

Punjab Pension Fund – Trust Account

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



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

We have audited the annexed statement of assets and liabilities of **Punjab Pension Fund Trust** ("the Trust") 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 Trust 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 Trust'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 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 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.
Chartered Accountants
(Bilal Ali)

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

	Note	2015 Rupees	2014 Rupees
<u>Assets</u>			
Investments	4	27,313,308,575	18,364,997,910
Accrued interest	5	660,619,011	866,839,295
Security deposits		100,000	100,000
Cash and cash equivalents	6	7,282,788,130	5,506,029,196
Total assets		35,256,815,716	24,737,966,401
<u>Liabilities</u>			
Trustee fee payable		577,369	456,081
Brokerage payable		-	126,974
Total liabilities		577,369	583,055
Contingencies and commitments	7	-	-
Net assets		35,256,238,347	24,737,383,346
<i>Represented by:</i>			
Accumulated Pension Fund		35,256,238,347	24,737,383,346

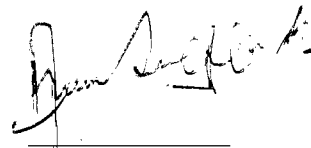
The annexed notes 1 to 12 form an integral part of these financial statements.

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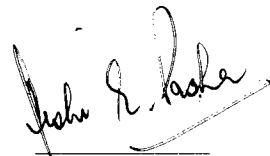
Lahore



General Manager



Private Member



Chairman

Punjab Pension Fund Trust

Income Statement

For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
<u>Income</u>		
Income from Term Deposit Receipts and National Savings Account	1,612,007,647	373,189,680
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
	4,105,674,887	2,197,407,453
<u>Expenditure</u>		
Transfer for operational expenses	65,410,083	25,923,638
Trustee fee and custody charges	6,339,151	4,915,798
Brokerage expense	671,017	205,653
Bank charges	41,918	28,011
	72,462,169	31,073,100
Net income for the year	4,033,212,718	2,166,334,353

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 Trust
 Statement of Comprehensive Income
 For the year ended 30 June 2015

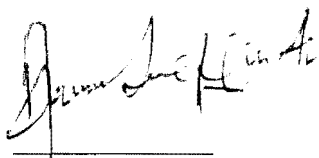
	2015 Rupees	2014 Rupees
Net income for the year	4,033,212,718	2,166,334,353
<u>Other comprehensive income</u>		
<i>Items that are to be classified subsequently to profit and loss account:</i>		
Unrealised appreciation / (diminution) on remeasurement of 'available for sale' investments	1,485,642,283	(1,041,767,754)
Total comprehensive income for the year	<u>5,518,855,001</u>	<u>1,124,566,599</u>

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

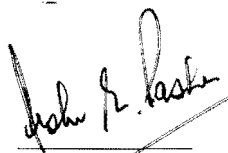
Lahore



 General Manager



 Private Member



 Chairman

Punjab Pension Fund Trust
 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	24,737,383,346	18,812,816,747
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	4,033,212,718	2,166,334,353
Unrealised appreciation / (diminution) on remeasurement of 'available for sale' investments	1,485,642,283	(1,041,767,754)
	5,518,855,001	1,124,566,599
Balance at the end of the year	35,256,238,347	24,737,383,346

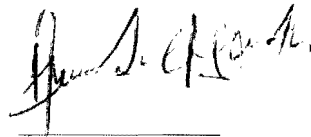
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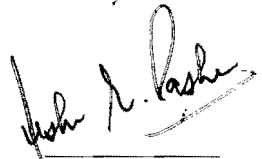


Lahore

General Manager



Private Member



Chairman

Punjab Pension Fund Trust

Cash Flow Statement

For the year ended 30 June 2015

	2015 Rupees	2014 Rupees
<u>Cash flow from operating activities</u>		
Net income for the year	4,033,212,718	2,166,334,353
<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)
	(78,531,833)	(51,511,098)
<u>Changes in working capital</u>		
<i>(Increase) / decrease in current assets:</i>		
Accrued interest	206,220,284	(283,239,321)
<i>(Decrease) / increase in current liabilities:</i>		
Trustee fee payable	121,288	66,283
Brokerage payable	(126,974)	126,974
	206,214,598	(283,046,064)
Cash generated from operations	4,160,895,483	1,831,777,191
<u>Cash flow from investing activities</u>		
Investments	(7,384,136,549)	(7,606,492,792)
Net cash used in investing activities	(7,384,136,549)	(7,606,492,792)
<u>Cash flow from financing activities</u>		
Amount contributed by the Government 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	1,776,758,934	(974,715,601)
Cash and cash equivalents at the beginning of the year	5,506,029,196	6,480,744,797
Cash and cash equivalents at the end of the year 6	7,282,788,130	5,506,029,196

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

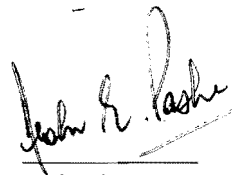
Lahore



General Manager



Private Member



Chairman

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

1 Status and nature of the business

The Punjab Pension Fund Trust (the Trust) has been established under the Punjab Pension Fund Act 2007 (the Act) and given the status of Trust under a trust deed executed on 27 September 2011 between Punjab Pension Fund (the Fund) and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund, through the Management Committee and the Trustee, have created the Trust for the benefit of the Reserve Pension Fund created under Section 3 of the Act. The Trust shall be of a perpetual nature and shall continue until the Trust is dissolved upon receipt of directions from the Government of Punjab. The Fund shall manage, operate and administer the Trust and the Trustee will act as the custodian of the assets of the Fund.

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

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 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.

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 Trust's financial statements or where judgments were exercised in application of accounting policies is classification and valuation of financial assets.

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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 periods beginning on or after 1 July 2015. However, these are not relevant to the Trust account 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 Investments

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

3.3.1 Initial measurement

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

3.3.2 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 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.

Held to maturity

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

Available-for-sale

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

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

Available-for-sale investments are measured at subsequent reporting dates at fair value. However investments for which fair value cannot be determined are valued at cost. Surplus/(deficit) on re-measurement is kept in accumulated pension fund, until the investment 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.

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.

3.4 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.

3.5 Revenue recognition

- a) Gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- b) Dividend income is recognized when the Trust'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.

3.6 Financial instruments

- (i) Financial assets and financial liabilities are recognized when the Trust becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognized when the Trust 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.

3.7 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if the Trust 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.

3.8 Provisions

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

3.9 Impairment

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

3.10 Foreign currency translation

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

3.11 Spread transactions (Ready-Future Transactions)

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

3.12 Regular way contracts

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

3.13 Transactions with related parties

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

3.14 Cash and cash equivalents

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

3.15 Taxation

The income of the Trust 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.

4	Investments	Note	2015 Rupees	2014 Rupees
	- Deposits	4.1	17,285,700,000	1,000,000,000
	- Available for sale	4.2	10,027,608,575	17,364,997,910
			<u>27,313,308,575</u>	<u>18,364,997,910</u>

4.1 Deposits

	Term Deposit Receipts	4.1.1	1,000,000,000	1,000,000,000
	National Savings Account - Regular Income	4.1.2	3,900,000,000	-
	National Savings Account - Special Savings	4.1.3	12,385,700,000	-
			<u>17,285,700,000</u>	<u>1,000,000,000</u>

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

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

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

4.2 Available for sale

	Note	Carrying value		Fair value	
		2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
<i>Government securities</i>					
- Pakistan Investment Bond	4.2.1	7,788,251,404	16,084,255,439	9,461,572,575	16,266,806,910
- Market Treasury Bills	4.2.2	-	492,895,191	-	492,811,100
Debt Securities- Term Finance Certificates	4.2.3	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>		

2014

4.2.1 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	20.25
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)

Signature

4.2.2 Government Securities - Market Treasury Bills

Issue date	Tenure - Months	Face value			Balance as at 30 June 2015					
		As at 1 July 2014	Purchase during the year	Sales / Matured during the year	As at 30 June 2015	Carrying value	Fair value	Appreciation	Fair value as percentage of net assets	Fair value as percentage of total investments
----- 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)

4.2.3 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**

	<i>Note</i>	2015 Rupees	2014 Rupees
5	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>
6	Cash and cash equivalents		
	<i>Cash at bank</i>		
	Saving account	6.1 182,330,454	205,997,026
	Current Account	457,676	32,170
	Term deposit receipts	6.2 7,100,000,000	4,300,000,000
		<u>7,282,788,130</u>	<u>4,506,029,196</u>
	Deposit in National Savings Account	6.3 -	1,000,000,000
		<u>7,282,788,130</u>	<u>5,506,029,196</u>

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

6.2 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).

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

7 Contingencies and commitments

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

8 Financial instruments

The Trust 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 Trust's risk management framework. The Management Committee is also responsible for developing and monitoring the Trust's risk management policies.

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

The Trust's risk management policies are established to identify and analyze the risks faced by the Trust 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 Trust's activities.

8.1 Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. At the year end it arises principally from debt securities held, term deposits, bank balances and profit/markup recoverable, etc. Out of the total financial assets of Rs 35,257 million (2014: Rs 24,738 million) financial assets which are subject to credit risk amount to Rs 8,384 million (2014: Rs 5,603 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:

	Statement of assets and liabilities	
	2015 Rupees	2014 Rupees
Bank balances	182,330,454	205,997,026
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>8,384,080,454</u>	<u>5,603,000,926</u>

Differences in the balances as per the statement of assets and liabilities and maximum exposure in investments is due to the fact that investments of Rs 26,873 million (2014: Rs 19,135 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 Trust's total credit exposure. Around 76.22% (2014: 69.80%) of the Trust's financial assets are in Government securities which are not exposed to the credit risk, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

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

	2015		2014	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	8,282,330,454	98.79%	5,505,997,026	98.27%
Miscellaneous	101,750,000	1.21%	97,003,900	1.73%
	8,384,080,454	100%	5,603,000,926	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

	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 Trust'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 Trust'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.

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For the vast majority of transactions, the Trust 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.

8.2 Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust'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 Trust 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	-	-	-
	577,369	577,369	-	-	-
	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	-	-	-
	583,055	583,055	-	-	-

8.3 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 Trust'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 Trust 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 Trust is exposed to interest rate risk only.

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8.3.1 **Interest rate risk**

8.3.1.1 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 Trusts 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 Trust's investment carry fixed interest rates except for investments in some of the Term Finance Certificates. In addition the Trust may change the mix of its portfolio to enhance the earning potential of the Trust subject to the above defined guidelines. Other risk management procedures are the same as those mentioned in the credit risk management.

8.3.1.2 At 30 June, details of the interest rate profile of the Trust'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	182,330,454	7.00 to 9.50	205,997,026
		<u>34,029,603,029</u>		<u>23,265,615,036</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 Trust 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 Trust.

8.4 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.

8.4.1 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
<u>Rupees</u>				
<i>Available for sale</i>				
Pakistan Investment Bond	4.2.1	-	9,461,572,575	-
Engro Perpetual I	4.2.3	-	101,750,000	-
WAPDA TFC	4.2.3	-	464,286,000	-
2015		-	10,027,608,575	-

Available for sale

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	-

8.4.2 Determination of fair values

A number of the Trust'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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9 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 Trust 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	38,900,052	107,633,295
 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	126,961,553	26,074,906
- 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	-

10 Number of Employees

The following are the number of persons employed:

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

11 Date of authorization for issue

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

12 General

Figures have been rounded off to the nearest rupees.





Lahore

General Manager

Private Member

Chairman