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**PUNJAB GENERAL PROVIDENT INVESTMENT FUND**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2019**

EY Ford Rhodes  
Chartered Accountants  
96-B-I, 4th Floor, Pace Mall Building  
M. M. Alam Road, Gulberg-II  
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11  
Fax: +9242 3577 8412-13  
ey.lhr@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITOR'S REPORT

To the Government of Punjab

Report on the Audit of the Financial Statements for the year ended 30 June 2019

### Opinion

We have audited the financial statements of Punjab General Provident Investment Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2019, and the income statement, the statement of comprehensive income, the statement of changes in accumulated investment fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the fund as at 30 June 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as applicable in Pakistan and give the information required by the Punjab General Provident Investment Fund Act, 2009 ("the Act") and Punjab General Provident Investment Fund Rules, 2010 ("the Rules").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

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## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also provide to the members of the management committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) the accounts prepared for the year have been properly prepared in accordance with the relevant provision of the Act and the rules and according to such International Accounting Standards as generally apply in Pakistan;
- b) without prejudice to the foregoing, a true and fair view is given of the disposition of the Fund at the end of the accounting year and of the transactions of the Fund;
- c) the cost and expenses debited to the fund are as specified in the Act, rules or regulations; and
- d) proper books and records have been kept by the fund.

The engagement partner on the audit resulting in this independent auditor's report is Abdullah Fahad Masood.



EY Ford Rhodes  
Chartered Accountants  
Lahore: 09 February 2023



**PUNJAB GENERAL PROVIDENT INVESTMENT FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT 30 JUNE 2019**

	Note	30 June 2019			30 June 2018
		Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total
----- Rupees -----					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments	4	4,435,753,077	-	4,435,753,077	-
<b>Current assets</b>					
Investments	4	-	-	-	1,046,524,500
Accrued interest	5	232,676,948	-	232,676,948	7,572,833
Cash and cash equivalents	6	2,656,431,728	7,270,473	2,663,702,201	4,833,291,862
<b>TOTAL ASSETS</b>		<b>7,324,861,753</b>	<b>7,270,473</b>	<b>7,332,132,226</b>	<b>5,887,389,195</b>
<b>LIABILITIES</b>					
Accrued expenses	7	-	5,297,320	5,297,320	280,000
<b>TOTAL LIABILITIES</b>		<b>-</b>	<b>5,297,320</b>	<b>5,297,320</b>	<b>280,000</b>
Contingencies and commitments	8	-	-	-	-
<b>Net assets</b>		<b>7,324,861,753</b>	<b>1,973,153</b>	<b>7,326,834,906</b>	<b>5,887,109,195</b>
<b>Represented by:</b>					
Accumulated Investment Fund		<b>7,324,861,753</b>	<b>1,973,153</b>	<b>7,326,834,906</b>	<b>5,887,109,195</b>

The annexed notes 1 to 15 form an integral part of these financial statements.

  
 General Manager

  
 Private Member

  
 Chairman



PUNJAB GENERAL PROVIDENT INVESTMENT FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019

		30 June 2019			From 25 October 2017 to 30 June 2018
Note	Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total	
----- Rupees -----					
<b>INCOME</b>					
Interest income from:					
- Term Deposit Receipts	123,645,561	-	123,645,561	461,589	
- Bank deposits	161,504,974	152,998	161,657,972	7,568,410	
- Pakistan Investment Bond	231,778,498	-	231,778,498	-	
- Market Treasury Bills	107,142,048	-	107,142,048	373,200	
	624,071,081	152,998	624,224,079	8,403,199	
Realized gain / (loss) on fair value through OCI	(550,760)	-	(550,760)	-	
<b>Total income</b>	<b>623,520,321</b>	<b>152,998</b>	<b>623,673,319</b>	<b>8,403,199</b>	
<b>EXPENDITURE</b>					
Operating expenses	9 (101,088)	(7,517,486)	(7,618,574)	(481,940)	
<b>Total expenditure</b>	<b>(101,088)</b>	<b>(7,517,486)</b>	<b>(7,618,574)</b>	<b>(481,940)</b>	
<b>Income / (expense) for the year</b>	<b>623,419,233</b>	<b>(7,364,488)</b>	<b>616,054,745</b>	<b>7,921,259</b>	
Budgetary (payments) / receipts for the year	(9,614,642)	9,615,642	1,000	481,940	
<b>Net income for the year</b>	<b>613,804,591</b>	<b>2,251,154</b>	<b>616,055,745</b>	<b>8,403,199</b>	

The annexed notes 1 to 15 form an integral part of these financial statements.

  
General Manager

  
Private Member

  
Chairman




PUNJAB GENERAL PROVIDENT INVESTMENT FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019

Note	30 June 2019			From 25 October 2017 to 30 June 2018
	Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total
	----- Rupees -----			
Net income for the year	613,804,591	2,251,154	616,055,745	8,403,199
<u>Other comprehensive income</u>				
Items that are to be classified subsequently to income statement:				
Investment classified at Fair Value Through OCI:				
- unrealized (diminution) on remeasurement - net	4.1.1 (176,440,733)	-	(176,440,733)	-
- realized appreciation on remeasurement - net	(440,060)	-	(440,060)	(110,700)
	(176,880,793)	-	(176,880,793)	(110,700)
<b>Total comprehensive income for the year</b>	<b>436,923,798</b>	<b>2,251,154</b>	<b>439,174,952</b>	<b>8,292,499</b>

The annexed notes 1 to 15 form an integral part of these financial statements.

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General Manager

  
Private Member

  
Chairman



PUNJAB GENERAL PROVIDENT INVESTMENT FUND  
 STATEMENT OF CHANGES IN ACCUMULATED INVESTMENT FUND  
 FOR THE YEAR ENDED 30 JUNE 2019

	30 June 2019			30 June 2018
	Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total
	----- Rupees -----			
Balance at the beginning of the year	5,887,387,195	(278,000)	5,887,109,195	-
Amount contributed by the Government through the Reserve Fund	1,000,000,000	-	1,000,000,000	5,878,816,696
<b>Total comprehensive income for the year</b>				
Net income for the year	613,804,591	2,251,153	616,055,744	8,403,199
Other comprehensive income for the year				
- unrealized (diminution) on remeasurement - net	(176,880,793)	-	(176,880,793)	-
- realized gain on fair value through OCI	550,760	-	550,760	(110,700)
	437,474,558	2,251,153	439,725,711	8,292,499
<b>Balance at the end of the year</b>	<b>7,324,861,753</b>	<b>1,973,153</b>	<b>7,326,834,906</b>	<b>5,887,109,195</b>

The annexed notes 1 to 15 form an integral part of these financial statements.

  
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 General Manager

  
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 Private Member

  
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 Chairman

PUNJAB GENERAL PROVIDENT INVESTMENT FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019

	30 June 2019			30 June 2018
	Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total
	----- Rupees -----			
<b>Cash flow from operating activities</b>				
Net income for the year	613,804,591	2,251,154	616,055,745	8,403,199
<b>Adjustments for non cash item:</b>				
Interest from:				
Bank deposits	(161,504,974)	(152,998)	(161,657,972)	(7,568,410)
Term deposit receipts	(123,645,561)	-	(123,645,561)	(461,589)
Pakistan Investment Bond	(231,778,498)	-	(231,778,498)	-
Market Treasury Bills	(107,142,048)	-	(107,142,048)	(373,200)
Unrealised (diminution) on re-measurement of investments classified at fair value through profit or loss - net	(176,330,033)	-	(176,330,033)	-
	(800,401,114)	(152,998)	(800,554,112)	(8,403,199)
<b>Operating (loss) / profit before changes in working capital</b>	(186,596,523)	2,098,166	(184,498,367)	-
<b>Changes in working capital</b>				
(Decrease) in assets:				
Investments - net	(3,389,228,577)	-	(3,389,228,577)	(1,046,635,200)
Accrued interest	(225,104,115)	-	(225,104,115)	(7,572,833)
(Decrease) / Increase in liabilities:				
Accrued Expenses	(2,000)	5,019,320	5,017,320	280,000
<b>Net cash used in operations</b>	(3,800,931,215)	7,117,476	(3,793,813,739)	(1,053,928,033)
Interest from:				
Term Deposit Receipts	123,645,561	-	123,645,561	461,589
Bank deposits	161,504,974	152,998	161,657,972	7,568,410
Pakistan Investment Bond	231,778,498	-	231,778,498	-
Market Treasury Bills	107,142,048	-	107,142,048	373,200
<b>Net cash generated from investing activities</b>	624,071,081	152,998	624,224,079	8,403,199
<b>Cash flow from financing activities</b>				
Amount contributed by the Government through the Reserve Fund	1,000,000,000	-	1,000,000,000	5,878,816,696
<b>Cash generated from financing activities</b>	1,000,000,000	-	1,000,000,000	5,878,816,696
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	(2,176,860,134)	7,270,473	(2,169,589,661)	4,833,291,862
Cash and cash equivalents at beginning of the year	4,833,291,862	-	4,833,291,862	-
<b>Cash and cash equivalents at end of the year</b>	<b>2,656,431,728</b>	<b>7,270,473</b>	<b>2,663,702,201</b>	<b>4,833,291,862</b>

The annexed notes 1 to 15 form an integral part of these financial statements.

General Manager

Private Member

Chairman



# PUNJAB GENERAL PROVIDENT INVESTMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

The Punjab General Provident Investment Fund ("Fund") has been established under the Punjab General Provident Investment Fund Act 2009 ("Act") to generate revenue for the discharge of the General Provident Fund liabilities of the Government of Punjab. The Fund is a body corporate with perpetual succession and does not have any obligation towards payment for the benefit of employees of Punjab Government or any other entity. The Fund shall perform such functions and exercise such powers as are vested in it under the Act and the Punjab General Provident Investment Fund Rules 2010 ("Rules"). The management and administration of the Fund vests in the Management Committee notified under section 5 of the Act. The Fund is responsible for investing the funds in profitable avenues to generate revenue. Currently, the Fund has invested in a diversified portfolio of government securities, term deposit receipts and bank deposits. The registered office of the Fund is situated at 112 Tipu Block, Garden Town, Lahore.

#### 2 BASIS OF PREPERATION

##### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprises of:

- International Financial Reporting Standards (IFRS standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of the Punjab General Provident Investment Fund Act 2009, Punjab General Provident Investment Fund Rules 2010, directives issued by the Government of Punjab.

Where provisions of the Punjab General Provident Investment Fund Act 2009, Punjab General Provident Investment Fund Rules, 2010 or the directives issued by the Government of Punjab differ from the IFRS Standards and directives issued under the Companies Act, 2017, the provisions of the Punjab General Provident Investment Fund Act 2009, Punjab General Provident Investment Fund Rules, 2010 or the directives issued by the Government of Punjab have been followed.

The management of the fund has no intention to provide benefits to employees of the Government of Punjab from available funds on or after the termination of their services. Further, they are also not obliged to provide these benefits as per Act and Rules. Considering this fact, these financial statements are not prepared as per "IAS 26 Accounting and Reporting by Retirement Benefit Plans"

##### 2.2 New standards, interpretations and amendments applicable to the financial statements for the year ended 30 June 2019

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations effective for annual period beginning on 1 July 2018, as listed below. The Fund has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

##### New Standards, Interpretations and Amendments

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Considerations
IFRS 2	Classification and Measurement of Share
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment)
IAS 40	Transfers of Investment Property (Amendments)

##### IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Fund applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Fund has not restated the comparative information, which continues to be reported under IAS 39. Differences (if any) arising from the adoption of IFRS 9 have to be recognized directly in retained earnings and other components of equity.

##### Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Fund's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.



The assessment of the Fund's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Fund. The following are the changes in the classification of the Fund's financial assets:

#### Investments

These balances classified as 'Loans and receivables' as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortized cost beginning 1 July 2018.

The Fund has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Fund's financial liabilities.

In summary, upon the adoption of IFRS 9, the Fund had the following reclassifications as at 1 July 2018:

	IAS 39 measurement category	IFRS 9 measurement category
	Available for sale (Rupees)	Amortized Cost (Rupees)
Investments	1,046,524,500	1,046,524,500

#### Impairment

The adoption of IFRS 9 has changed the Fund's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach as mentioned in note 4.1. IFRS 9 requires the Fund to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. At the date of initial application of IFRS 9, there are no expected loss given default, hence there is no significant expected credit loss as of 01 July 2018.

Following is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Description	Provision for Doubtful Debts under IAS 39 as at 30 June 2018	Remeasurement	Allowance for ECL under IFRS 9 as at 1 July 2018
Available for sale financial assets under IAS 39 / Financial assets at amortized cost under IFRS 9	Nil	Nil	Nil

#### Hedge accounting

As at year end, the Fund does not have hedge relationships. Accordingly, IFRS 9 will not have an impact on Fund's financial statements.

#### Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9 Prepayment Features with Negative Compensation — (Amendments)	1 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures — (Amendments)	1 January 2018
IAS 19 Plan Amendment, Curtailment or Settlement — (Amendments)	1 January 2019
IFRS 3 Business Combinations - Previously held Interests in a joint operation — (Amendments)	1 January 2019
IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	1 January 2019
IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity 1 January 2019	1 January 2019
IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization	1 January 2019
IAS 1 Presentation of Financial Statements — (Amendments)	1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)	1 January 2020



The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application except for IFRS 16. The management is in the process of determining the effect of application of IFRS 16.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP (Securities and Exchange Commission of Pakistan) for the purpose of applicability in Pakistan:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 17 Insurance Contracts	1 January 2023

### 2.3 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain investments which are carried at fair value and amortized cost in accordance with the requirements of IFRS 9.

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

### 2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency. Figures have been rounded off to the nearest rupees.

### 2.5 Use of judgments and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The area where various assumptions and estimates are significant to Fund's financial statements or where judgments are exercised in application of accounting policies principally related to:

	Note
- classification, valuation and impairment if any, of investments	4

The carrying value of assets and liabilities having effects of above estimates are given in note no. 4.

## 3 Summary of significant accounting policies

### 3.1 Revenue recognition

- a) Gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- b) Dividend income is recognized when the Fund's right to receive dividend is established. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.



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

### **3.2 Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **3.2.1 Financial assets**

##### **Financial assets - initial recognition**

The Fund has adopted IFRS 9 Financial Instruments with effect from 1 July 2018. Accordingly, financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of trade debts and bank balance that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Fund's financial assets include long-term deposits, trade debts, loans and advances, other receivables and bank balances.

##### **Financial assets - subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at fair value through profit or loss
- b) Financial assets at amortized cost (debt instruments)
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

##### **a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.



Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in income statement.

This category includes derivative instruments and listed equity investments which the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the income statement when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Fund's financial assets at fair value through profit or loss includes sales tax refund bonds.

**b) Financial assets at amortized cost (debt instruments)**

This category is the most relevant to the Fund. The Fund measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in income statement when the asset is derecognized, modified or impaired.

The Fund's financial assets at amortized costs includes long term deposits, trade debts, advance to employees against salary and other receivables.

**c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)**

Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in income statement when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Fund does not have any financial assets designated at fair value through OCI (equity instruments).

**d) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)**

The Fund measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in income statement and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.



**Financial assets - Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a Fund of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

**Financial assets - Impairment**

The Fund recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade debts, the Fund applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Fund has established a provision matrix that is based on the Fund's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognized in income statement.

For bank balances, the Fund applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Fund reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in income statement.

**3.2.2 Financial liabilities****Financial liabilities - initial recognition**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Fund's financial liabilities include long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

**Financial liabilities - subsequent measurement****Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.



This category applies to long term loans, short term borrowings utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities.

**Financial liabilities - derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

**3.2.3 Impairment**

**Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised. For financial assets carried at cost, the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods. For financial assets' carried at amortized cost, the amount of impairment loss recognised is the difference between carrying amount and present value of estimated cash flows, discounted at effective interest rate.

**Non-financial assets**

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised previously. Reversal of an impairment loss is recognised immediately in the profit and loss account.

**3.3 Cash and cash equivalents**

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

**3.4 Provisions**

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

**3.5 Foreign currency translation**

Transactions denominated in foreign currencies are translated to Pak Rupee at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated 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.

**3.6 Transactions with related parties**

The Fund enters into transaction with related parties on mutually agreed terms and conditions.

**3.7 Taxation**

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







Note	30 June 2019			30 June 2018
	Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total
----- Rupees -----				
<b>5 Accrued interest</b>				
Term Deposit Receipts	-	-	-	461,589
Saving Accounts	27,772,942	-	27,772,942	7,111,244
Pakistan Investment Bond	204,904,006	-	204,904,006	-
	<u>232,676,948</u>	<u>-</u>	<u>232,676,948</u>	<u>7,572,833</u>

**6 Cash and cash equivalents**

Cash in hand	-	40,000	40,000	-
Cash at banks				
- saving accounts	6.1 2,656,431,728	7,230,473	2,663,662,201	3,663,291,862
- term deposit receipts - held to maturity	-	-	-	1,170,000,000
	<u>2,656,431,728</u>	<u>7,230,473</u>	<u>2,663,662,201</u>	<u>4,833,291,862</u>
	<u>2,656,431,728</u>	<u>7,270,473</u>	<u>2,663,702,201</u>	<u>4,833,291,862</u>

6.1 These are placed with commercial banks and carry interest rate ranging from 5.65% to 13.00% per annum (30 June 2018: 4.50% to 7.00%).

Note	30 June 2019			30 June 2018
	Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total
----- Rupees -----				
<b>7 Accrued expenses</b>				
Audit fee payable	-	700,000	700,000	278,000
Payable to Punjab Pension Fund	7.1 -	4,597,320	4,597,320	-
Other payable	-	-	-	2,000
	<u>-</u>	<u>5,297,320</u>	<u>5,297,320</u>	<u>280,000</u>

7.1 Punjab Pension Fund is a related party of the Fund due to common management and common control of the Government of Punjab.

**8 Contingencies and commitments**

There are no contingencies and commitments as at 30 June 2019 (2018: Nil).

Note	30 June 2019			From 25 October 2017 to 30 June 2018
	Punjab General Provident Investment Fund - Investment	Punjab General Provident Investment Fund - Expense Account	Punjab General Provident Investment Fund - Total	Punjab General Provident Investment Fund - Total
----- Rupees -----				

**9 Operating expenses**

Salaries & other benefits	-	3,708,974	3,708,974	202,258
Committee meeting fee	9.1 -	1,957,000	1,957,000	-
Auditors' remuneration	-	700,000	700,000	278,000
Rent	-	441,074	441,074	-
Printing and stationery	-	193,174	193,174	-
Utilities	-	102,217	102,217	-
Vehicle running and maintenance expenses	-	111,490	111,490	-
Communication expense	-	73,235	73,235	-
Brokerage Expense	63,725	-	63,725	-
Entertainment Expense	22,050	29,479	51,529	-
Traveling, lodging and boarding	-	40,708	40,708	-
Office and other expenses	-	34,551	34,551	-
Repair and maintenance	-	32,458	32,458	-
Bank Charges	15,313	3,867	19,180	1,682
EOBI expense	-	16,861	16,861	-
Training and development	-	16,356	16,356	-
Conveyance Expense	-	14,717	14,717	-
Advertisement	-	7,968	7,968	-
Courier and postage	-	1,693	1,693	-
Miscellaneous	-	31,664	31,664	-
	<u>101,088</u>	<u>7,517,486</u>	<u>7,618,574</u>	<u>481,940</u>

9.1 This fee represents the meeting fee paid to the members of different committees for attending meetings of the management committee and sub-committees.

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**10 Financial instruments**

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Management Committee has overall responsibility for the establishment and oversight of Fund's risk management framework. The Management Committee is also responsible for developing and monitoring the Fund's risk management policies.

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

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Fund's activities.

**10.1 Credit risk**

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the period 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. 7,332 million (2018: Rs 5,887 million) financial assets which are subject to credit risk amount to Rs. 2,896 million (2018: Rs. 4,841 million).

**10.1.1 Management of credit risk**

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

**10.1.2 Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	Statement of assets and liabilities 2019	Statement of assets and liabilities 2018
	Rupees	Rupees
Bank balances	2,663,662,201	3,663,291,862
Term deposit receipts	-	1,170,000,000
Accrued interest - <i>Saving Accounts</i>	232,676,948	7,572,833
	<b>2,896,339,149</b>	<b>4,840,864,695</b>

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. 4,436 million (2018: Rs. 1,046 million) relates to investments in Government Securities & other assets which are not considered to carry credit risk.

**10.1.3 Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 60.50% of the Fund'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 Fund's concentration of credit risk of financial instruments by industry distribution are as follows:

	2019		2018	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	2,663,662,201	91.97%	4,833,291,862	99.84%
Interest receivable(PIBs and Banks)	232,676,948	8.03%	7,572,833	0.16%
	<b>2,896,339,149</b>	<b>100%</b>	<b>4,840,864,695</b>	<b>100%</b>

The credit quality of bank balances and investments in term finance certificates that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:



	Rating 2019			Amount
	Short Term	Long Term	Agency	Rs.
<b>Bank Balances</b>				
The Bank of Punjab	A1+	AA	PACRA	8,188,212
Samba Bank Limited	A-1	AA	VIS	45,643
Soneri Bank Limited	A1+	AA-	PACRA	1,203,484,071
Sindh Bank Limited	A-1	A+	VIS	31,421
JS Bank Limited	A1+	AA-	PACRA	1,449,884,272
Habib Metropolitan Bank	A1+	AA+	PACRA	14,578
Allied Bank Limited	A1+	AAA	PACRA	2,014,004
				<u>2,663,662,201</u>
<b>Accrued Interest</b>				
Pakistan Investment Bonds	-	-	-	204,904,006
Soneri Bank Limited	A1+	AA-	PACRA	13,326,949
Habib Metropolitan Bank	A1+	AA+	PACRA	2,877,101
Samba Bank Limited	A-1	AA	VIS	385
Sindh Bank Limited	A-1	A+	VIS	265
JS Bank Limited	A1+	AA-	PACRA	11,568,242
				<u>232,676,948</u>
				<u>2,896,339,149</u>
				<u>2,896,339,149</u>
				<u>2,896,339,149</u>
	Rating 2018			Amount
	Short Term	Long Term	Agency	Rs.
<b>Bank Balances</b>				
The Bank of Punjab	A1+	AA	PACRA	152,833,916
Samba Bank Limited	A-1	AA	VIS	1,170,000,000
Soneri Bank Limited	A1+	AA-	PACRA	21,001
Sindh Bank Limited	A-1+	AA	VIS	1,170,436,945
JS Bank Limited	A1+	AA-	PACRA	1,170,000,000
				<u>3,663,291,862</u>
<b>Term Deposit Receipts and Accrued Interest</b>				
Soneri Bank Limited	A1+	AA-	PACRA	1,170,000,000
Soneri Bank Limited	A1+	AA-	PACRA	461,589
The Bank of Punjab	A1+	AA	PACRA	6,216,274
Samba Bank Limited	A-1	AA	VIS	448,767
JS Bank Limited	A1+	AA-	PACRA	446,203
				<u>1,177,572,833</u>
				<u>4,840,864,695</u>

These balances are linked to a sovereign entity, who can print the currency which is routinely held by central bank and other major local financial institutions, which qualitatively indicate that historical credit loss information should be minimally affected by current conditions and reasonable and supportable forecasts. As at the reporting date, the sovereign entity has never defaulted on any of its securities. Therefore, the Fund has not recorded any ECLs at the end of the reporting period. Credit risk from balances with financial institutions is managed by the Fund in accordance with the Fund's policy. The deposits are kept with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Fund's management on a quarterly basis, and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Being low risk instruments, the Fund had assessed an allowance based on 12-month ECLs. Based upon above mentioned high external credit ratings, ECLs relating to bank balances, accrued income and investments of the Fund rounds to zero.

## 10.2 Liquidity risk

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

### 10.2.1 Management of liquidity risk

The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Fund has effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. All liabilities are payable in respect of expenses as approved the management committee in budget for the period.

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### 10.2.2 Maturity analysis for financial liabilities

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

	30 June 2019		
	Carrying amount	Six months or less	Six to twelve months
	-----Rupees-----		
Audit fee payable	700,000	700,000	-
Punjab Pension Fund	4,597,320	4,597,320	-
Other payable	-	-	-
	<b>5,297,320</b>	<b>5,297,320</b>	-

	30 June 2018		
	Carrying amount	Six months or less	Six to twelve months
	-----Rupees-----		
Audit fee payable	278,000	278,000	-
Other payable	2,000	2,000	-
	<b>280,000</b>	<b>280,000</b>	-

### 10.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will effect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### 10.3.1 Management of market risks

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Management Committee and regulations laid down by the Punjab General Provident Investment Fund Act 2009 and Punjab General Provident Investment Fund Rules 2010. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk only.

#### Cash flow sensitivity analysis for variable rate instruments

If interest rates on the deposits with banks, at the year end date, fluctuate by 100 bps higher / lower with all other variables, net income for the year and 2018 would have been affected as follows:

	2019	2018
	Rupees	Rupees
Effect on net income of an increase	26,636,622	48,332,919
Effect on net income of a decrease	(26,636,622)	(48,332,919)

The effect may be higher / lower, mainly as a result of higher / lower mark-up income on investments.

The sensitivity analysis prepared is not necessarily indicative of the effects on the profit for the year and assets / liabilities of the Company.



11 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 'Fair Value Measurement' requires the Fund to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

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

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

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

	Carrying amount				Fair value			
	Available for sale	Deposits	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>As at 30 June 2019</b>								
<b>Financial assets - measured at fair value</b>								
Investments								
- Government securities	4,612,193,810	-	-	4,612,193,810	-	4,435,753,077	-	4,435,753,077
<b>Financial assets - not measured at fair value</b>								
Investments								
- Term deposit receipts	-	-	-	-	-	-	-	-
- Cash equivalents	-	2,663,662,201	-	2,663,662,201	-	-	-	-
- Accrued interest	-	232,676,948	-	232,676,948	-	-	-	-
	<b>4,612,193,810</b>	<b>2,896,339,149</b>	<b>-</b>	<b>7,508,532,959</b>	<b>-</b>	<b>4,435,753,077</b>	<b>-</b>	<b>4,435,753,077</b>
<b>Financial liabilities - not measured at fair value</b>								
- Audit fee payable	-	-	700,000	700,000	-	-	-	-
- Payable to Punjab Pension Fund	-	-	4,597,320	4,597,320	-	-	-	-
- Other payable	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>5,297,320</b>	<b>5,297,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	Carrying amount		Fair value					
	Available for sale	Deposits	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<u>As at 30 June 2018</u>								
<u>Financial assets - measured at fair value</u>								
Investments								
- Government securities	1,046,524,500	-	-	1,046,524,500	-	1,046,524,500	-	1,046,524,500
<u>Financial assets - not measured at fair value</u>								
Investments								
- Term deposit receipts	-	1,170,000,000	-	1,170,000,000	-	-	-	-
- Cash equivalents	-	3,663,291,862	-	3,663,291,862	-	-	-	-
- Accrued interest	-	7,572,833	-	7,572,833	-	-	-	-
	<u>1,046,524,500</u>	<u>4,840,864,695</u>	<u>-</u>	<u>5,887,389,195</u>	<u>-</u>	<u>1,046,524,500</u>	<u>-</u>	<u>1,046,524,500</u>
<u>Financial liabilities - not measured at fair value</u>								
- Audit fee payable	-	-	278,000	278,000	-	-	-	-
- Other payable	-	-	2,000	2,000	-	-	-	-
	-	-	<u>280,000</u>	<u>280,000</u>	-	-	-	-

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**11.1 Interest rate risk**

**11.1.1** 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 Funds interest rate exposure arises on investment in Government securities, term deposit receipts with banks and balances with banks in saving accounts. Currently all of the Fund's investment carry fixed interest rates. In addition, the Fund may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines. Other risk management procedures are the same as those mentioned in the credit risk management.

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

	Financial assets		Financial assets	
	2019		2018	
	Interest rate	Fair value	Interest rate	Fair value
	%	Rupees	%	Rupees
<b>Fixed rate instruments</b>				
Term Deposit Receipts	Nil	-	7.20	1,170,000,000
Treasury Bills	Nil	-	6.72	1,046,524,500
Bank balances	5.65 to 13.00	2,663,662,201	4.50 to 7.00	3,663,291,862
Pakistan Investment Bond	12.60 to 13.16	4,435,753,077	Nil	-
		<u>7,099,415,278</u>		<u>5,879,816,362</u>

**Fair value sensitivity analysis for fixed rate instruments**

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect income statement.

None of the financial liabilities carry any interest rate.

**Other price risk**

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

**Fair value sensitivity analysis**

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in market price at the reporting date would not affect income statement.

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**12 Transaction and balances with related parties**

The related parties comprise entities controlled and owned by the Government of Punjab, custodian of assets, members of Management Committee, companies where Management Committee members also hold directorship and key management employees. The Fund in the normal course of business carries out transactions with related parties. Details of transactions with and amounts due to / (from) related parties are as follows:

	<u>30 June 2019</u> <u>Fund - Total</u> Rupees	<u>30 June 2018</u> <u>Fund - Total</u> Rupees
<b>Transactions with</b>		
The Bank of Punjab - Income on savings account	3,920,708	6,237,494
<b>Balances with</b>		
The Bank of Punjab - Bank balances	8,188,212	152,833,916
Punjab Pension Fund - Payable balance	4,597,320	-

**13 Number of Employees**

The following are the number of persons employed

	<u>2019</u>	<u>2018</u>
Employees as at the year end	17	18
Average number of employees during the year	17	18

**14 General**

Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However, no significant reclassification has been made except for:

<b>Description</b>	<u>30 June 2019</u> Rupees
Reclassification of "Investments" from non-current assets to current assets	1,046,524,500

**15 Date of authorization for issue**

These financial statements were authorized for issue on 05 - December- 2022 by the Management Committee of the Fund.

*Signature*

  
\_\_\_\_\_  
General Manager

  
\_\_\_\_\_  
Private Member

  
\_\_\_\_\_  
Chairman