

Punjab Pension Fund – Expense Account

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



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

We have audited the annexed statement of assets and liabilities of **Punjab Pension Fund – Expense Account** (“the Fund”) as at 30 June 2016, the related income and expenditure account and cash flow statement 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 and expenditure account 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;
 - 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 the expenditure incurred during the year were in accordance with the objects of the Fund.

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- iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Trust.
- 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 Trust'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 - Expense Account
Statement of Assets and Liabilities
As at 30 June 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
<u>Non-current assets</u>			
Operating fixed assets	4	269,725	433,950
<u>Current assets</u>			
Prepaid rent		591,250	550,000
Security deposit		825,000	825,000
Cash and bank balances	5	62,175,918	41,942,832
		63,592,168	43,317,832
LIABILITIES			
<u>Current liability</u>			
Accrued expenses	6	3,184,727	727,646
Net working capital		60,407,441	42,590,186
Contingencies and commitments	7	-	-
Net working capital		60,677,166	43,024,136
<i>Represented by:</i>			
Net surplus		60,677,166	43,024,136

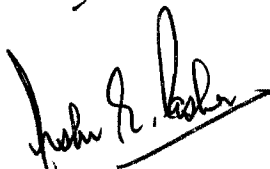
The annexed notes 1 to 12 form an integral part of these financial statements.

Wazir

Lahore


General Manager


Private Member


Chairman


Punjab Pension Fund - Expense Account
 Income and Expenditure Account
 For the year ended 30 June 2016

	<i>Note</i>	2016 Rupees	2015 Rupees
Budgetary receipts		58,024,052	65,410,083
Income on saving account		1,925,150	878,652
Other income		9,100	5,200
		<u>59,958,302</u>	<u>66,293,935</u>
Operating expenses	8	42,305,272	35,911,790
Net surplus for the year		<u>17,653,030</u>	<u>30,382,145</u>
Accumulated surplus brought forward		43,024,136	12,641,991
Net surplus carried forward		<u><u>60,677,166</u></u>	<u><u>43,024,136</u></u>

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

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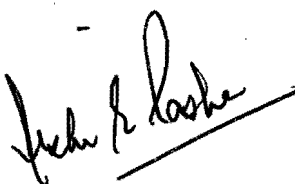
Lahore



 General Manager



 Private Member



 Chairman


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

	2016 Rupees	2015 Rupees
<u>Cash flows from operating activities</u>		
Net surplus for the year	17,653,030	30,382,145
<i>Adjustments for non cash items:</i>		
Depreciation on operating fixed assets	220,925	214,095
	<u>17,873,955</u>	<u>30,596,240</u>
<i>Increase in current assets:</i>		
Prepaid rent	(41,250)	(310,420)
Security deposit	-	(825,000)
<i>Increase in current liability:</i>		
Accrued expenses	2,457,081	14,657
Cash generated from operating activities	<u>20,289,786</u>	<u>29,475,477</u>
Cash flows from investing activities		
Fixed capital expenditure	(56,700)	(162,500)
Cash used in investing activities	<u>(56,700)</u>	<u>(162,500)</u>
Net increase in cash and cash equivalents during the year	20,233,086	29,312,977
Cash and cash equivalents at the beginning of the year	<u>41,942,832</u>	<u>12,629,855</u>
Cash and cash equivalents at the end of the year	<u><u>62,175,918</u></u>	<u><u>41,942,832</u></u>

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

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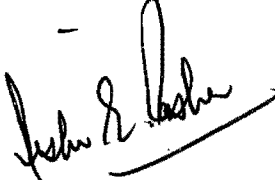
Lahore



General Manager



Private Member



Chairman

Punjab Pension Fund- Expense Account

Notes to the Financial Statements

For the year ended 30 June 2016

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.

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 duly 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 Act, the Rules and 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 as notified under the Companies Ordinance, 1984. Wherever, the requirements of the Act or the Rules differ with the requirements of IFRSs, the requirements of the Act and the Rules 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.

2.3 Functional and presentation currency

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

2.4 Significant estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision effects 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:

10/11/16

	<i>Note</i>
a) Provisions	3.6
b) Useful life of depreciable assets	3.1

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 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 as and when incurred.

Profit and 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 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.

3.3 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) The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.4 Off setting of financial assets and financial liabilities

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

3.5 Revenue recognition

Profit on bank deposits is recognized on accrual basis.

3.6 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 out flow 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 statement of assets and liabilities date and are adjusted to reflect the current best estimates.

3.7 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.

3.8 Cash and cash equivalents

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

3.9 Taxation

The income of the Fund is exempt from tax under Clause 57(3)(xii) of Part I of the Second Schedule of the Income Tax Ordinance 2001, therefore no provision for taxation has been made in these financial statements.

3.10 Standards, interpretations and amendments to published approved accounting standards that

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

	30-Jun-16							
	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
	1,661,473	56,700	1,718,173		1,227,523	220,925	1,448,448	269,725

	30-Jun-15							
	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
	1,498,973	162,500	1,661,473		1,013,428	214,095	1,227,523	433,950

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	Note	2016 Rupees	2015 Rupees
5 Cash and bank balances			
Cash in hand		40,000	40,000
Cash at banks - <i>savings account</i>	5.1	62,135,918	41,902,832
		<u>62,175,918</u>	<u>41,942,832</u>

5.1 This carries interest at the rate of 4.25% to 5.10% (2015: 6.50%) per annum.

		2016 Rupees	2015 Rupees
6 Accrued expenses			
Payable to actuary		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>

7 Contingencies and commitments

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

		2016 Rupees	2015 Rupees
8 Operating expenses			
Salaries and wages		31,109,540	28,807,981
Rent		3,506,250	2,952,913
Utilities		915,681	630,333
Repair and maintenance		537,333	845,558
Vehicle running expenses		473,581	500,023
Traveling, lodging and boarding		98,697	134,106
Fee and subscription		320,574	123,886
Printing and stationery		103,866	137,466
Courier and postage		8,535	14,082
Legal and Professional		3,351,000	-
Office and other expenses		679,669	676,840
Depreciation on operating fixed assets		220,925	214,095
Auditors remuneration		813,560	726,000
Advertisement		91,924	61,322
Training and Development		-	21,200
Bank charges		2,962	2,102
EOBI expense		14,300	-
Miscellaneous		56,875	63,883
		<u>42,305,272</u>	<u>35,911,790</u>

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9 Related party transactions

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 a related party. Amounts due from related parties are shown under cash and cash equivalents. Details of transactions with related parties are as follows:

	2016 Rupees	2015 Rupees
Transactions with		
<i>Bank of Punjab</i>		
- Income on saving account	1,925,150	878,652
- Bank balance - net	20,233,086	29,278,088
<i>Members of Management Committee</i>		
- Salary and bonus paid to General Manager	16,125,000	14,700,000
- Fee paid to members	240,000	86,000
Balances with		
<i>Bank of Punjab</i>		
- Bank balances	62,135,918	41,902,832
<i>Members of Management Committee:</i>		
- Fee payable	60,000	-

10 Number of Employees

The following are the number of persons employed:

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

11 Date of authorization for issue

The financial statements were authorized for issue on 01/01/2016 by the Management Committee of the Fund.

12 General

Figures have been rounded off to the nearest rupees

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Lahore

General Manager



Private Member



Chairman