

LIC Pension Fund Limited
SCHEME 02: NPS TRUST A/C LIC PENSION FUND SCHEME-STATE GOVERNMENT

Note 8: Background

LIC Pension Fund Limited ('the Company') is appointed as a Pension Fund Manager ('PFM') by the National Pension System Trust ('NPS') for the management of Pension Schemes under the National Pension System. Accordingly, the Company has entered into an Investment Management Agreement ('IMA') with NPS. The Pension Fund Regulatory and Development Authority ('PFRDA') guidelines require each PFM to manage subscribers' funds made available to it by the Trustee bank. However the responsibility of maintaining individual subscribers records is not with PFM and same is managed by the Central Record Keeping Agency (CRA). The CRA does not furnish any subscribers level data to the PFM and provides only consolidated subscribers data of cash inflow for units to be allotted and number of units to be redeemed to PFM. The PFM makes investments as per the requirements of IMA and the scheme wise flow of funds from CRA.

The Central Government had introduced the National Pension System (NPS) with effect from January 01, 2004 (except for armed forces). Pension Fund Regulatory and Development Authority (PFRDA), the regulatory body for NPS, finalised the architecture and appointed NSDL as Central Recordkeeping Agency (CRA), other entities for National Pension System and appointed LICPFL as one of the Fund manager. Various State Governments adopted this architecture and implemented NPS with effect from different dates.

In NPS, a government employee contributes towards pension from monthly salary along with matching contribution from the employer. The funds are then invested in earmarked investment schemes through Pension Fund Managers.

Note 9: Notes to Financial Statements

1) Significant Accounting Policies

(a) Basis of accounting

The financial statements have been prepared to comply with the PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012, Accounting Standards notified under the Companies Act, 1956 to the extent made applicable by PFRDA (Preparation of financial statements and Auditor's report of Schemes under National Pension System) Guidelines – 2012 and generally accepted accounting principles. These financial statements have been prepared on an accrual basis, except custodian fees which is accounted on monthly basis on receipt of the bill from Custodian.

(b) Investments

Transactions for purchase or sale of:

- i) Investments in Equity shares, Fixed Deposits and Mutual Funds units are recognized as of the trade date
- ii) investments in Government securities and Non Convertible Bonds/Debentures are recognized as of the settlement date.

In determining the holding cost of investments and the gains or loss on sale of investments, the “weighted average cost” method is followed. The cost of investments acquired or purchased includes applicable taxes and stamp charges but exclude brokerage and other transactional charges. In respect of privately placed debt instruments any front-end discounts offered are reduced from the cost of the investment. Investments are reconciled with the custodian records on monthly basis.

(c) Investment Valuation

The below mentioned valuation of investment is carried out by Stock Holding Corporation of India, the Custodian of NPS Trust as per the tripartite agreement between NPS Trust, LIC Pension Fund Limited and Stock Holding Corporation of India Ltd.

The following valuation norms are as prescribed by PFRDA (Preparation of Financial Statements and Auditor’s Report of schemes under National Pension System) Guidelines 2012.

Securities traded at a stock exchange:

- i. The securities shall be valued at the daily close price on the stock exchange.
- ii. Debt securities (other than government securities) are valued at the last quoted closing price on the principal exchange on which the security is traded.
- iii. Money market instruments like treasury bills, commercial paper and certificate of deposit are valued at amortised cost.
- iv. Government securities and unlisted debt securities are valued at yield to maturity based on the methodology provided by CRISIL/ICRA.
- v. Investments in mutual fund schemes are valued based on the latest available net asset value of the respective schemes.

Securities not traded at a stock exchange:

Non-traded / thinly traded / privately placed equity securities including those not traded within thirty days and non-traded / thinly traded / privately placed debt securities including those not traded within fifteen days shall be valued “in-good faith” on the basis of following valuation methods approved by the Authority/Trust:

- i. Equity instruments shall generally be valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity.
- ii. Debt securities are valued at yield to maturity based on the methodology provided by CRISIL/ICRA.

(d) Bonus Shares

Bonus shares are recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.

(e) Right Shares

Rights entitlements are recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

(f) Interest Income

In respect of all interest-bearing investments, income is accrued on a daily basis. Interest paid for the period from the last interest date up to the date of purchase is not treated as a cost of purchase but debited to Interest Recoverable Account. Similarly interest received at the time of sale for the period from the last interest date up to the date of sale is not treated as an addition to sale value but is credited to Interest Recoverable Account.

(g) Dividend Income

Dividend income is recognized on Ex-dividend date.

(h) Expenses

All allowable expenses and incomes accrued up to the valuation date are considered for computation of asset value/NAV. Major Expenses like management fees are accrued on a daily basis except custodian charges which is accounted on monthly basis on receipt of the bill from Custodian.

(i) Taxes

All taxes which are leviable and actually paid are charged to the NAV of the Fund and are borne by the Subscriber. Any subsequent refund on this account, if any, is added to the scheme/fund as income.

(j) Unit Capital

Unit Capital is tallied with CRA records on daily basis.

- 2) As per the unbundled architecture of National Pension Scheme, unit allocations and redemptions are accounted by PFM on the basis of consolidated data received from the Central Record Keeping Agency.**

3) Non-Performing Assets:

There are no Non-Performing assets as on March 31, 2013. As on date the scheme has received all the interest on the investments which is accrued and due as on March 31, 2013 except interest amounting to Rs. 2,920,479.46 pertaining to Parekh Aluminex Limited which was due on March 1, 2013. The said company applied for Corporate Debt Restructuring with its banker's .Total exposure of the scheme as on March 31, 2013 in the said company is Rs. 72,904,729.46 (inclusive of outstanding interest).

4) Investment Management Fees:

Management Fees is paid at the rate prescribed in the investment management agreement entered between National Pension System Trust and LIC Pension Fund Limited.

5) Details of Custodian Fees paid or payable to Stock Holding Corporation of India Limited (A Company in which sponsor of LIC Pension Fund Limited has substantial interest)

| Name of Sponsor of LIC PFL | Name of the company in which sponsor has substantial interest | No of shares held | % of Share Holding | Amount Paid/ Payable (Rs.) |
|----------------------------|---|-------------------|--------------------|----------------------------|
| LIC of India | Stock Holding Corporation of India Ltd. | 31,50,000.00 | 14.97 % | 14,17,417.57 |

6) Aggregate Value of purchase and sales of investment as a % of average daily net assets value:

| | |
|---|-------------------|
| Aggregate Value of purchase and sales of investment during the year (except liquid funds) (Rs.) | 25,143,637,712.94 |
| Average daily net assets value (Rs.) | 21,696,847,972.51 |
| % | 115.88 % |

7) Total Value of investment falling under each major industry group (which constitute not less than 5% of total investment related to that classification).

Equity Group:

| Industry Group | Amount of Investment (Rs.) | % of total investment related to that classification |
|---|----------------------------|--|
| Manufacture of chemicals and chemical products | 193,663,138.50 | 7.76 % |
| Manufacture of pharmaceuticals, medicinal chemical and botanical products | 283,747,990.15 | 11.37 % |
| Computer programming, consultancy and related activities | 199,241,647.70 | 7.98 % |
| Financial service activities, except insurance and pension funding | 647,017,062.20 | 25.92 % |
| Total amount invested in Equity shares as on March 31, 2013 | 2,495,822,050.65 | |

Corporate Bonds & Debentures:

| Industry Group | Amount of Investment (Rs.) | % of total investment related to that classification |
|--|----------------------------|--|
| Financial service activities, except insurance and pension funding | 7,037,332,431.00 | 59.70 % |
| Manufacture of basic metals | 723,117,259.00 | 6.13 % |
| Electricity, gas, steam and air conditioning supply | 1,332,500,701.00 | 11.30 % |
| Total amount invested in Corporate Bonds & Debentures as on March 31, 2013 | 11,787,787,934.50 | |

8) Aggregate value of Non Traded investment at the end of the year:

Non Convertible Bond & Debentures:

| Aggregate value of Non traded Investment (Rs.) | % to Net Assets Value as on 31.3.2013 |
|--|---------------------------------------|
| 8,020,957,999.50 | 22.93 % |

9) Previous year amounts have been regrouped wherever necessary.

LIC Pension Fund Limited

Scheme 02: NPS TRUST A/C LIC PENSION FUND SCHEME-STATE GOVERNMENT

BALANCE SHEET AS AT MARCH 31, 2013

| Particulars | Note | As at March 31, 2013 | As at March 31, 2012 |
|----------------------------------|------|---------------------------|---------------------------|
| | | Rs. | Rs. |
| LIABILITIES | | | |
| Unit Capital | 1 | 24,75,26,62,120.88 | 8,62,18,78,100.93 |
| Reserve & Surplus | 2 | 10,22,79,39,598.59 | 2,18,47,05,499.44 |
| Current Liabilities & Provision | 3 | 12,23,073.14 | 2,01,36,274.52 |
| Total | | 34,98,18,24,792.61 | 10,82,67,19,874.89 |
| ASSETS | | | |
| Investment | 4 | 30,75,10,05,681.61 | 9,67,15,61,806.79 |
| Deposits | 5 | 3,15,71,55,685.00 | 87,42,83,622.00 |
| Other Current Assets | 6 | 1,07,36,63,426.00 | 28,08,74,446.10 |
| Total | | 34,98,18,24,792.61 | 10,82,67,19,874.89 |
| Net Assets Value Per Unit | | 14.1321 | 12.5339 |

Summary of Significant Accounting Policies

9(1)

The accompanying notes form an integral part of Balance Sheet

As per our report of even date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

For and on behalf of
LIC Pension Fund Ltd

Vinayak M. Padwal
Partner
Membership No.F49639

MD & CEO

Director

PLACE: Mumbai

Date:

PLACE: Mumbai

Date:

LIC Pension Fund Limited

Scheme 02: NPS TRUST A/C LIC PENSION FUND SCHEME-STATE GOVERNMENT

REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2013

| Particulars | Note | Year ended March 31, 2013 Rs. | Year ended March 31, 2012 Rs. |
|---|------|---|-------------------------------------|
| Income: | | | |
| Dividend | | 2,07,39,244.65 | 58,30,247.80 |
| Interest Income | 7 | 1,74,14,38,015.60 | 53,44,84,203.28 |
| Profit on sale of investment(Other than inter scheme transfer/sale) | | 7,27,12,138.95 | 1,42,60,296.46 |
| Total Revenue | | 1,83,48,89,399.20 | 55,45,74,747.54 |
| Expenses: | | | |
| Management Fees | | 23,94,748.04 | 59,007.86 |
| Custodian Fees | | 14,17,417.57 | 4,16,011.91 |
| Loss on Sale/Redemption of Investment | | 1,80,000.00 | - |
| Total Expenses | | 39,92,165.61 | 4,75,019.77 |
| Surplus | | 1,83,08,97,233.59 | 55,40,99,727.77 |
| Net Increase /(Decrease) in unrealised gain/(loss) on the value of Investment | | 59,95,54,980.75 | (6,39,74,593.11) |
| Surplus for the year Transferred to reserves | | 2,43,04,52,214.34 | 49,01,25,134.66 |
| % of Total Income to Daily Average Net Asset | | 8.4569% | 8.4585% |
| % of Total Expenses to Daily Average Net Asset | | 0.0184% | 0.0072% |
| Summary of Significant Accounting Policies | | 9(1) | |
| The accompaying notes form an integral part of Revenue Account | | | |
| As per our report of even date | | | |
| For and on behalf of KALYANIWALLA & MISTRY Chartered Accountants | | For and on behalf of LIC Pension Fund Ltd | |
| Vinayak M. Padwal Partner Membership No.F49639 | | MD & CEO | Director |
| PLACE: Mumbai Date: | | PLACE: Mumbai Date: | |

LIC Pension Fund Limited

Scheme 02: NPS TRUST A/C LIC PENSION FUND SCHEME-STATE GOVERNMENT NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Note 1 : Unit Capital

| Particulars | March 31, 2013 | | March 31, 2012 | |
|------------------------------|---------------------|--------------------|-------------------|-------------------|
| | Units | Rs. | Units | Rs. |
| Units of Rs. 10 each: | | | | |
| Outstanding: | | | | |
| At the beginning of the year | 86,21,87,810.0923 | 8,62,18,78,100.93 | 28,63,17,169.8186 | 2,86,31,71,698.19 |
| Issued during the Year | 1,61,42,31,640.5763 | 16,14,23,16,405.76 | 57,59,35,602.0575 | 5,75,93,56,020.58 |
| Repurchased during the year | (11,53,238.5812) | (1,15,32,385.81) | (64,961.7838) | (6,49,617.84) |
| | 2,47,52,66,212.0874 | 24,75,26,62,120.88 | 86,21,87,810.0923 | 8,62,18,78,100.93 |

Note 2 : Reserve & Surplus

| Particulars | March 31, 2013 | March 31, 2012 |
|--|---------------------------|--------------------------|
| | Rs. | Rs. |
| Unit Premium Reserve: | | |
| At the beginning of the year | 1,52,60,51,165.84 | 32,68,14,447.79 |
| Net Addition \ (Deduction) during the Year | 5,61,27,81,884.81 | 1,19,92,36,718.05 |
| Total Unit Premium | 7,13,88,33,050.65 | 1,52,60,51,165.84 |
| Surplus (Revenue Account) | | |
| Balance brought forward from previous year | 65,86,54,333.60 | 16,85,29,198.94 |
| Surplus for the current year | 2,43,04,52,214.34 | 49,01,25,134.66 |
| Total Surplus | 3,08,91,06,547.94 | 65,86,54,333.60 |
| Total | 10,22,79,39,598.59 | 2,18,47,05,499.44 |

Note 3 : Current Liabilities

| Particulars | March 31, 2013 | March 31, 2012 |
|--|---------------------|-----------------------|
| | Rs. | Rs. |
| Amount for redemption of units | 83,388.21 | 8,578.27 |
| Payable to brokers for Equity Purchase | - | 1,99,19,570.62 |
| Payable Management Fees | 8,88,843.46 | 22,544.88 |
| Payable Custodian Fees | 2,50,841.47 | 1,85,580.75 |
| Total | 12,23,073.14 | 2,01,36,274.52 |

LIC Pension Fund Limited

Scheme 02: NPS TRUST A/C LIC PENSION FUND SCHEME-STATE GOVERNMENT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Note 4 : Investment

| Particulars | March 31, 2013 | March 31, 2012 |
|------------------------|---------------------------|--------------------------|
| | Rs. | Rs. |
| Equity | 2,49,58,22,050.65 | 64,38,11,139.40 |
| Debenture and Bonds | 11,78,77,87,934.50 | 3,31,82,02,375.75 |
| Government Securities | 16,02,04,69,980.19 | 5,17,40,24,590.40 |
| Mutual Fund Investment | 44,69,25,716.27 | 25,22,72,447.34 |
| Commercial Papers | - | 28,32,51,253.90 |
| Total | 30,75,10,05,681.61 | 9,67,15,61,806.79 |

Note 5 : Deposits

| Particulars | March 31, 2013 | March 31, 2012 |
|-------------------------------|--------------------------|------------------------|
| | Rs. | Rs. |
| Deposits with Scheduled Banks | 3,15,71,55,685.00 | 87,42,83,622.00 |
| Total | 3,15,71,55,685.00 | 87,42,83,622.00 |

Note 6 : Other Current Assets

| Particulars | March 31, 2013 | March 31, 2012 |
|--------------------------------------|--------------------------|------------------------|
| | Rs. | Rs. |
| Balance with Trustee Bank | 9,41,78,797.41 | 1,50,51,649.47 |
| Interest Receivable-Deposits | 13,42,73,975.58 | 2,19,30,375.92 |
| Dividend Receivable | 10,34,113.00 | - |
| Outstanding and accrued Income | 75,67,82,379.98 | 23,98,37,062.88 |
| Receivable from Brokers | - | 40,48,394.84 |
| Brokerage receivable from LIC PFL | 2,66,061.75 | 6,962.99 |
| Amount receivable/payable to CRA | 547.63 | - |
| Inter scheme dues-receivable/payable | 8,50,27,550.65 | - |
| Redemption Receivable | 21,00,000.00 | - |
| Total | 1,07,36,63,426.00 | 28,08,74,446.10 |

LIC Pension Fund Limited

Scheme 02: NPS TRUST A/C LIC PENSION FUND SCHEME-STATE GOVERNMENT NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

Note 7 : Interest Income

| Particulars | March 31, 2013 | March 31, 2012 |
|---|--------------------------|------------------------|
| | Rs. | Rs. |
| Interest Income - Investments NCB \ NCD | 71,74,27,358.78 | 23,15,66,762.50 |
| Interest Income - IPO- NCB \ NCD | 47,96,848.84 | 12,46,356.00 |
| Interest Income - Investments GSEC | 84,86,49,646.72 | 26,86,25,705.70 |
| Interest Income - Deposits | 16,20,87,515.16 | 2,15,29,870.08 |
| Other Interest Income | 1,99,452.00 | - |
| Interest Income CP | 82,77,194.10 | 1,15,15,509.00 |
| Total | 1,74,14,38,015.60 | 53,44,84,203.28 |