

Punjab Pension Fund

**Financial Statements for the year ended
30 June 2016**



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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 2016, 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.

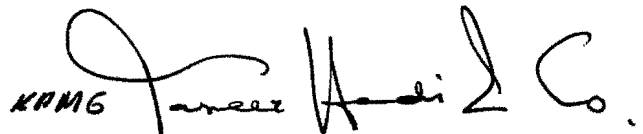
It is the responsibility of the Fund's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of Punjab Pension Fund Act, 2007 ("the Act") and Punjab Pension Fund Rules, 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 account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.3 to the financial statements with which we concur;
 - 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

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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 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 2016 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: 25 October 2016

Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran I. Yousafi)


Punjab Pension Fund
 Statement of Assets and Liabilities
 As at 30 June 2016

ASSETS	Note	2016 Rupees	2015 Rupees
<u>Non-current assets</u>			
Operating fixed assets	4	269,725	433,950
Investments	5	28,543,226,886	27,313,308,575
<u>Current assets</u>			
Accrued interest	6	675,062,387	660,619,011
Deposits and prepayments	7	1,516,250	1,475,000
Cash and cash equivalents	8	11,027,667,834	7,324,730,962
Total assets		40,247,743,082	35,300,567,498
LIABILITIES			
<u>Current liabilities</u>			
Trustee fee payable		692,831	577,369
Accrued expenses	9	3,184,727	727,646
Total liabilities		3,877,558	1,305,015
Contingencies and commitments	10	-	-
Net assets		40,243,865,524	35,299,262,483
Represented by:			
Accumulated Pension Fund		40,243,865,524	35,299,262,483

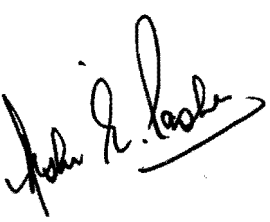
The annexed notes 1 to 17 form an integral part of these financial statements.

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Lahore


 General Manager


 Private Member


 Chairman


Punjab Pension Fund
Income Statement
For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
<u>Income</u>			
Interest income from:			
- National Savings Account and Certificates		1,821,541,837	944,599,122
- Pakistan Investment Bonds		1,032,021,509	1,513,378,644
- Term Deposit Receipts		683,968,082	595,857,150
- Term Finance Certificates		41,748,271	65,342,818
- Bank deposits		35,659,934	72,430,027
- Market Treasury Bills		4,552,717	55,243,378
		3,619,492,350	3,246,851,139
Net Capital gain on sale of available for sale investment		16,762,351	859,702,400
Other income		9,100	5,200
Total income		3,636,263,801	4,106,558,739
<u>Expenditure</u>			
Operating expenses	11	38,137,750	35,183,688
Trustee remuneration and safe custody charges		8,263,560	6,339,151
Legal and other professional charges		3,351,000	-
Auditors remuneration		813,560	726,000
Brokerage expense		57,000	671,017
Bank charges		25,381	44,020
Total expenditure		50,648,251	42,963,876
Net income for the year		3,585,615,550	4,063,594,863

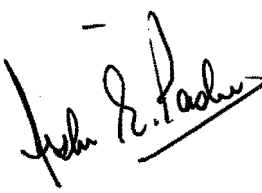
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Lahore


General Manager


Private Member


Chairman

Punjab Pension Fund
 Statement of Comprehensive Income
 For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
Net income for the year		3,585,615,550	4,063,594,863
<u>Other comprehensive income</u>			
<i>Items that are to be classified subsequently to income statement:</i>			
Available-for-sale investments			
- unrealised appreciation on remeasurement - net		376,207,781	1,916,150,892
- reclassified to income statement on disposal		(17,220,290)	(430,508,609)
	5.2	358,987,491	1,485,642,283
Total comprehensive income for the year		3,944,603,041	5,549,237,146

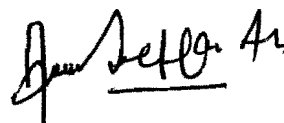
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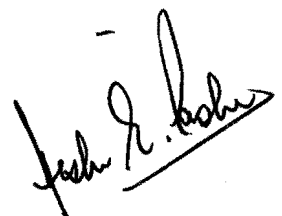


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General Manager



Private Member



Chairman

Punjab Pension Fund
 Statement of Movement in Accumulated Pension Fund
 For the year ended 30 June 2016

	2016 Rupees	2015 Rupees
Balance at the beginning of the year	35,299,262,483	24,750,025,337
Amount contributed by the Government through the Reserve Pension Fund	1,000,000,000	5,000,000,000
<u>Total comprehensive income for the year</u>		
Net income for the year	3,585,615,550	4,063,594,863
Other comprehensive income for the year	358,987,491	1,485,642,283
	3,944,603,041	5,549,237,146
Balance at the end of the year	40,243,865,524	35,299,262,483

The annexed notes 1 to 17 form an integral part of these financial statements.

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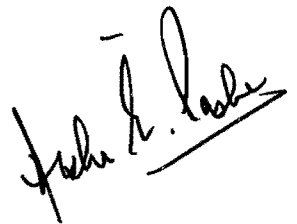
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General Manager



Private Member



Chairman

Punjab Pension Fund
Cash Flow Statement
For the year ended 30 June 2016

	Note	2016 Rupees	2015 Rupees
<u>Cash flow from operating activities</u>			
Net income for the year		3,585,615,550	4,063,594,863
<u>Adjustments for non cash items:</u>			
Amortization of discount income		(6,348,824)	(78,531,833)
Depreciation on operating fixed assets	4	220,925	214,095
		(6,127,899)	(78,317,738)
Operating profit before changes in working capital		3,579,487,651	3,985,277,125
<u>Changes in working capital</u>			
<i>(Increase) in assets:</i>			
Investments		(864,581,996)	(7,384,136,549)
Accrued interest		(14,443,376)	206,220,284
Deposits and prepayments		(41,250)	(1,135,420)
		(879,066,622)	(7,179,051,685)
<i>Increase in liabilities:</i>			
Trustee fee payable		115,462	121,288
Brokerage payable		-	(126,974)
Accrued expenses		2,457,081	14,657
		2,572,543	8,971
Net cash generated from / (used in) operations		2,702,993,572	(3,193,765,589)
<u>Cash flow from investing activities</u>			
Fixed capital expenditure		(56,700)	(162,500)
Net cash used in investing activities		(56,700)	(162,500)
<u>Cash flow from financing activities</u>			
Amount contributed by the Government through the Reserve Pension Fund		1,000,000,000	5,000,000,000
Cash generated from financing activities		1,000,000,000	5,000,000,000
Net increase in cash and cash equivalents during the year		3,702,936,872	1,806,071,911
Cash and cash equivalents at the beginning of the year		7,324,730,962	5,518,659,051
Cash and cash equivalents at the end of the year	8	11,027,667,834	7,324,730,962

The annexed notes 1 to 17 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 2016

1 Reporting entity

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, national saving scheme, term deposit receipts, 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 preparation

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 accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance 1984. Wherever the requirements of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules, 2007 or the directives issued by the Government of Punjab differ with the requirements of these standards, the requirements of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules 2007 and the requirements of the said directives shall prevail.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain investments which are carried at fair value and amortized cost in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

2.3 Change in accounting policy

During the year, the Fund has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 01 January 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial

Instruments Disclosures'. As a result, the Fund has included the additional disclosure in this regard in note 13 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Fund has applied the new fair value measurement guidance prospectively and has adjusted corresponding information for new disclosures. The application of IFRS 13 does not have any significant impact on the financial statements of the Fund except for certain additional disclosures.

2.4 Functional and presentation currency

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

2.5 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 accounting 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 forms 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 affects 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 principally related to:

	<i>Note</i>
- useful life of depreciable assets	3.1
- classification, valuation and impairment if any, of investments	3.2
- provisions	3.8

3 Summary of significant accounting policies

3.1 Fixed assets and depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged to income statement 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 of asset. Normal repairs and maintenance are charged to income as and when incurred.

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

3.2 Investments

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

3.2.1 Trade date accounting

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.

3.2.2 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.

3.2.3 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 and 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. During the year, the Fund has no such investment in its portfolio.

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. These include investments in term deposits and national saving schemes.

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 unrealized surplus/(deficit) is included in the income statement. These include investments in government and debt securities.

3.2.4 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial assets is determined as follows:

a) **Government securities**

Fair value of government securities is determined at the average rate obtained from PKRV rate sheet and quoted on Mutual Funds Association of Pakistan ("MUFAP") and such average rate shall be based on the remaining tenor of the security.

b) **Debt securities**

Fair value of debt securities, other than government securities, is determined on the basis of prices announced by the MUFAP in accordance with the Securities and Exchange Commission of Pakistan ("SECP") Circular No. 1 of 2009 and Circular 33 of 2012.

c) **Listed shares**

Fair value of listed shares is determined on the basis of closing quoted market prices available at the Pakistan stock exchange (*formerly: Karachi stock exchange*).

d) **Mutual Fund**

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

3.3 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 deposits, other receivables and cash and cash equivalents.

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, treasury bills, bonds and term finance certificates is recognized on an accrual basis using the effective interest rate method.
- d) Income on deposits and national saving schemes 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 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of cash in hand, term deposit receipts having maturity of three months or less and balances maintained with banks.

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

Financial assets

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognized.

Non-financial assets

The carrying amounts of the non-financial 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 the 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 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.

3.12 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.

3.13 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 periods beginning on or after 1 July 2016.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The following new or amended standards are not relevant to the Fund and so are not expected to have an impact on these financial statements:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
- IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture	01 January 2016
- IAS 27 - Separate Financial Statements	01 January 2016
- IAS 28 - Investments in Associates and Joint Ventures	01 January 2016
- IAS 38 - Intangible Assets and IAS 16 - Property, Plant and Equipment	01 January 2016
- IFRS 10 - Consolidated Financial Statements	01 January 2016
- IFRS 11 - Joint Arrangements	01 January 2016
- IFRS 2 - Share-based Payment	01 January 2018

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

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 - Financial Instruments- Disclosures.
- IAS 19 - Employee Benefits.
- IAS 34 - Interim Financial Reporting.

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4 Operating fixed assets

	2016							
	Cost				Depreciation			Written Down Value as at 30 June 2016
	As at 01 July 2015	Additions	As at 30 June 2016	Rate %	As at 01 July 2015	Charge for the year	As at 30 June 2016	
Rupees				Rupees				
<i>Particulars</i>								
Furniture and fittings	56,750	-	56,750	20	50,541	6,209	56,750	-
Office equipment	1,411,165	56,700	1,467,865	33.33	983,427	214,716	1,198,143	269,722
Motor vehicles	193,558	-	193,558	20	193,555	-	193,555	3
	<u>1,661,473</u>	<u>56,700</u>	<u>1,718,173</u>		<u>1,227,523</u>	<u>220,925</u>	<u>1,448,448</u>	<u>269,725</u>

	2015							
	Cost				Depreciation			Written Down Value as at 30 June 2015
	As at 01 July 2014	Additions	As at 30 June 2015	Rate %	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>

KPMG

	Note	2016 Rupees	2015 Rupees
5 Investments			
Held to maturity	5.1	18,600,328,695	17,285,700,000
Available for sale	5.2	9,942,898,191	10,027,608,575
		<u>28,543,226,886</u>	<u>27,313,308,575</u>

5.1 Held to maturity

Term Deposit Receipt	5.1.1	1,000,000,000	1,000,000,000
<i>National Savings Scheme - Regular</i>			
<i>Income Certificates</i>	5.1.2	3,900,000,000	3,900,000,000
National Savings Scheme - <i>Special Savings Account</i>	5.1.3	13,700,328,695	12,385,700,000
		<u>18,600,328,695</u>	<u>17,285,700,000</u>

5.1.1 Term Deposit Receipt ('TDR') has been placed with a commercial bank on 26 June 2014 with a tenure of 5 years and carries fixed interest at the rate of 12.05% (2015: 12.05%) per annum.

5.1.2 These comprise of Regular Income Certificates issued by National Savings Organization. The total issue comprises of 390 certificates of Rs. 10 million each. These were purchased on 19 November 2014 with a maturity period of 5 years. These certificates are encashable any time subject to deduction of service charges. These carry fixed interest at the rate of 12.30% (2015: 12.30%) per annum receivable monthly.

5.1.3 This represents deposits maintained in form of an account at National Savings Organization. These deposits have different issue dates, maturity dates and cash flows. These deposits have maturity period of 3 years. The amount can be withdrawn at par at any time after the date of its deposit. These carry fixed interest at the rate ranging from 7.60% to 11.60% (2015: 7.60% to 11.60%) per annum receivable semi-annually and automatically stand reinvested and would be calculated for further profit on completion of the next six months period.

5.2 Available for sale

	Note	Carrying value		Fair value	
		2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Government securities					
- <i>Pakistan Investment Bond</i>	5.2.1	7,510,511,606	7,788,251,404	9,550,028,085	9,461,572,575
- <i>Market Treasury Bills</i>	5.2.2	-	-	-	-
Debt Securities					
- <i>Term Finance Certificates</i>	5.2.3	392,857,142	558,815,219	392,870,106	566,036,000
		<u>7,903,368,748</u>	<u>8,347,066,623</u>	<u>9,942,898,191</u>	<u>10,027,608,575</u>
Fair value adjustment		<u>2,039,529,443</u>	<u>1,680,541,952</u>		
		<u>9,942,898,191</u>	<u>10,027,608,575</u>		

5.2.1 Government Securities - Pakistan Investment Bonds ("PIBs")

Issue date	Tenure - Years	Face value			Balance as at 30 June 2016			Fair value as percentage of net assets	Fair value as percentage of total investments	
		As at 1 July 2015	Purchase during the year	Sales / Matured during the year	As at 30 June 2016	Carrying value	Fair value			Appreciation
----- Rupees -----										
31-Oct-06	20 - Years	25,000,000	-	-	25,000,000	21,545,874	29,638,695	8,092,821	0.07%	0.10%
30-Aug-08	20 - Years	900,000,000	-	-	900,000,000	868,110,651	1,180,979,041	312,868,390	2.93%	4.14%
30-Aug-08	30 - Years	750,000,000	-	-	750,000,000	743,063,485	941,583,922	198,520,437	2.34%	3.30%
18-Aug-11	15 - Years	25,000,000	-	-	25,000,000	23,629,217	33,245,974	9,616,757	0.08%	0.12%
18-Aug-11	20 - Years	6,075,000,000	-	-	6,075,000,000	5,854,162,379	7,364,580,453	1,510,418,074	18.30%	25.80%
19-Jul-12	10 - Years	250,000,000	-	250,000,000	-	-	-	-	0.00%	0.00%
		8,025,000,000	-	250,000,000	7,775,000,000	7,510,511,606	9,550,028,085	2,039,516,479	23.73%	33.46%

- PIBs carry fixed interest at the rate ranging from 10.50% to 13.75% (2015: 10.50 % to 13.75 %) per annum receivable semi-annually.

5.2.2 Government Securities - Market Treasury Bills ("T-Bills")

Issue date	Tenure - Months	Face value			Balance as at 30 June 2016			Fair value as percentage of net assets	Fair value as percentage of total investments	
		As at 1 July 2015	Purchase during the year	Sales / Matured during the year	As at 30 June 2016	Carrying value	Fair value			Appreciation
----- Rupees -----										
20-Aug-15	3 Months	-	225,000,000	225,000,000	-	-	-	-	-	-
20-Aug-15	6 Months	-	225,000,000	225,000,000	-	-	-	-	-	-
		-	450,000,000	450,000,000	-	-	-	-	-	-

- These were zero coupon and carried a yield of 7.02% to 7.12% per annum.

5.2.3 Debt Securities - Term Finance Certificates ("TFCs")

Name of issuer	Issue Date	Number of Certificates			Balance as at 30 June 2016			Fair value as percentage of net assets	Fair value as percentage of total investments	
		As at 1 July 2015	Purchase during the year	Matured during the year	As at 30 June 2016	Carrying value	Fair value			Appreciation
----- Number of units -----										
----- Rupees -----										
Engro Perpetual I	18-Mar-08	20,000	-	20,000	-	-	-	-	-	-
WAPDA TFC	27-Sep-13	100,000	-	-	100,000	392,857,142	392,870,106	12,964	0.98	1.38
		120,000	-	20,000	100,000	392,857,142	392,870,106	12,964		

Engro Perpetual TFC had face value of Rs. 5000 per unit and carried variable interest of 6 Month KIBOR plus 100 bps to 210 bps (2015: 6 Month KIBOR plus 100 to 210 bps) per annum receivable semi-annually. Principal redemption was subject to call option by issuer or put option by investors on any coupon payment date after 60 months or 120 months respectively from the issue date. Call option has been exercised by the issuer on 18 March 2016.

WAPDA TFC have face value of Rs. 5000 per unit. The principal redemption of such TFCs is structured to be in fourteen equal semi-annual installments starting from 27 March 2015. These carry variable interest rate of 6 Month KIBOR plus 100 bps (2015: 6 Month KIBOR plus 100 bps) per annum receivable semi-annually.

	<i>Note</i>	2016 Rupees	2015 Rupees
6 Accrued interest			
Term Deposit Receipts	5.1.1 & 8.2	4,844,479	7,043,835
National Savings Account	5.1.2 & 5.1.3	299,674,004	272,460,863
Pakistan Investment Bonds	5.2.1	362,959,830	367,147,995
Term Finance Certificates	5.2.3	7,584,074	13,966,318
		<u>675,062,387</u>	<u>660,619,011</u>

7 Deposits and prepayments

Prepaid rent		591,250	550,000
Security deposits			
- Central Depository Company		100,000	100,000
- Office building		825,000	825,000
		<u>1,516,250</u>	<u>1,475,000</u>

8 Cash and cash equivalents

Cash in hand		40,000	40,000
Cash at banks			
- saving accounts	8.1	1,227,574,136	224,233,286
- current accounts		53,698	457,676
- term deposit receipts	8.2	9,800,000,000	7,100,000,000
		<u>11,027,627,834</u>	<u>7,324,690,962</u>
		<u>11,027,667,834</u>	<u>7,324,730,962</u>

8.1 These carry interest at the rate of 4.25% to 6.05% (2015: 5.60% to 6.80%) per annum.

8.2 These are placed with commercial banks and carry interest at the rate of 6.75% to 6.86% (2015: 7.25% to 7.50%) per annum.

	<i>Note</i>	2016 Rupees	2015 Rupees
9 Accrued expenses			
Payable to actuary	9.1	2,500,000	-
Audit fee payable		606,147	726,000
Meeting fee payable		60,000	-
Withholding tax payable		10,000	-
EOBI payable		8,580	-
Courier & postage payable		-	1,646
		<u>3,184,727</u>	<u>727,646</u>

9.1 This represents payable in respect of actuarial valuation report on pension liabilities as at 30 June 2015.

10 Contingencies and commitments

There were no contingencies and commitments as at 30 June 2016.

HRMCM

11 Operating expenses	2016 Rupees	2015 Rupees
Salaries and wages	31,109,540	28,807,981
Rent	3,506,250	2,952,913
Utilities	915,681	630,333
Office and other expenses	679,669	676,840
Repair and maintenance	537,333	845,558
Vehicle running expenses	473,581	500,023
Fee and subscription	320,574	123,886
Depreciation on operating fixed assets	220,925	214,095
Printing and stationery	103,866	137,466
Traveling, lodging and boarding	98,697	134,106
Advertisement	91,924	61,322
Miscellaneous	56,875	63,883
EOBI expense	14,300	-
Courier and postage	8,535	14,082
Training and Development	-	21,200
	38,137,750	35,183,688

12 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.

12.1 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. 40,247 million (2015: Rs. 35,300 million) financial assets which are subject to credit risk amount to Rs. 12,434 million (2015: Rs. 8,913 million).

12.1.1 Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment policies approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets. Investments in government securities is risk free. Investment is made in scheduled banks having a minimum Long Term rating of "AA-".

12.1.2 Exposure to credit risk

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:

	Statement of assets and liabilities	
	2016	2015
	Rupees	Rupees
Bank balances	1,227,627,834	224,690,962
Investments - <i>available for sale</i>	392,870,106	566,036,000
Term deposit receipts	10,800,000,000	8,100,000,000
Accrued interest - <i>TDR and TFC</i>	12,428,553	21,010,153
Security deposits	925,000	925,000
	12,433,851,493	8,912,662,115

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. 27,813 million (2015: Rs. 26,387 million) relates to investments in Government Securities, National Saving Schemes & other assets which are not considered to carry credit risk.

12.1.3 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 69.11% (2015: 74.75%) of the Fund's financial assets are in Government securities and National Saving Schemes 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:

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	12,033,397,313	96.78%	8,332,659,797	93.49%
Miscellaneous	400,454,180	3.22%	580,002,318	6.51%
	12,433,851,493	100%	8,912,662,115	100%

The credit quality of 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:

<u>Bank Balances</u>	Rating 2016			Amount
	Short Term	Long Term	Agency	Rs.
Bank of Punjab	A1+	AA-	PACRA	1,127,694,764
Bank Alfalah Limited	A1+	AA	PACRA	3,127,693
Bank Al-Habib Limited	A1+	AA+	PACRA	69,951
Allied Bank Limited	A1+	AA+	PACRA	6,292
Habib Bank Limited	A-1+	AAA	JCR-VIS	9,129
National Bank of Pakistan	A1+	AAA	PACRA	-
Samba Bank Limited	A-1	AA	JCR-VIS	96,672,385
Soneri Bank Limited	A1+	AA-	PACRA	9,343
United Bank Limited	A-1+	AAA	JCR-VIS	29,950
NIB Bank Limited	A1+	AA-	PACRA	8,327
				1,227,627,834

<u>Bank Balances</u>	Rating A1+			Amount
	Short Term	Long Term	Agency	Rs.
<u>Term Deposit Receipts</u>				
Bank of Punjab	A1+	AA-	PACRA	1,000,000,000
Allied Bank Limited	A1+	AA+	PACRA	7,304,104,754
United Bank Limited	A-1+	AAA	JCR-VIS	2,500,739,725
				<u>10,804,844,479</u>
<u>Term Finance Certificates</u>				
WAPDA-TFC	-	AAA	MUFAP	400,454,180
				<u>400,454,180</u>
				<u>12,432,926,493</u>

<u>Bank Balances</u>	Rating 2015			Amount
	Short Term	Long Term	Agency	Rs.
<u>Term Deposit Receipts</u>				
Bank of Punjab	A1+	AA-	PACRA	168,864,385
Bank Alfalah Limited	A1+	AA	PACRA	55,300,781
Bank Al-Habib Limited	A1+	AA+	PACRA	68,120
Allied Bank Limited	A1+	AA+	PACRA	421,353
Habib Bank Limited	A-1+	AAA	JCR-VIS	9,130
National Bank of Pakistan	A1+	AAA	PACRA	8,170
NIB Bank Limited	A1+	AA-	PACRA	9,023
Samba Bank Limited	A-1	AA	JCR-VIS	10,000
				<u>224,690,962</u>
<u>Term Finance Certificates</u>				
WAPDA-TFC	-	AAA	MUFAP	467,335,364
Engro Perpetual I	-	AA-	MUFAP	112,666,954
				<u>580,002,318</u>
				<u>8,911,737,115</u>

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.

Management of risk

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.

12.3.2 Interest rate risk

12.3.2.1 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.

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

	Financial assets			
	2016		2015	
	Interest rate (in Percentage)	Fair value Rupees	Interest rate (in Percentage)	Fair value Rupees
<u>Fixed rate instruments</u>				
Pakistan Investment Bonds	10.05 to 13.75	9,550,028,085	10.05 to 13.75	9,461,572,575
Term Deposit Receipts	6.75 to 12.05	10,800,000,000	7.25 to 12.05	8,100,000,000
National Savings Account	7.60 to 12.30	17,600,328,695	7.60 to 12.30	16,285,700,000
Bank balances	6.05	1,227,574,136	6.50	224,233,286
		<u>39,177,930,916</u>		<u>34,071,505,861</u>
<u>Variable rate instruments</u>				
Term Finance Certificates	6 month KIBOR + 100 bps	392,870,106	6 month KIBOR + 1.00% to 6 month KIBOR + 210 bps	566,036,000

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.

Cash flow sensitivity analysis for variable rate instruments

	Profit and loss 100 bps	
	Increase	Decrease
	Rupees	
As at 30 June 2016		
Cash flow sensitivity-Variable rate financial asset	<u>3,928,701</u>	<u>(3,928,701)</u>
As at 30 June 2015		
Cash flow sensitivity-Variable rate financial asset	<u>5,660,360</u>	<u>(5,660,360)</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.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to debt price risk because of investments held by the Fund in listed debt securities classified on the Statement of Assets and Liabilities as 'available for sale'.

Fair value sensitive analysis

In case of 1% increase / decrease in the MUFAP rate, net income for the year ended 30 June 2016 would increase / decrease by Rs. 3.93 million (2015: Rs. 5.67 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on debt securities classified at available for sale.

12.2 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

12.2.1 Management of liquidity risk

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. All liabilities are payable in respect of expenses as approved the management committee in budget for the year.

12.2.2 Maturity analysis for financial liabilities

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

	30 June 2016				
	Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
	-----Rupees-----				
Meeting fee payable	60,000	60,000	-	-	-
Trustee fee payable	692,831	692,831	-	-	-
Audit fee payable	606,147	606,147	-	-	-
Payable to actuary	2,500,000	2,500,000	-	-	-
	<u>3,858,978</u>	<u>3,858,978</u>	<u>-</u>	<u>-</u>	<u>-</u>
	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	-	-	-
Audit fee payable	726,000	726,000	-	-	-
Courier & postage paye	1,646	1,646	-	-	-
	<u>1,305,015</u>	<u>1,305,015</u>	<u>-</u>	<u>-</u>	<u>-</u>

12.3 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.

12.3.1 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.

13 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 'Fair Value Measurement' requires the Fund to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
	Available for sale	Held to maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
As at 30 June 2016								
<u>Financial assets - measured at fair value</u>								
Investments								
- government securities	7,510,511,606	-	-	7,510,511,606	-	9,550,028,085	-	9,550,028,085
- debt securities	392,857,142	-	-	392,857,142	392,870,106	-	-	392,870,106
<u>Financial assets - not measured at fair value</u>								
Investments								
- term deposit receipts	-	1,000,000,000	-	1,000,000,000	-	-	-	-
- national saving scheme	-	17,600,328,695	-	17,600,328,695	-	-	-	-
Cash equivalents	-	11,027,627,834	-	11,027,627,834	-	-	-	-
Accrued interest	-	675,062,387	-	675,062,387	-	-	-	-
Security deposits	-	925,000	-	925,000	-	-	-	-
	7,903,368,748	30,303,943,916	-	38,207,312,664	392,870,106	9,550,028,085	-	9,942,898,191
<u>Financial liabilities - not measured at fair value</u>								
Meeting fee payable	-	-	60,000	60,000	-	-	-	-
Trustee fee payable	-	-	692,831	692,831	-	-	-	-
Audit fee payable	-	-	606,147	606,147	-	-	-	-
Payable to actuary	-	-	2,500,000	2,500,000	-	-	-	-
	-	-	3,858,978	3,858,978	-	-	-	-

for 2016

	Carrying amount				Fair value			
	Available for sale	Held to maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----								
<i>As at 30 June 2015</i>								
<i>Financial assets - measured at fair value</i>								
Investments								
- government securities	7,788,251,404	-	-	7,788,251,404	-	9,461,572,575	-	9,461,572,575
- debt securities	558,815,219	-	-	558,815,219	566,036,000	-	-	566,036,000
<i>Financial assets - not measured at fair value</i>								
Investments								
- term deposit receipts	-	1,000,000,000	-	1,000,000,000	-	-	-	-
- national saving scheme	-	16,285,700,000	-	16,285,700,000	-	-	-	-
Cash equivalents	-	7,324,690,962	-	7,324,690,962	-	-	-	-
Accrued interest	-	660,619,011	-	660,619,011	-	-	-	-
Security deposits	-	925,000	-	925,000	-	-	-	-
	8,347,066,623	25,271,934,973	-	33,619,001,596	566,036,000	9,461,572,575	-	10,027,608,575
<i>Financial liabilities - not measured at fair value</i>								
Trustee fee payable	-	-	577,369	577,369	-	-	-	-
Audit fee payable	-	-	726,000	726,000	-	-	-	-
Courier & postage payable	-	-	1,646	1,646	-	-	-	-
	-	-	1,305,015	1,305,015	-	-	-	-

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14 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:

Transactions with	2016 Rupees	2015 Rupees
<i>Central Depository Company of Pakistan Limited</i>		
- Trustee fee expense for the year	8,257,430	6,321,239
- Custody fee	6,130	17,912
<i>Bank of Punjab</i>		
- Term deposit receipts placed during the year	-	4,200,000,000
- Term deposit receipts matured during the year	2,100,000,000	2,100,000,000
- Income on term deposit receipts realised during the year	157,611,176	170,421,534
- Income on savings account realised during the year	8,010,084	39,778,704
- Income on term deposit receipts received during the year	160,364,601	167,668,110
- Income on savings account received during the year	8,010,084	39,778,704
<i>Members of Management Committee:</i>		
- Salary and bonus paid to General Manager	16,125,000	14,700,000
- Meeting fee paid	240,000	86,000
Balances with		
<i>Central Depository Company of Pakistan Limited</i>		
- Trustee fee payable	692,831	577,369
<i>Bank of Punjab</i>		
- Bank balances	1,127,694,764	168,864,385
- Term Deposit Receipts	1,000,000,000	3,100,000,000
- Accrued interest	-	2,753,425
<i>Members of Management Committee:</i>		
- Fee payable	60,000	-

15 Number of Employees

The following are the number of persons employed:

	2016 (Number of persons)	2015
Employees as at the year end	10	12
Average number of employees during the year	11	13

16 Date of authorization for issue

These financial statements were authorized for issue on 25 OCT 2016 by the Management Committee of the Fund.

17 General

Figures have been rounded off to the nearest rupees.

Karachi



General Manager



Private Member



Chairman

Lahore