Measurement'.

3.12 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.

3.13 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.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents include balances with banks and deposit in national savings account.

3.15 Taxation

The income of the Fund is exempt from tax under Section 57(1)(xii) of Part I of the Second Schedule to the Income Tax Ordinance 2001, therefore no provision for taxation has been made in these financial statements.

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4 Operating fixed assets - tangible

30 June 2013

Particulars	C O S T			D E P R E C I A T I O N				Written Down Value as at 30 June 2013
	As at 01 July 2012	Additions	As at 30 June 2013	Rate %	As at 01 July 2012	Charge for the year	As at 30 June 2013	
(Rupees)								
Furniture and fittings	42,900	13,850	56,750	20	17,241	10,596	27,837	28,913
Office equipment	530,693	255,172	785,865	33.33	388,636	194,743	583,379	202,486
Motor vehicles	193,558	-	193,558	20	98,095	38,712	136,807	56,751
	<u>767,151</u>	<u>269,022</u>	<u>1,036,173</u>		<u>503,972</u>	<u>244,051</u>	<u>748,023</u>	<u>288,150</u>

30 June 2012

Particulars	C O S T			D E P R E C I A T I O N				Written Down Value as at 30 June 2012
	As at 01 July 2011	Additions	As at 30 June 2012	Rate %	As at 01 July 2011	Charge for the year	As at 30 June 2012	
(Rupees)								
Furniture and fittings	42,900	-	42,900	20	8,661	8,580	17,241	25,659
Office equipment	371,194	159,499	530,693	33.33	248,050	140,586	388,636	142,057
Motor vehicles	193,558	-	193,558	20	59,383	38,712	98,095	95,463
	<u>607,652</u>	<u>159,499</u>	<u>767,151</u>		<u>316,094</u>	<u>187,878</u>	<u>503,972</u>	<u>263,179</u>

5 Investments - Available for sale

	Note	Carrying value		Fair value	
		2013	2012	2013	2012
		Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	5.1	9,144,682,716	9,066,775,622	10,375,795,716	9,052,357,959
Market Treasury Bills	5.2	-	138,920,364	-	138,870,340
Term Finance Certificates	5.3	237,711,635	489,094,654	243,266,058	512,653,748
		<u>9,382,394,351</u>	<u>9,694,790,640</u>	<u>10,619,061,774</u>	<u>9,703,882,047</u>
Fair value adjustment		<u>1,236,667,423</u>	<u>9,091,407</u>		
		<u>10,619,061,774</u>	<u>9,703,882,047</u>		

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5.1 Pakistan Investment Bonds

Issue date	Tenor - Years	Face value				Balance as at 30 June 2013			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2012	Purchase during the year	Sales / Matured during the year	As at 30 June 2013	Carrying value	Fair value	Appreciation / (diminution)		
(-----Rupees-----)										
30-Aug-08	10 - Years	500,000,000	-	-	500,000,000	487,618,394	536,970,166	49,351,772	2.85	5.06
3-Sep-09	10 - Years	3,050,000,000	-	-	3,050,000,000	2,991,919,605	3,281,672,497	289,752,892	17.44	30.90
22-Jul-10	10 - Years	2,300,000,000	-	-	2,300,000,000	2,090,083,751	2,469,324,396	379,240,645	13.12	23.25
18-Aug-11	10 - Years	500,000,000	-	-	500,000,000	468,131,993	533,639,427	65,507,434	2.84	5.03
19-Jul-12	10 - Years	-	25,000,000	-	25,000,000	23,284,000	26,494,934	3,210,934	0.14	0.25
31-Oct-06	15 - Years	68,000,000	-	-	68,000,000	57,771,415	65,103,162	7,331,747	0.35	0.61
30-Aug-08	15 - Years	1,400,000,000	-	-	1,400,000,000	1,343,032,875	1,529,554,395	186,521,520	8.13	14.40
18-Aug-11	15 - Years	25,000,000	-	-	25,000,000	23,479,141	26,955,449	3,476,308	0.14	0.25
18-Aug-11	20 - Years	-	25,000,000	-	25,000,000	24,399,423	27,398,446	2,999,023	0.15	0.26
20-Jan-04	20 - Years	5,000,000	-	-	5,000,000	4,176,129	4,688,314	512,185	0.02	0.04
31-Oct-06	20 - Years	25,000,000	-	-	25,000,000	21,151,574	23,530,676	2,379,102	0.13	0.22
30-Aug-08	20 - Years	900,000,000	-	-	900,000,000	866,105,879	990,130,108	124,024,229	5.26	9.32
30-Aug-08	30 - Years	750,000,000	-	-	750,000,000	743,528,537	860,333,746	116,805,209	4.57	8.10
		<u>9,523,000,000</u>	<u>50,000,000</u>	<u>-</u>	<u>9,573,000,000</u>	<u>9,144,682,716</u>	<u>10,375,795,716</u>	<u>1,231,113,000</u>		

5.2 Market Treasury Bills

Issue date	Tenor - Months	Face value				Balance as at 30 June 2013			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2012	Purchase during the year	Sales / Matured during the year	As at 30 June 2013	Carrying value	Fair value	Appreciation / (diminution)		
(-----Rupees-----)										
28-Jun-12	03 Months	-	780,000,000	780,000,000	-	-	-	-	-	-
28-Jun-12	03 Months	-	1,000,000,000	1,000,000,000	-	-	-	-	-	-
28-Jun-12	03 Months	-	250,000,000	250,000,000	-	-	-	-	-	-
12-Jul-12	03 Months	-	250,000,000	250,000,000	-	-	-	-	-	-
9-Aug-12	03 Months	-	200,000,000	200,000,000	-	-	-	-	-	-
2-Nov-12	03 Months	-	300,000,000	300,000,000	-	-	-	-	-	-
7-Mar-13	03 Months	-	500,000,000	500,000,000	-	-	-	-	-	-
21-Mar-13	03 Months	-	600,000,000	600,000,000	-	-	-	-	-	-
21-Mar-13	03 Months	-	400,000,000	400,000,000	-	-	-	-	-	-
4-Apr-13	03 Months	-	250,000,000	250,000,000	-	-	-	-	-	-
4-Apr-13	03 Months	-	200,000,000	200,000,000	-	-	-	-	-	-
26-Jan-12	06 Months	140,000,000	-	140,000,000	-	-	-	-	-	-
9-Feb-12	06 Months	-	800,000,000	800,000,000	-	-	-	-	-	-
9-Aug-12	06 Months	-	850,000,000	850,000,000	-	-	-	-	-	-
4-Oct-12	06 Months	-	100,000,000	100,000,000	-	-	-	-	-	-
4-Apr-13	06 Months	-	250,000,000	250,000,000	-	-	-	-	-	-
6-Oct-12	12 Months	-	1,000,000,000	1,000,000,000	-	-	-	-	-	-
		<u>140,000,000</u>	<u>7,730,000,000</u>	<u>7,870,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

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5.3 Term Finance Certificates

Name of issuer	Issue date	Number of Certificates				Balance as at 30 June 2013			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2012	Purchase during the year	Sales / Matured during the year	As at 30 June 2013	Carrying value	Fair value	Appreciation / (diminution)		
(-----Rupees-----)										
United Bank Limited	14-Feb-08	5,000	-	-	5,000	23,709,538	25,183,058	1,473,520	0.13	0.24
Engro Perpetual I	18-Mar-08	40,000	-	-	40,000	183,256,185	187,500,000	4,243,815	1.00	1.77
Engro Perpetual II	18-Mar-08	6,800	-	-	6,800	30,745,912	30,583,000	(162,912)	0.16	0.29
Bank Alhabib Limited III	15-Jun-09	20,000	-	20,000	-	-	-	-	-	-
Bank Alhabib Limited IV	30-Jun-11	30,000	-	30,000	-	-	-	-	-	-
		<u>101,800</u>	<u>-</u>	<u>50,000</u>	<u>51,800</u>	<u>237,711,635</u>	<u>243,266,058</u>	<u>5,554,423</u>		
Grand Total						<u>9,382,394,351</u>	<u>10,619,061,774</u>	<u>1,236,667,423</u>		

12/11/13

	Note	2013 Rupees	2012 Rupees
6 Short term investments			
Term deposit receipts		-	150,000,000
National Saving Account	6.1	1,129,700,000	-
		<u>1,129,700,000</u>	<u>150,000,000</u>
6.1	This carries interest at the rates ranging from 9.70% to 9.90% per annum.		
7 Accrued interest			
Accrued interest on:			
Term Deposit Receipts		128,509,589	9,941,636
National Savings Account		31,300,809	-
Pakistan Investment Bonds		415,107,189	412,775,024
Term Finance Certificates		8,682,387	11,730,074
		<u>583,599,974</u>	<u>434,446,734</u>
8 Cash and cash equivalents			
Cash in hand		24,000	24,000
Cash at bank			
Saving account	8.1	19,669,414	136,324,644
Current account		12,593	12,879
Term deposit receipts	8.2	5,800,000,000	5,189,738,952
		<u>5,819,706,007</u>	<u>5,326,100,475</u>
Deposit in National Savings Account	8.3	670,000,000	-
		<u>6,489,706,007</u>	<u>5,326,100,475</u>
8.1	This carries interest @ of 9% (2012: 11%) per annum.		
8.2	Term Deposit Receipts placed with commercial banks at rates ranging from 9.60% to 9.70% (2012: 12.20% to 14.00%) per annum.		
8.3	Deposit in National Savings Account carries interest at the rate ranging from 9.70% to 9.90% per annum.		
9 Contingencies and commitments			
There were no contingencies and commitments as at 30 June 2013.			
10 Operating expenses			
Salaries and wages		14,871,277	15,369,837
Rent		1,437,480	1,350,360
Utilities		300,312	304,952
Repair and maintenance		449,248	295,694
Vehicle running expenses		659,685	451,745
Traveling, lodging and boarding		23,811	93,154
Fee and subscription		46,000	36,000
Printing and stationery		198,372	235,266
Courier and postage		9,139	6,882
Legal and Professional		-	225,000
Office and other expenses		460,062	359,884
Depreciation		244,051	187,878
Auditors remuneration		582,500	635,000
Advertisement		13,454	6,680
Training and Development		14,400	-
Bank charges		13,476	17,556
Miscellaneous		98,517	64,127
		<u>19,421,784</u>	<u>19,640,015</u>

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11 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.

11.1 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 Trust, resulting in a financial loss to the Trust. 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 18,823 million (2012: Rs 15,614 million) financial assets which are subject to credit risk amount to Rs 6,200 million (2012: Rs 6,010 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:

	2013	2012
	Statement of assets and liabilities	Statement of assets and liabilities
	Rupees	Rupees
Bank balances	19,669,414	136,337,523
Investments	243,266,058	512,653,748
Short term investments	-	150,000,000
Term Deposit Receipts	5,800,000,000	5,189,738,952
Mark-up receivable	137,191,976	21,671,710
	<u>6,200,127,448</u>	<u>6,010,401,933</u>

Differences in the balances as per the statement of assets and liabilities and maximum exposure in investments is due to the fact that investments of Rs 12,623 million (2012: Rs 9,604 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 Trust's total credit exposure. Around 67.06% (2012: 61.50 %) of the Trust'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.

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

	2013		2012	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	5,948,179,003	95.94%	5,486,018,111	91.28%
Miscellaneous	251,948,445	4.06%	524,383,822	8.72%
	<u>6,200,127,448</u>	<u>100%</u>	<u>6,010,401,933</u>	<u>100%</u>

The credit quality of cash and bank balances and investments in term finance certificates that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating 2013		
	Short Term	Long Term	Agency
Bank of Punjab	A1+	AA-	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
National Bank of Pakistan	A-1 +	AAA	JCR-VIS
United Bank Limited-TFC	A-1+	AA+	JCR-VIS
Engro Fertilizer Limited-TFC	-	A	MUFAP

	Rating 2012		
	Short Term	Long Term	Agency
Bank of Punjab	A1+	AA-	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Bank Al-Habib Limited	AA+	A+	PACRA
United Bank Limited-TFC	A-1+	AA+	JCR-VIS
Engro Fertilizer Limited-TFC	-	AA-	MUFAP

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

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.

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11.2 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:

	2013				
	Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
	Rupees				
Trustee fee payable	389,798	389,798	-	-	-
Brokerage payable	-	-	-	-	-
	<u>389,798</u>	<u>389,798</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2012				
	Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
	Rupees				
Trustee fee payable	337,369	337,369	-	-	-
Brokerage payable	75,000	75,000	-	-	-
	<u>412,369</u>	<u>412,369</u>	<u>-</u>	<u>-</u>	<u>-</u>

11.3 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.

11.3.1 Interest rate risk

11.3.1.1 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, deposit in national savings account term deposit receipts with banks and balance with bank on saving account. Currently all of the Fund's investment carry fixed interest rates except for investments in some of the 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.

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

Financial assets

	2013		2012	
	Effective rate (in Percentage)		Fair value	
			Rupees	
Fixed rate instruments				
Market Treasury Bills	-	11.97	-	138,870,340
Pakistan Investment Bonds	12.84 to 14.57	12.84 to 14.57	10,375,795,716	9,052,357,959
Term Finance Certificates	-	15.03 to 15.73	-	263,715,394
Term Deposit Receipts	9.60 to 9.70	12.20 to 14.00	5,800,000,000	5,189,738,952
National Savings Account	9.70 to 9.90	-	1,799,700,000	-
Bank balances	9.00	11.00	19,669,414	136,324,644
Short term investments	-	12.43	-	150,000,000
			<u>17,995,165,130</u>	<u>14,931,007,289</u>
Variable rate instruments				
Term Finance Certificates	6 month KIBOR + 0.85 to 6 month KIBOR + 1.7	6 month KIBOR + 0.85 to 6 month KIBOR + 1.7	243,266,058	248,938,354

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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.

Cash flow sensitivity analysis for variable rate instruments

	Profit and loss 100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2013		
Cash flow sensitivity-Variable rate financial asset	<u>2,432,661</u>	<u>(2,432,661)</u>
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial asset	<u>2,489,384</u>	<u>(2,489,384)</u>

None of the financial liabilities carry any interest rate.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/ (loss) for the year and assets / liabilities of the Fund.

12 Related party transactions

The related parties comprise local associated companies, related group companies, Management Committee members of the Fund, Company where Management Committee members also hold directorship, and key management employees. The Fund in the normal course of business carries out transactions with related parties. Amounts due from related parties are shown under accrued interest and cash and cash equivalents. Details of transactions with related parties are as follows:

	2013 Rupees	2012 Rupees
Transactions with The Bank of Punjab		
Investments in Term Deposit Receipts	6,600,000,000	2,800,000,000
Maturities in Term Deposit Receipts	5,600,000,000	2,500,000,000
Accrued interest on Term Deposit Receipts	87,583,562	1,055,738
Cash at bank	19,669,399	118,927,301
Income from Term Deposit Receipts	349,778,763	382,222,284
Transactions with Central Depository Company of Pakistan Limited (CDC) - Trustee		
Trustee fee expense	4,473,596	3,041,519
Custody fee - CDS Charges	6,060	22,023
Security Deposits - Central Depository Company	-	100,000
Transactions with members of Management Committee:		
Salary paid to General Manager	7,800,000	7,800,000
Bonus paid to General Manager	-	575,000

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13 Number of Employees

The following are the number of persons employed as on the year end and average number of employees during the year;

	2013	2012
Employees as on the year end	12	13
Average number of employees during the year	13	13

14 Date of authorization for issue

The financial statements were authorized for issue on 27 NOV 2013 by the Management Committee of the Fund.

15 General

Figures have been rounded off to the nearest rupee.

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General Manager



Private Member



Chairman

Lahore

27 NOV 2013