

Punjab Pension Fund

**Financial Statements for the year ended
30 June 2015**



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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 2015, the related income statement, statement of comprehensive income, cash flow statement and 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 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 statement of assets and liabilities and income statement together with the notes thereon 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 expenditure incurred during the year was 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
 - iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Fund.

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KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, statement of comprehensive income, cash flow statement and statement of movement in accumulated pension fund 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 2015 and of its net income, its comprehensive 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: 30 September 2015

Lahore

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

Punjab Pension Fund
Statement of Assets and Liabilities
As at 30 June 2015

	Note	2015 Rupees	2014 Rupees
<u>Assets</u>			
Operating fixed assets	4	433,950	485,545
Investments	5	27,313,308,575	18,364,997,910
Accrued interest	6	660,619,011	866,839,295
Advances deposits and prepayments		1,475,000	339,580
Cash and cash equivalents	7	7,324,730,962	5,518,659,051
Total assets		35,300,567,498	24,751,321,381
<u>Liabilities</u>			
Trustee fee payable		577,369	456,081
Brokerage payable		-	126,974
Accrued expenses		727,646	712,989
Total liabilities		1,305,015	1,296,044
Contingencies and commitments	8	-	-
Net assets		35,299,262,483	24,750,025,337
<i>Represented by:</i>			
Accumulated Pension Fund		35,299,262,483	24,750,025,337

The annexed notes 1 to 14 form an integral part of these financial statements.

10/06/15

Lahore


General Manager


Private Member


Chairman

Punjab Pension Fund

Income Statement

For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
<u>Income</u>			
Income from Term Deposit Receipts and National Savings Account		1,612,886,299	373,798,710
Income from Pakistan Investment Bonds		1,513,378,644	1,453,738,462
Income from Term Finance Certificates		65,342,818	56,280,568
Income from Market Treasury Bills		55,243,378	310,766,794
Capital gain on sale of investment - net		859,702,400	3,431,949
Other Income		5,200	1,065
		4,106,558,739	2,198,017,548
<u>Expenditure</u>			
Operating expenses	9	35,953,708	22,832,934
Trustee fee and custody charges		6,339,151	4,915,798
Brokerage expense		671,017	205,653
		42,963,876	27,954,385
Net income for the year		4,063,594,863	2,170,063,163

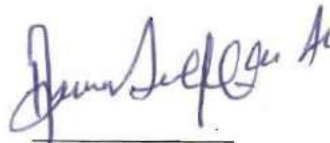
The annexed notes 1 to 14 form an integral part of these financial statements.

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Lahore



General Manager



Private Member



Chairman

Punjab Pension Fund
Statement of Comprehensive Income
For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
Net income for the year	4,063,594,863	2,170,063,163
<u>Other comprehensive income</u>		
<i>Items that are to be classified subsequently to profit and loss account:</i>		
Unrealised appreciation / (diminution) on remeasurement of 'available for sale' investments	1,485,642,283	(1,041,767,754)
Total comprehensive income for the year	<u>5,549,237,146</u>	<u>1,128,295,409</u>


The annexed notes 1 to 14 form an integral part of these financial statements.

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Lahore


General Manager



Private Member


Chairman

Punjab Pension Fund
Cash Flow Statement
For the year ended 30 June 2015

	Note	2015 Rupees	2014 Rupees
<u>Cash flow from operating activities</u>			
Net income for the year		4,063,594,863	2,170,063,163
<i>Adjustments for non cash items:</i>			
Discount on Pakistan Investment Bonds		(21,664,115)	(39,717,424)
Discount on Marketable Treasury Bills		(55,243,378)	(10,274,791)
Discount on Term Finance Certificates		(1,624,340)	(1,518,883)
Depreciation on operating fixed assets		214,095	265,405
		(78,317,738)	(51,245,693)
<u>Changes in working capital</u>			
<i>(Increase) / decrease in current assets:</i>			
Accrued interest		206,220,284	(283,239,321)
Advances deposits and prepayments		(1,135,420)	-
<i>(Decrease) / increase in current liabilities:</i>			
Trustee fee payable		121,288	66,283
Accrued Expenses		14,657	137,230
Brokerage payable		(126,974)	126,974
		205,093,835	(282,908,834)
Cash generated from operations		4,190,370,960	1,835,908,636
<u>Cash flow from investing activities</u>			
Investments		(7,384,136,549)	(7,606,492,792)
Fixed assets additions		(162,500)	(462,800)
Net cash used in investing activities		(7,384,299,049)	(7,606,955,592)
<u>Cash flow from financing activities</u>			
Amount contributed by the Governmnet through the Reserve Pension Fund		5,000,000,000	4,800,000,000
Cash generated from financing activities		5,000,000,000	4,800,000,000
Net increase / (decrease) in cash and cash equivalents during the year		1,806,071,911	(971,046,956)
Cash and cash equivalents at the beginning of the year		5,518,659,051	6,489,706,007
Cash and cash equivalents at the end of the year	7	7,324,730,962	5,518,659,051

The annexed notes 1 to 14 form an integral part of these financial statements.

10/11/15

Lahore General Manager


Private Member



Chairman

Punjab Pension Fund
Statement of Movement in Accumulated Pension Fund
For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
Balance at the beginning of the year	24,750,025,337	18,821,729,928
Amount contributed by the Government through the Reserve Pension Fund	5,000,000,000	4,800,000,000
<u>Total comprehensive income for the year</u>		
Net income for the year	4,063,594,863	2,170,063,163
Unrealised appreciation / (diminution) on remeasurement of 'available for sale' investments	1,485,642,283	(1,041,767,754)
	5,549,237,146	1,128,295,409
Balance at the end of the year	35,299,262,483	24,750,025,337

The annexed notes 1 to 14 form an integral part of these financial statements.

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 Lahore **General Manager**


Private Member


Chairman

Punjab Pension Fund
Notes to the Financial Statements
For the year ended 30 June 2015

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.

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 and bank deposits.

These financial statements represent the merged position of the Fund. Financial statements of the 'Trust' and 'Expense' accounts 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 Basis of presentation

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 the 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:

	<i>Note</i>
a) Useful life of depreciable assets	3.3
b) Investments	3.4
c) Accrued liabilities	3.9

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, interpretations and amendments of approved accounting standards are effective for accounting years beginning on or after 1 July 2015. However, these are not relevant to the Fund except in few cases these may require additional disclosures.

- Amendments to IAS 38 - Intangible Assets.
- Amendments to IAS 16 - Property, Plant and Equipment.
- Amendments to IFRS 10 - Consolidated Financial Statements.
- Amendments to IFRS 12 - Disclosure of interest in other entities.
- Amendments to IAS 28 - Investments in Associates and Joint Ventures.
- Amendments to IFRS 11 - Joint Arrangement.
- Amendments to IFRS 13 - Fair Value Measurement.
- Amendments to IAS 27 - Separate Financial Statements.
- Amendments to IAS 41 - Biological Assets.
- Annual Improvements 2012-2014.
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 - Financial Instruments- Disclosures.
- IAS 19 - Employee Benefits.
- IAS 34 - Interim Financial Reporting.

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.

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.

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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 year 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 year 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 year 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. 33 of 2012 dated 24 October 2012.

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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 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

3.6 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, bonds and term finance certificates is recognized on an accrual basis using the effective interest rate method.
- d) Income on deposits is recognized on accrual basis.

3.7 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.

3.8 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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3.9 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.

3.10 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.

3.11 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.

3.12 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'.

3.13 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.

3.14 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.

3.15 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.

3.16 Taxation

The income of the Fund is exempt from tax under Clause 57(3)(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

	2015							
	Cost			Rate %	Depreciation			Written Down Value as at 30 June 2015
	As at 01 July 2014	Additions	As at 30 June 2015		As at 01 July 2014	Charge for the year	As at 30 June 2015	
----- Rupees -----				----- Rupees -----				
<i>Particulars</i>								
Furniture and fittings	56,750	-	56,750	20	39,189	11,352	50,541	6,209
Office equipment	1,248,665	162,500	1,411,165	33.33	798,720	184,707	983,427	427,738
Motor vehicles	193,558	-	193,558	20	175,519	18,036	193,555	3
	<u>1,498,973</u>	<u>162,500</u>	<u>1,661,473</u>		<u>1,013,428</u>	<u>214,095</u>	<u>1,227,523</u>	<u>433,950</u>
	2014							
	Cost			Rate %	Depreciation			Written Down Value as at 30 June 2014
	As at 01 July 2013	Additions	As at 30 June 2014		As at 01 July 2013	Charge for the year	As at 30 June 2014	
----- Rupees -----				----- Rupees -----				
<i>Particulars</i>								
Furniture and fittings	56,750	-	56,750	20	27,837	11,352	39,189	17,561
Office equipment	785,865	462,800	1,248,665	33.33	583,379	215,341	798,720	449,945
Motor vehicles	193,558	-	193,558	20	136,807	38,712	175,519	18,039
	<u>1,036,173</u>	<u>462,800</u>	<u>1,498,973</u>		<u>748,023</u>	<u>265,405</u>	<u>1,013,428</u>	<u>485,545</u>

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	Note	2015 Rupees	2014 Rupees
5 Investments			
- Deposits	5.1	17,285,700,000	1,000,000,000
- Available for sale	5.2	10,027,608,575	17,364,997,910
		<u>27,313,308,575</u>	<u>18,364,997,910</u>

5.1 Deposits

Term Deposit Receipts	5.1.1	1,000,000,000	1,000,000,000
National Savings Account - Regular Income	5.1.2	3,900,000,000	-
National Savings Account - Special Savings	5.1.3	12,385,700,000	-
		<u>17,285,700,000</u>	<u>1,000,000,000</u>

5.1.1 Deposit has been placed with a commercial Bank and carries interest at the rate of 12.05% per annum (2014: 12.05%).

5.1.2 These carries interest at the rate of 12.30% per annum (2014 : Nil).

5.1.3 These carries interest at the rate of 7.60% to 11.60% per annum (2014 : Nil).

5.2 Available for Sale

	Note	Carrying value		Fair value	
		2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
<i>Government securities</i>					
- Pakistan Investment Bond	5.2.1	7,788,251,404	16,084,255,439	9,461,572,575	16,266,806,910
- Market Treasury Bills	5.2.2	-	492,895,191	-	492,811,100
Debt Securities- Term Finance Certificates	5.2.3	558,815,219	592,947,611	566,036,000	605,379,900
		<u>8,347,066,623</u>	<u>17,170,098,241</u>	<u>10,027,608,575</u>	<u>17,364,997,910</u>
Fair value adjustment		<u>1,680,541,952</u>	<u>194,899,669</u>		
		<u>10,027,608,575</u>	<u>17,364,997,910</u>		

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5.2.1 Government Securities - Pakistan Investment Bonds

Issue date	Tenure - Years	Face value			Balance as at 30 June 2015			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2014	Purchase during the year	Sales / Matured during the year	As at 30 June 2015	Carrying value	Fair value		
----- Rupees -----									
18-Jul-13	5 - Years	350,000,000	-	350,000,000	-	-	-	-	-
26-Mar-15	3 - Years	-	1,387,500,000	1,387,500,000	-	-	-	-	-
30-Aug-08	10 - Years	500,000,000	-	500,000,000	-	-	-	-	-
3-Sep-09	10 - Years	3,050,000,000	-	3,050,000,000	-	-	-	-	-
22-Jul-10	10 - Years	2,300,000,000	-	2,300,000,000	-	-	-	-	-
18-Aug-11	10 - Years	500,000,000	-	500,000,000	-	-	-	-	-
19-Jul-12	10 - Years	6,325,000,000	550,000,000	6,625,000,000	250,000,000	279,192,507	279,483,485	290,978	0.79
17-Jul-14	10 - Years	-	3,022,500,000	3,022,500,000	-	-	-	-	-
31-Oct-06	15 - Years	68,000,000	-	68,000,000	-	-	-	-	-
30-Aug-08	15 - Years	1,400,000,000	-	1,400,000,000	-	-	-	-	-
18-Aug-11	15 - Years	25,000,000	-	-	25,000,000	23,578,603	28,903,540	5,324,937	0.08
20-Jan-04	20 - Years	5,000,000	-	5,000,000	-	-	-	-	-
31-Oct-06	20 - Years	25,000,000	-	-	25,000,000	21,404,664	25,569,250	4,164,586	0.07
30-Aug-08	20 - Years	900,000,000	-	-	900,000,000	867,708,677	1,065,293,696	197,585,019	3.02
18-Aug-11	20 - Years	575,000,000	5,500,000,000	-	6,075,000,000	5,852,768,203	7,140,487,990	1,287,719,787	20.23
30-Aug-08	30 - Years	750,000,000	-	-	750,000,000	743,598,750	921,834,614	178,235,864	2.61
		16,773,000,000	10,460,000,000	19,208,000,000	8,025,000,000	7,788,251,404	9,461,572,575	1,673,321,171	

- These bonds carries interest at the rate ranging from 10.50% to 13.75% per annum (2014 : 10.00 % to 13.75 % per annum)

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5.2.2 Government Securities - Market Treasury Bills

Issue date	Tenure - Months	Face value			Balance as at 30 June 2015			Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2014	Purchase during the year	Sales / Matured during the year	As at 30 June 2015	Carrying value	Fair value		
----- Rupees -----									
27-Nov-14	3 Months	-	500,000,000	500,000,000	-	-	-	-	-
10-Jul-14	3 Months	-	850,000,000	850,000,000	-	-	-	-	-
24-Jul-14	3 Months	-	1,900,000,000	1,900,000,000	-	-	-	-	-
19-Feb-15	3 Months	-	125,000,000	125,000,000	-	-	-	-	-
2-Apr-15	3 Months	-	600,000,000	600,000,000	-	-	-	-	-
30-Apr-15	3 Months	-	250,000,000	250,000,000	-	-	-	-	-
19-Feb-15	6 Months	-	125,000,000	125,000,000	-	-	-	-	-
19-Mar-15	6 Months	-	250,000,000	250,000,000	-	-	-	-	-
19-Feb-15	12 Months	-	125,000,000	125,000,000	-	-	-	-	-
6-Mar-14	6 Months	400,000,000	-	400,000,000	-	-	-	-	-
12-Jul-13	12 Months	100,000,000	-	100,000,000	-	-	-	-	-
		500,000,000	4,725,000,000	5,225,000,000	-	-	-	-	-

- These bills carried interest at the rate ranging from 7.59% to 10.45% per annum (2014 : 8.96% to 10.49% per annum)

5.2.3 Debt Securities - Term Finance Certificates

Name of issuer	Issue Date	Number of Certificates			Balance as at 30 June 2015			Fair value as percentage of net assets	Fair value as percentage of total investments	
		As at 1 July 2014	Purchase during the year	Sales during the year	As at 30 June 2015	Carrying value	Fair value			Appreciation
----- Rupees -----										
Engro Perpetual I	18-Mar-08	20,000	-	-	20,000	94,529,219	101,750,000	7,220,781	0.29	0.37
WAPDA TFC	8-Sep-13	100,000	-	-	100,000	464,286,000	464,286,000	-	1.32	1.70
		120,000	-	-	120,000	558,815,219	566,036,000	7,220,781		

- Term finance certificates carries interest at the rate ranging from 8.94% to 10.34% per annum (2014 : 11.14% to 11.98% per annum)

Grand Total

8,347,066,623 10,027,608,575 1,680,541,952

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	Note	2015 Rupees	2014 Rupees
6	Accrued interest		
	Term Deposit Receipts	7,043,835	7,767,124
	National Savings Account	272,460,863	50,386,740
	Pakistan Investment Bonds	367,147,995	790,631,995
	Term Finance Certificates	13,966,318	18,053,436
		<u>660,619,011</u>	<u>866,839,295</u>
7	Cash and cash equivalents		
	Cash in hand	40,000	5,111
	Cash at bank:		
	Saving account	7.1 224,233,286	218,621,770
	Current Account	457,676	32,170
	Term deposit receipts	7.2 <u>7,100,000,000</u>	<u>4,300,000,000</u>
		<u>7,324,730,962</u>	<u>4,518,659,051</u>
	Deposit in National Savings Account	7.3 -	1,000,000,000
		<u>7,324,730,962</u>	<u>5,518,659,051</u>

7.1 The saving account carries interest at the rate of 6.50% per annum (2014: 7.00% to 9.50% per annum).

7.2 Term Deposit Receipts placed with commercial banks carries interest at the rate of 7.25% to 7.50% per annum (2014: 10.30% to 10.50% per annum).

7.3 Deposit in National Savings Account carries interest at the rate of Nil (2014: 11.40% per annum).

8 Contingencies and commitments

There were no contingencies and commitments as at 30 June 2015.

	2015 Rupees	2014 Rupees
9	Operating expenses	
	Salaries and wages	28,807,981
	Rent	2,952,913
	Utilities	630,333
	Repair and maintenance	845,558
	Vehicle running expenses	500,023
	Traveling, lodging and boarding	134,106
	Fee and subscription	123,886
	Printing and stationery	137,466
	Courier and postage	14,082
	Legal and Professional	-
	Office and other expenses	676,840
	Depreciation on operating fixed assets	214,095
	Auditors remuneration	726,000
	Advertisement	61,322
	Training and Development	21,200
	Bank charges	44,020
	Miscellaneous	63,883
		<u>35,953,708</u>
		<u>22,832,934</u>

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10 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.

10.1 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 35,301 million (2014: Rs 24,751 million) financial assets which are subject to credit risk amount to Rs 8,426 million (2014: Rs 5,615 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>Statement of assets and liabilities</u>	
	2015	2014
	Rupees	Rupees
Bank balances	224,233,286	218,621,770
Investments - Available for sale	101,750,000	97,003,900
Investments - Deposits	1,000,000,000	1,000,000,000
Term Deposit Receipts	7,100,000,000	4,300,000,000
	<u>8,425,983,286</u>	<u>5,615,625,670</u>

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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 26,875 million (2014: Rs 19,136 million) relates to investments in Government Securities & other assets 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 76.13% (2014: 69.77%) 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 industry distribution are as follows:

	2015		2014	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	8,324,233,286	98.79%	5,518,621,770	98.27%
Miscellaneous	101,750,000	1.21%	97,003,900	1.73%
	8,425,983,286	100%	5,615,625,670	100%

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 2015		
	Short Term	Long Term	Agency
Bank of Punjab	A1+	AA-	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Allied Bank Limited	A1+	AA+	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
National Bank of Pakistan	A1+	AAA	PACRA
SAMBA Bank	A-1	AA	JCR-VIS
Engro Fertilizer Limited-TFC	-	AA-	MUFAP
WAPDA-TFC	-	AAA	MUFAP

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	Rating 2014		
	Short Term	Long Term	Agency
Bank of Punjab	A1+	AA-	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Bank Al-Habib Limited	A1+	AA+	PACRA
Allied Bank Limited	A1+	AA+	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
National Bank of Pakistan	A1+	AAA	PACRA
Engro Fertilizer Limited-TFC	-	A+	MUFAP
WAPDA-TFC	-	AAA	MUFAP

Due to the Fund'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 honor 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.

10.2 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 2015				
		Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
		-----Rupees-----				
Trustee fee payable		577,369	577,369	-	-	-
		<u>577,369</u>	<u>577,369</u>	<u>-</u>	<u>-</u>	<u>-</u>
		30 June 2014				
		Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
		-----Rupees-----				
Trustee fee payable		456,081	456,081	-	-	-
Brokerage payable		126,974	126,974	-	-	-
		<u>583,055</u>	<u>583,055</u>	<u>-</u>	<u>-</u>	<u>-</u>

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10.3 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.

10.3.1 Interest rate risk

10.3.1.1 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.

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

	Financial assets			
	2015		2014	
	Effective rate (in Percentage)	Fair value Rupees	Effective rate (in Percentage)	Fair value Rupees
<u>Fixed rate instruments</u>				
Market Treasury Bills	-	-	8.96 to 10.24	492,811,100
Pakistan Investment Bonds	9.90 to 14.35	9,461,572,575	12.84 to 14.57	16,266,806,910
Term Deposit Receipts	7.25 to 12.05	8,100,000,000	10.30 to 12.05	5,300,000,000
National Savings Account	7.60 to 12.30	16,285,700,000	11.40	1,000,000,000
Bank balances	6.50	224,233,286	7.00 to 9.50	218,621,770
		<u>34,071,505,861</u>		<u>23,278,239,780</u>
<u>Variable rate instruments</u>				
Term Finance Certificates	6 month KIBOR + 1.00 to 6 month KIBOR + 2.10	566,036,000	6 month KIBOR + 1.00 to 6 month KIBOR + 1.90	605,379,900

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	Decrease
	----- Rupees -----	
As at 30 June 2015		
Cash flow sensitivity-Variable rate financial asset	<u>5,660,360</u>	<u>(5,660,360)</u>
As at 30 June 2014		
Cash flow sensitivity-Variable rate financial asset	<u>6,053,799</u>	<u>(6,053,799)</u>

None of the financial liabilities carry any interest rate.

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

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10.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

10.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Level 1	Level 2	Level 3
----- Rupees -----				
<u>Available for sale</u>				
Pakistan Investment Bond	5.2.1	-	9,461,572,575	-
Engro Perpetual I	5.2.3	-	101,750,000	-
WAPDA TFC	5.2.3	-	464,286,000	-
2015		-	10,027,608,575	-
<u>Available for sale</u>				
Pakistan Investment Bond	4.1	-	16,266,806,910	-
Market Treasury Bills	4.2	-	492,811,100	-
Engro Perpetual I	4.3	-	97,003,900	-
WAPDA TFC	4.3	-	508,376,000	-
2014		-	17,364,997,910	-

10.4.2 Determination of fair values

A number of the Fund's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following method:

Available for sale investments - level 2

The fair value of available for sale investment is determined by reference to rates announced by financial market association and determined on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP)

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11 Transaction and balances with related parties

The related parties comprise 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. Details of transactions and amounts due to / (from) related parties are as follows:

	2015 Rupees	2014 Rupees
Transactions with		
<i>Central Depository Company of Pakistan Limited</i>		
- Trustee fee expense for the year	6,321,239	4,904,437
- Custody Fee - CDS Charges	17,912	11,361
<i>Bank of Punjab</i>		
- Term deposit receipts (TDR) placed during the year	4,200,000,000	10,500,000,000
- Term deposit receipts (TDR) matured during the year	2,100,000,000	13,300,000,000
- Income on term deposit receipts realised during the year	167,668,110	98,832,739
- Income on savings account realised during the year	39,778,704	108,242,275
<i>Members of Management Committee</i>		
- Salary and bonus paid to General Manager	14,700,000	10,500,000
- Fee paid to members	86,000	42,000
Balances with		
<i>Central Depository Company of Pakistan Limited</i>		
- Trustee fee payable	577,369	456,081
<i>Bank of Punjab</i>		
- Bank balances maintained	168,864,385	38,699,650
- Investments (held to maturity)	1,000,000,000	1,000,000,000
- Accrued Interest receivable on term deposit receipts	2,753,425	1,650,685
- Term deposit receipts classified in cash and cash equivalent	2,100,000,000	

12 Number of Employees

The following are the number of persons employed:

	2015	2014
	(Number of persons)	
Employees as at the year end	12	13
Average number of employees during the year	13	13

13 Date of authorization for issue

These financial statements were authorized for issue on 30 SEP 2015 by the Management Committee of the Fund.

14 General

Figures have been rounded off to the nearest rupees.

<p><i>[Signature]</i> Lahore</p>	<p><i>[Signature]</i> General Manager</p>	<p><i>[Signature]</i> Private Member</p>	<p><i>[Signature]</i> Chairman</p>
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