

Punjab Pension Fund-Investment Account

**Condensed Interim Financial Information
for the six months period ended
31 December 2009**



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Independent Report on Review of Condensed Interim Financial Information to the Management Committee of Punjab Pension Fund

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Punjab Pension Fund-Investment Account** ("the Fund") as of 31 December 2009 and the related condensed interim income statement, condensed interim cash flow statement and condensed statement of movement in accumulated pension fund for the six-months period then ended (condensed interim financial information). Management is responsible for the preparation and presentation of condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan relating to interim financial reporting and the requirement of Punjab Pension Fund Act 2007 ("the Act") and Punjab Pension Fund Rules 2007 ("the Rules"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months period ended 31 December 2009 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan relating to interim financial reporting and the requirement of the Act and the Rules.

The figures for the six months ended 31 December 2008 in the condensed interim income statement have not been reviewed and we do not express a conclusion on them.

Date: 12 MAR 2010

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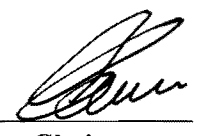


KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Punjab Pension Fund - Investment Account
 Condensed Interim Statement of Assets and Liabilities (Un-audited)
 As at 31 December 2009

	Note	31 December 2009 Rupees	30 June 2009 Rupees
Non-Current assets			
Investments - Available for sale	4	4,118,168,744	-
Current assets			
Receivable from Government of the Punjab	5	-	3,000,000,000
Short term investments	6	142,265,000	3,439,233,000
Accrued interest	7	201,488,833	-
Cash and cash equivalents	8	7,693,516,468	47,377,661
		8,037,270,301	6,486,610,661
Net working capital		12,155,439,045	6,486,610,661
Contingencies and commitments	9		
Net assets		12,155,439,045	6,486,610,661
Represented by:			
Accumulated Pension Fund		12,155,439,045	6,486,610,661
		12,155,439,045	6,486,610,661

The annexed notes 1 to 11 form an integral part of these financial information.

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Lahore:  Chairman  Private Member  General Manager

Punjab Pension Fund - Investment Account
Condensed Interim Income Statement (Un-audited)

For the half year ended 31 December 2009

	July to December 2009 Rupees	July to December 2008 Rupees
Income		
Interest income on TDRs	586,369,476	182,121,501
Interest income on PIBs	69,691,577	-
Discount income on market treasury bills	25,730,445	-
Capital gain	502,555	-
	682,294,053	182,121,501
Expenditure		
Brokerage expenses	28,416	-
Fund operational expenses	16,293,927	350
	16,322,343	350
Net income for the period	665,971,710	182,121,151

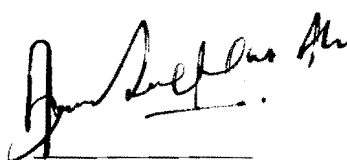
The annexed notes 1 to 11 form an integral part of these financial information.

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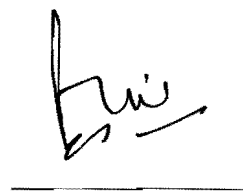
Lahore:



 Chairman



 Private Member



 General Manager

Punjab Pension Fund - Investment Account
Condensed Interim Statement of Movement in Accumulated Pension Fund (Un-audited)
As at 31 December 2009

	31 December 2009 Rupees	30 June 2009 Rupees
Balance at the beginning of the period	6,486,610,661	-
Amount directly transferred by Finance Department Government of the Punjab	-	3,000,000,000
Amount received from the Reserve Pension Fund	6,000,000,000	3,000,000,000
Unrealized gain on investment- available for sale	2,856,674	-
Net income for the period	665,971,710	486,610,661
Profit transferred to Reserve Pension Fund	(1,000,000,000)	-
Balance at the end of the period	<u>12,155,439,045</u>	<u>6,486,610,661</u>

The annexed notes 1 to 11 form an integral part of these financial information.

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Lahore:



Chairman



Private Member



General Manager

Punjab Pension Fund - Investment Account
Condensed Interim Cash Flow Statement (Un-audited)
For half year ended 31 December 2009

	July to December 2009 Rupees	July to December 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	665,971,710	182,121,151
Adjustments for non cash and other items:		
Discount on PIBs	(498,070)	
Working capital adjustments:		
(Increase) / decrease in current assets:		
Receivable from Government of the Punjab	3,000,000,000	-
Short term investments	3,296,968,000	(163,018,000)
Accrued interest	(201,488,833)	26,393,443
Cash generated from operating activities	<u>6,760,952,807</u>	<u>45,496,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - Available for sale	(4,114,814,000)	-
Net cash (used in) / generated from financing activities	<u>(4,114,814,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received from the Reserve Pension Fund	6,000,000,000	-
Profit transferred to Reserve Pension Fund	(1,000,000,000)	-
Net cash generated from financing activities	<u>5,000,000,000</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents during the period	7,646,138,807	45,496,594
Cash and cash equivalents at the beginning of the period	47,377,661	-
Cash and cash equivalents at the end of the period	<u><u>7,693,516,468</u></u>	<u><u>45,496,594</u></u>

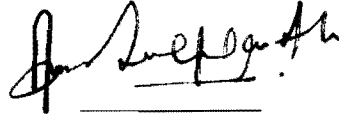
The annexed notes 1 to 11 form an integral part of these financial information.

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Lahore:



Chairman



Private Member



General Manager

Punjab Pension Fund- Investment Account

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 31 December 2009

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 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 vest in the Management Committee notified under section 5 of the Act.

The Fund invests in a diversified portfolio of government securities, national saving schemes, debt securities, shares, unit trusts, mutual funds and bank deposits.

2 Statement of compliance and significant disclosures

2.1 Statement of compliance

The condensed interim financial information has been presented in condensed form in accordance with the requirements of the Act, the Rules and the approved accounting standards as applicable in Pakistan for interim financial reporting. Wherever, the requirements of the Act and the Rules differ with the requirements of these standards, the requirements of the Act and the Rules shall prevail. This condensed interim information is unaudited but subject to limited scope review by auditors and is being submitted to Management Committee in accordance with the requirements of the Rules. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the period ended 30 June 2009.

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the period ended 30 June-2009.

2.2 Significant estimates

The preparation of condensed interim 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 period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Fund's financial statements or where judgments were exercised in application of accounting policies are as follows:

- (a) classification and valuation of financial assets
- (b) accrued liabilities
- (c) impairment of securities

3 Summary of significant accounting policies

3.1 Basis of preparation

The condensed interim financial information has been prepared under the historical cost convention, except for certain investments which are carried at fair value and amortized cost.

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3.2 Taxation

The income of the Fund is exempt from tax under Section 49(2) of Income Tax Ordinance 2001, therefore no provision for taxation has been made in these financial statements.

3.3 Investments

The Fund classifies its investments as held to maturity, available for sale and held for trading.

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.

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 price or dealer's margins, 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 investments or held for trading investments are classified as available for sale investments.

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

Available-for-sale investments are measured at subsequent reporting dates at fair value. However investments for which fair value cannot be determined are valued at cost. Surplus/(deficit) on re-measurement is kept in accumulated pension fund, until the security is disposed off or is determined to be impaired, at which time, the cumulative surplus/(deficit) is included in the income statement.

Fair value of financial assets is determined as follows:

a) Government securities

Fair value of government securities is determined on the basis of rates announced by the Financial Market Association.

b) National saving schemes

Fair value of national saving schemes is determined on the basis of redemption value for each scheme.

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c) Debt securities

Fair value of debt securities, other than government securities, is determined on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the Securities and Exchange Commission of Pakistan (SECP) Circular No. 1 of 2009 dated 6 January 2009.

d) Listed shares

Fair value of listed shares is determined on the basis of closing quoted market prices available at the 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 Revenue recognition

- a) Gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- b) Dividend income is recognized when the Fund's right to receive dividend is established. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.
- c) Income on government securities, national saving schemes, bonds and term finance certificates is recognized on an accrual basis using the effective interest rate method.
- d) Profit on bank deposits 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) The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.
- (v) Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.
- (vi) 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.

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 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

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3.8 Impairment

The carrying amounts of the assets are reviewed at each statement of assets and liabilities 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 profit and loss account. 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.

Provision for non-performing debt securities is made on the basis of time based criteria in accordance with the SECP Circular No. 1 of 2009 dated 6 January 2009.

As allowed under SECP Circular No. 13 of 2009 dated 4 May 2009, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Management Committee.

3.9 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 statement of assets and liabilities date. All exchange gains/losses are taken to the income statement.

3.10 Spread transactions (Ready-Future Transactions)

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

3.11 Regular way contracts

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

3.12 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.

3.13 Cash and cash equivalents

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

4 Investments - Available for sale

	Cost		Fair value	
	31 December 2009	30 June 2009	31 December 2009	30 June 2009
	Rupees	Rupees	Rupees	Rupees
Pakistan Investment Bonds	4,114,814,000	-	4,118,168,744	-
	<u>4,114,814,000</u>	<u>-</u>	<u>4,118,168,744</u>	<u>-</u>

5 Receivable from Government of the Punjab

This represents amount sanctioned by the Government of the Punjab to the Punjab Pension Fund for investment purposes.

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	<i>Note</i>	31 December 2009 Rupees	30 June 2009 Rupees
6 Short term investments			
Term Deposit Receipts	6.1	<u>142,265,000</u>	<u>3,439,233,000</u>

6.1 These represent Term Deposit Receipts placed with a commercial bank for varying terms at the rates ranging from 12% to 13.00% per annum. As per the terms agreed, no penal charges will be imposed on pre-mature encashment of Term Deposit Receipts.

	<i>Note</i>	31 December 2009 Rupees	30 June 2009 Rupees
7 Accrued interest			
Accrued interest on:			
Term Deposit Receipts		29,844,641	-
Pakistan Investment Bonds		171,644,192	-
		<u>201,488,833</u>	<u>-</u>

8 Cash and cash equivalents

Cash at bank			
Saving account	8.1	21,806,468	47,377.661
Term deposit receipts	8.2	7,671,710,000	-
		<u>7,693,516,468</u>	<u>47,377.661</u>

8.1 This carries mark up @ of 11.5% per annum (30 June 2009: 8.5% per annum).

8.2 These represent Term Deposit Receipts placed with a commercial bank for varying terms at the rates ranging from 11.05% to 17.00% per annum.

9 Contingencies and commitments

There were no significant contingencies and commitments as at 31 December 2009.

10 Date of authorization for issue

The financial statements were authorized for issue on 12 MAR 2010 by the Management Committee of the Fund.

11 General


Figures have been presented in rupees

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Lahore:


Chairman


Private Member


General Manager