

Independent Auditor's Report

To the Members of Management Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of *Punjab Pension Fund* ("the Fund") which comprise the statement of assets and liabilities as at **June 30, 2019**, and the income statement, statement of comprehensive income, statement of movement in accumulated pension fund, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund **June 30, 2019**, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as applicable in Pakistan.

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 Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management Committee is responsible for the other information. Other information comprises the information included in the Annual report for the year ended 30 June, 2019, but does not include the financial statements and our auditor's report thereon. The Annual Report of 2019 is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



When we read Annual Report of 2019, if we conclude that there is material misstatement therein, we are required to communicate the matter to the Management Committee

Responsibilities of Management and Management Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

Management Committee is responsible for overseeing the Fund's financial reporting process.

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 communicate with the Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) financial statements of the Fund for the year ended June 30, 2019 have been prepared in accordance with the relevant provisions of the Punjab Pension Fund Act 2007 and the Punjab Pension Fund Rules 2007;
- b) proper books of account as required by the Punjab Pension Fund Act 2007 and the Punjab Pension Fund Rules 2007 have been kept by the fund; and
- c) expenditure incurred during the year was for the purpose of the Fund's business.

Other Matter

We also draw attention to the fact that the financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of auditors, whose report dated December 07, 2020 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Imran Afzal.


GRANT THORNTON ANJUM RAHMAN
Chartered Accountants
Lahore

Dated: December 05, 2022

Punjab Pension Fund
Statement of Assets and Liabilities
As at 30 June 2019

		30 June 2019			30 June 2018
		Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total
		----- Rupees -----			
ASSETS					
Cash and cash equivalents	5	19,653,778,277	92,585,342	19,746,363,619	17,355,504,004
Investments	6	37,742,224,558	-	37,742,224,558	35,119,685,320
Accrued interest / markup	7	1,775,527,694	803,657	1,776,331,351	719,849,798
Deposits, prepayments & other receivables	8	100,000	5,731,449	5,831,449	1,089,422
Operating fixed assets	9	-	4,531,694	4,531,694	1,724,343
Total assets		59,171,630,529	103,652,142	59,275,282,671	53,197,852,887
LIABILITIES					
Trustee fee payable		898,166	-	898,166	1,703,608
Accrued expenses	10	-	1,792,812	1,792,812	877,321
Total liabilities		898,166	1,792,812	2,690,978	2,580,929
Contingencies and commitments	11	-	-	-	-
Net assets		59,170,732,363	101,859,330	59,272,591,693	53,195,271,958
Represented by:					
Accumulated Pension Fund		59,170,732,363	101,859,330	59,272,591,693	53,195,271,958

The annexed notes 1 to 19 form an integral part of these financial statements.

Lahore

General Manager

Private Member

Chairman

Punjab Pension Fund
Income Statement
For the year ended 30 June 2019

		30 June 2019			30 June 2018
		Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total
Note		----- Rupees -----			
<u>Income</u>					
<i>Interest / markup income from:</i>					
- National Savings Account and Certificates		734,379,674	-	734,379,674	1,410,686,142
- Pakistan Investment Bonds		2,174,165,708	-	2,174,165,708	1,133,297,063
- Term Deposit Receipts		1,216,076,950	-	1,216,076,950	1,131,955,555
- Term Finance Certificates		85,414,950	-	85,414,950	37,285,703
- Bank deposits		860,106,431	6,399,756	866,506,187	222,869,548
- Market Treasury Bills		207,675,199	-	207,675,199	338,529,411
		5,277,818,912	6,399,756	5,284,218,668	4,274,623,422
'Realized gain / loss on fair value through OCI		(4,607,388)	-	(4,607,388)	(570,970)
Unrealised diminution on re-measurement of investments at "fair value through profit or loss" - net		(941,106,216)	-	(941,106,216)	-
Other Income		-	1,431	1,431	34,260
Total income		4,332,105,308	6,401,187	4,338,506,495	4,274,086,712
<u>Expenditure</u>					
Operating expenses	12	-	41,521,898	41,521,898	46,663,699
Trustee remuneration and safe custody charges		10,577,099	-	10,577,099	10,018,318
Auditor's remuneration	13	-	1,100,000	1,100,000	863,031
Legal and other professional charges		37,088	-	37,088	-
Bank charges		55,890	5,800	61,690	51,166
Total expenditure		10,670,077	42,627,698	53,297,775	57,596,214
Income / (expense) for the year		4,321,435,231	(36,226,511)	4,285,208,720	4,216,490,498
Budgetary (payments) / receipts for the year		(36,493,344)	36,493,344	-	-
Net income for the year		4,284,941,887	266,833	4,285,208,720	4,216,490,498

The annexed notes 1 to 19 form an integral part of these financial statements.

9/10/19

Lahore

General Manager

Private Member

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Punjab Pension Fund
Statement of Comprehensive Income
For the year ended 30 June 2019

	30 June 2019			30 June 2018	
	Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total	
Note	----- Rupees -----				
Net income for the year	4,284,941,887	266,833	4,285,208,720	4,216,490,498	
<u>Other comprehensive income</u>					
Items that are to be classified subsequently to income statement:					
Investments classified at Fair Value Through OCI:					
- unrealised (diminution) on remeasurement - net	6.2	(3,541,220,985)	-	(3,541,220,985)	(290,230,167)
Total comprehensive income for the year	743,720,902	266,833	743,987,735	3,926,260,331	

The annexed notes 1 to 19 form an integral part of these financial statements.



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General Manager


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Punjab Pension Fund

Statement of Movement in Accumulated Pension Fund

For the year ended 30 June 2019

	30 June 2019		30 June 2018	
	Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total
	----- Rupees -----			
Balance at the beginning of the year	53,093,679,461	101,592,497	53,195,271,958	49,269,011,627
Amount contributed by Punjab Government (through the Reserve Pension Fund)	5,333,332,000	-	5,333,332,000	-
<u>Total comprehensive income for the year</u>				
Net income for the year	4,284,941,887	266,833	4,285,208,720	4,216,490,498
Other comprehensive income for the year				
- unrealised (diminution) on remeasurement - net	(3,541,220,985)	-	(3,541,220,985)	(290,230,167)
	743,720,902	266,833	743,987,735	3,926,260,331
Balance at the end of the year	59,170,732,363	101,859,330	59,272,591,693	53,195,271,958

The annexed notes 1 to 19 form an integral part of these financial statements.

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Lahore

General Manager

Private Member

Chairman

Punjab Pension Fund
Cash Flow Statement
For the year ended 30 June 2019

		30 June 2019		30 June 2018
		Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total
	Note	----- Rupees -----		
<u>Cash flow from operating activities</u>				
Income / (expense) for the year		4,321,435,231	(36,226,511)	4,285,208,720
<u>Adjustments for non cash items:</u>				
Amortization of discount income		(60,908,974)	-	13,598,655
Unrealised diminution on re-measurement of investments at "fair value through profit or loss" - net		941,106,216	-	-
Depreciation on operating fixed assets	9	-	1,544,254	817,457
		880,197,242	1,544,254	14,416,112
Operating profit / (loss) before changes in working capital		5,201,632,473	(34,682,257)	4,230,906,610
<u>Changes in working capital</u>				
<u>(Increase) / decrease in assets:</u>				
Investments - net		(7,043,957,465)	-	(5,377,873,804)
Accrued interest / markup		(1,055,677,896)	(803,656)	15,545,763
Deposits, prepayments & other receivables		-	(4,742,027)	471,171
		(8,099,635,361)	(5,545,683)	(5,361,856,870)
<u>(Decrease) / increase in liabilities:</u>				
Trustee fee payable		(805,442)	-	948,232
Accrued Expenses		-	915,491	(40,609)
		(805,442)	915,491	907,623
Budgetary (payments) / receipts for the year		(36,493,344)	36,493,344	-
Net cash (used in) operations		(2,935,301,674)	(2,819,105)	(1,130,042,637)
<u>Cash flow from investing activities</u>				
Fixed assets purchased during the year		-	(4,351,606)	(600,010)
Net cash used in investing activities		-	(4,351,606)	(600,010)
<u>Cash flows from financing activities</u>				
Amount contributed by Punjab Government (through the Reserve Pension Fund)		5,333,332,000	-	-
Cash from financing activities		5,333,332,000	-	-
Net increase/(Decrease) in cash and cash equivalents during the year		2,398,030,326	(7,170,711)	(1,130,642,647)
Cash and cash equivalents at beginning of the year		17,255,747,951	99,756,053	18,486,146,651
Cash and cash equivalents at end of the year	5	19,653,778,277	92,585,342	17,355,504,004

The annexed notes 1 to 19 form an integral part of these financial statements.

Lahore

General Manager

Private Member

Chairman

1 Reporting entity

- 1.1 The Punjab Pension Fund ("the Fund") has been established under the Punjab Pension Fund Act 2007 ("the Act") to generate revenue for the discharge of pension liabilities of the Government of Punjab. The Fund is a body corporate with perpetual succession. The Fund shall perform such functions and exercise such powers as are vested in it under the Act and the Punjab Pension Fund Rules 2007 ("the Rules"). The management and administration of the Fund vests in the Management Committee notified under section 5 of the Act. 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, national saving scheme, term deposit receipts, debt securities and bank deposits.

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

Expenses incurred on operations of the Fund, including expenses relating to functioning of the Management Committee, are paid out of the trust property in the form of annual / supplementary budgets approved by the Management Committee. Budgetary amounts are transferred to separate Punjab Pension Fund - Expense Account ("the Expense") established by the Fund under the Rules, for incurring operational expenses of the Fund other than related to investments.

2 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules 2007 and in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") as notified under the Companies Act, 2017; and

Where provisions of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules, 2007 or the directives issued by the Government of Punjab differ with the requirements of accounting and reporting standards as applicable in Pakistan, the requirements of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules 2007 and the requirements of the said directives shall prevail.



2.1 Standards, amendments or interpretation that became effective during the year

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after July 1, 2018.

Following new standard has significant impact on the company's financial statement which is effective from July 1, 2018:

IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On July 1, 2018 (the date of initial application of IFRS 9), the Fund's management has assessed which business models apply to the financial assets held by the Fund and has classified its financial instruments into the appropriate IFRS 9 categories (i.e mainly financial assets previously classified as available for sale, held for trading have now been classified as Fair Value through OCI and Fair Value through P&L respectively').

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Fund

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2019. Other standards and amendments are not considered to be relevant or have significant impact.

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: 'Financial Instruments'.

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

3.1 Functional and presentation currency

These financial statements are presented in Pak Rupees ("Rs."), which is the Fund's functional and presentation currency.

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3.2 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 were exercised in application of accounting policies principally related to:

	<i>Note</i>
- useful life of depreciable assets	4.1
- classification, valuation and impairment if any, of investments	4.2
- provisions and contingencies	4.7

4 Summary of significant accounting policies

4.1 Operating fixed assets and depreciation

Owned assets

These are stated at cost less accumulated depreciation less accumulated impairment (if any). Depreciation is charged to income statement by applying the straight line method so as to write off the operating fixed assets over their expected useful life at the rates given in note 9. Depreciation is charged from the month of acquisition while no depreciation is charged in the month of disposal of asset. Normal repairs and maintenance are charged to income as and when incurred.

Donated assets

Non - monetary assets received under Decentralization Support Program from Government of Punjab are being recorded at nominal value.

Profit/loss on disposal of the fixed assets represented by difference between sale proceeds and the carrying amount of the assets is included in income statement.



4.2 Investments

The Fund classifies its investments as fair value through profit or loss, fair value through OCI and amortized cost.

4.2.1 Trade Date accounting

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

4.2.2 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.

4.2.3 Subsequent measurement

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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 fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognized in profit or loss. Dividends from such investments continue to be recognized in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

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4.2.4 Fair Value

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.

Fair value of financial assets is determined as follows:

a) Government securities

Fair value of government securities is determined at average rate obtained from PKRV rate sheet and quoted on Mutual Funds Association of Pakistan ("MUFAP") and such average rate based on remaining tenor of the security.

b) Debt securities

Fair value of debt securities, other than government securities, is determined on the basis of prices announced by the MUFAP in accordance with the Securities and Exchange Commission of Pakistan ("SECP") Circular No. 1 of 2009 and Circular 33 of 2012.

c) Listed shares

Fair value of listed shares is determined on basis of closing quoted market prices on the Pakistan Stock Exchange (PSX).

d) Mutual Fund Units

Fair value of mutual fund's units is determined with reference to the net asset value declared by the respective fund.

4.3 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) Interest income on government securities, treasury bills, bonds, TDRs and term finance certificates is recognized on an accrual basis using the effective interest rate method.
- d) Interest income on bank deposits and national saving schemes is recognized on accrual basis (effective interest rate method).

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4.4 Financial Liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed on profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

4.5 Off setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The following table explains the original measurement categories under IAS 39 and new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 July 2018:

4.5.1 Impact of adoption of IFRS-9

Financial assets	Original classification under IAS 39	New classification under IFRS 9
<u>Trust</u>		
Investments		
- government securities	Available for Sale	Fair Value Through OCI
- debt securities	Available for Sale	Fair Value Through OCI
- units of mutual fund	Held for Trading	Fair Value Through P&L
- term deposit receipts	Amortized Cost	Amortized Cost
- national saving scheme	Amortized Cost	Amortized Cost
Cash equivalents	Cash and cash equivalents	Amortized Cost
Accrued interest	Amortized Cost	Amortized Cost
Security deposits	Amortized Cost	Amortized Cost
<u>Expense</u>		
Cash equivalents	Amortized Cost	Amortized Cost
Security deposits	Amortized Cost	Amortized Cost

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Financial liabilities**Trust**

Trustee fee payable	Amortized Cost	Amortized Cost
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Expense

Audit fee payable	Amortized Cost	Amortized Cost
Other payable	Amortized Cost	Amortized Cost

4.6 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.

4.7 Provisions and contingencies

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.

The Fund reviews the status of all pending litigations and claims against the Fund. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized on the statement of assets and liabilities.

4.8 Impairment**Financial assets**

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non-financial assets

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



4.9 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 reporting date. All exchange gains/losses are taken to the income statement.

4.10 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.

4.11 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.

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5	Cash and cash equivalents	Note	2019			2018
			Trust	Expense	Fund - Total	Fund - Total
			----- Rupees -----			
	Cash in hand		-	40,000	40,000	40,000
	Cash at banks					
	- saving accounts	5.1	12,675,918,799	92,545,342	12,768,464,141	4,955,396,854
	- current accounts		6,977,859,478	-	6,977,859,478	73,150
	- term deposit receipts	5.2	-	-	-	12,399,994,000
			19,653,778,277	92,545,342	19,746,323,619	17,355,464,004
			19,653,778,277	92,585,342	19,746,363,619	17,355,504,004

5.1 These carry interest at the rate of 5.65% to 13.00% per annum (30 June 2018: 4.50% to 7.00% per annum).

5.2 (matured during the year) These were placed with commercial banks and carry interest at the rate of Nil per annum (30 June 2018: 7.20% per annum).

6	Investments	Note	2019			2018
			Trust	Expense	Fund - Total	Fund - Total
			----- Rupees -----			
	At amortised cost	6.1	-	-	-	15,970,862,500
	Fair value through OCI	6.2	33,183,330,774	-	33,183,330,774	19,148,822,820
	Fair value through P&L	6.3	4,558,893,784	-	4,558,893,784	-
			37,742,224,558	-	37,742,224,558	35,119,685,320

6.1 At amortised cost (Held to maturity)

Term Deposit Receipts	6.1.1	-	-	-	1,000,000,000
National Savings Account					
- Regular Income Certificates	6.1.2	-	-	-	3,900,000,000
National Savings Scheme					
- Special Savings Account	6.1.3	-	-	-	11,070,862,500
		-	-	-	15,970,862,500

6.1.1 Term Deposit Receipts ('TDR') have been placed with a commercial bank on 26 June 2014 with a tenure of 5 years and carries fixed interest / markup at the rate of Nil (30 June 2018: 12.05%) per annum receivable semi-annually.

6.1.2 These comprise of Regular Income Certificates issued by National Savings under National Savings Scheme of Government of Pakistan. The total issue comprises of 390 certificates of Rs. 10 million each. These were purchased on 19 November 2014 with a maturity period of 5 years. These certificates are encashable any time subject to deduction of service charges. These carried fixed interest at the rate of 12.30% (30 June 2018: 12.30%) per annum receivable monthly.

6.1.3 This represents deposits maintained in form of an account under National Savings Scheme of Government of Pakistan. These deposits had different issue dates, maturity dates and cash flows. These deposits were made for a period of 184 days. The amount can be withdrawn at par at any time after the date of its deposit, However no profit is payable in case the withdrawals are made before completion of 6 months of deposit. These carried fixed interest at the rate of 6.60% (30 June 2018: 6.60%) per annum receivable semi-annually.

6.2	Fair value through OCI	Note	Trust			
			Carrying value		Fair value	
			2019	2018	2019	2018
			----- Rupees -----			
	Government securities					
	- Pakistan Investment Bonds	6.2.1	34,072,431,014	10,940,837,528	32,386,619,184	12,789,995,110
	- Market Treasury Bills	6.2.2	-	5,472,249,975	-	5,470,831,410
	Debt securities					
	- Term Finance Certificates	6.2.3	802,385,428	886,000,000	796,711,590	887,996,300
			34,874,816,442	17,299,087,503	33,183,330,774	19,148,822,820
	Fair value adjustment - net		(1,691,485,668)	1,849,735,317		
			33,183,330,774	19,148,822,820		

6.3	Fair value through P&L	Note	Trust			
			Carrying value		Fair value	
			2019	2018	2019	2018
			----- Rupees -----			
	Units of Mutual Funds	6.3.1	5,500,000,000	-	4,558,893,784	-
			5,500,000,000	-	4,558,893,784	-
	Fair value adjustment - net		(941,106,216)	-		
			4,558,893,784	-		

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6.2.1 Government securities - Pakistan Investment Bonds ("PIBs")

Issue date	Tenure - Years	Face value				Balance as at 30 June 2019				Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2018	Purchases during the year	Sales / matured during the year	As at 30 June 2019	Carrying values	Fair values	Diminution in carrying value			
											%
31-Oct-06	20 - Years	25,000,000	-	-	25,000,000	22,467,309	21,319,931	(1,147,378)	0.04%	0.06%	
30-Aug-08	20 - Years	900,000,000	-	-	900,000,000	875,949,362	866,330,883	(9,618,479)	1.46%	2.30%	
30-Aug-08	30 - Years	750,000,000	-	-	750,000,000	744,243,947	731,131,081	(13,112,865)	1.23%	1.94%	
18-Aug-11	15 - Years	25,000,000	-	-	25,000,000	24,026,707	23,601,424	(425,282)	0.04%	0.06%	
18-Aug-11	20 - Years	6,075,000,000	-	-	6,075,000,000	5,895,383,745	5,776,351,064	(119,032,681)	9.75%	15.30%	
19-Jul-12	10 - Years	3,000,000,000	-	-	3,000,000,000	3,309,900,116	2,864,933,784	(444,966,332)	4.83%	7.59%	
12-Jul-18	10 - Years	-	17,962,500,000	-	17,962,500,000	14,124,583,087	13,416,438,001	(708,145,086)	22.64%	35.55%	
12-Jul-18	5 - Years	-	10,550,000,000	-	10,550,000,000	9,075,876,741	8,686,513,016	(389,363,726)	14.66%	23.02%	
		10,775,000,000	28,512,500,000	-	39,287,500,000	34,072,431,014	32,386,619,184	(1,685,811,830)	54.64%	85.81%	

- PIBs carry fixed interest at the rate ranging from 8.00% to 13.75% (30 June 2018: 10.50 % to 13.75 %) per annum receivable semi-annually.

6.2.2 Government Securities - Market Treasury Bills ("T-Bills")

Issue date	Tenure - Months	Face value				Balance as at 30 June 2019				Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2018	Purchases during the year	Sales / Matured during the year	As at 30 June 2019	Carrying value	Fair value	Appreciation / diminution in carrying value			
											%
26-Apr-18	3 Months	5,489,000,000	-	5,489,000,000	-	-	-	-	-	-	
19-Jul-18	3 Months	-	500,000,000	500,000,000	-	-	-	-	-	-	
2-Aug-18	3 Months	-	500,000,000	500,000,000	-	-	-	-	-	-	
30-Aug-18	3 Months	-	500,000,000	500,000,000	-	-	-	-	-	-	
11-Oct-18	3 Months	-	19,551,360,000	19,551,360,000	-	-	-	-	-	-	
25-Oct-18	3 Months	-	4,000,000,000	4,000,000,000	-	-	-	-	-	-	
		5,489,000,000	25,051,360,000	30,540,360,000	-	-	-	-	0.00%	0.00%	

- These bills were zero coupon and carried a yield ranging from 6.20% to 9.90% per annum (30 June 2018: 5.96% to 6.81% per annum)

6.2.3 Debt securities - Term Finance Certificates ("TFCs") & Sukuks

Name of issuer	Issue Date	Number of Certificates				Balance as at 30 June 2019				Fair value as percentage of net assets	Fair value as percentage of total investments
		As at 1 July 2018	Purchase during the year	Sales / Matured during the year	As at 30 June 2019	Carrying value	Fair value	Diminution in carrying value			
											%
WAPDA TFCs	27-Sep-13	100,000	-	-	100,000	178,571,428	177,455,357	(1,116,071)	0.30%	0.47%	
Dawood Hercules	16-Nov-17	1,210	-	-	1,210	108,900,000	108,541,828	(358,172)	0.18%	0.29%	
Dawood Hercules 2	1-Mar-18	3,000	-	-	3,000	300,000,000	299,400,000	(600,000)	0.51%	0.79%	
BOP-PPTFC-2 - Related Party	23-Apr-18	2,150	-	-	2,150	214,914,000	211,314,405	(3,599,595)	0.36%	0.56%	
		106,360	-	-	106,360	802,385,428	796,711,590	(5,673,838)	1.34%	2.11%	

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-WAPDA TFCs have face value of Rs. 5000 per certificate. The principal redemption of such TFCs is structured to be in fourteen equal semi-annual installments starting from 27 March 2015. These carry variable interest rate of 6 Month KIBOR plus 100 bps (30 June 2018: 6 Month KIBOR plus 100 bps) per annum receivable semi-annually.

-Dawood Hercules Sukuk have face value of Rs. 100,000 per certificate. The principal redemption of such Sukuks is structured to be in eight semi-annual installments starting from 16 May 2019. These carry variable interest rate of 3 Month KIBOR plus 100 bps (30 June 2018: 3 Month KIBOR plus 100 bps) per annum receivable quarterly.

-Dawood Hercules Sukuk 2 have face value of Rs. 100,000 per certificate. The principal redemption of such Sukuks is structured to be in eight semi-annual installments starting from 01 September 2019. These carry variable interest rate of 3 Month KIBOR plus 100 bps (30 June 2018: 3 Month KIBOR plus 100 bps) per annum receivable quarterly.

-BOP-PPTFC-2 (Related Party) have face value of Rs. 100,000 per certificate. The principal redemption of such PPTFCs is structured to be in twenty semi-annual installments starting from 23 October 2018. These carry variable interest rate of 6 Month KIBOR plus 125 bps (30 June 2018: 6 Month KIBOR plus 125 bps) per annum receivable semi-annually.

6.3 Fair value through P&L

6.3.1 Units of Mutual Funds

Name of issuer	Number of Certificates			Balance as at 30 June 2019			Fair value as percentage of net assets	Fair value as percentage of total investments
	As at 1 July 2018	Purchase during the year	Sales / Matured during the year	As at 30 June 2019	Carrying value	Fair value		
	Number of certificates			Rupees				
								%
NAFA Stock Fund	-	103,729,418	-	103,729,418	1,500,000,000	1,243,860,947	2.10%	3.30%
Al Ameen Shariah Stock Fund	-	5,431,409	-	5,431,409	700,000,000	594,793,606	1.00%	1.58%
UBL Stock Advantage Fund	-	11,096,316	-	11,096,316	750,000,000	636,484,687	1.07%	1.69%
National Investment (Unit) Trust	-	9,465,560	-	9,465,560	650,000,000	514,926,460	0.87%	1.36%
MCB Pakistan Stock Market Fund	-	11,794,969	-	11,794,969	1,100,000,000	935,443,668	1.58%	2.48%
Atlas Stock Market Fund	-	786,683	-	786,683	500,000,000	396,566,915	0.67%	1.05%
Lakson Equity Fund	-	2,600,039	-	2,600,039	300,000,000	236,817,501	0.40%	0.63%
	-	144,904,394	-	144,904,394	5,500,000,000	4,558,893,784	7.69%	12.08%

7 Accrued interest / markup

	30 June 2019		30 June 2018	
	Trust	Expense	Fund - Total	Fund - Total
Interest on Bank Accounts	97,565,004	803,657	98,368,660	-
Term Deposit Receipts	-	-	-	70,410,064
National Savings Account and Certificates	-	-	-	110,658,788
Pakistan Investment Bonds	1,662,082,195	-	1,662,082,195	527,628,637
Term Finance Certificates and Sukuks	15,880,495	-	15,880,495	11,152,309
	1,775,527,694	803,657	1,776,331,350	719,849,798

8 Deposits, prepayments & other receivables

Prepaid rent	-	354,129	354,129	329,422
Security deposits				
- Central Depository Company - Related Party	100,000	-	100,000	100,000
- Office building	-	780,000	780,000	660,000
Receivable from Punjab General Provident Investment Fund - Related Party	-	4,597,320	4,597,320	-
	100,000	5,731,449	5,831,449	1,089,422

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9 Operating fixed assets

2019						
	Cost		Rate %	Depreciation		Written Down Value as at 30 June 2019
	As at 01 July 2018	Additions during the year	As at 30 June 2019	As at 01 July 2018	Charge for the year	As at 30 June 2019
	Rupees			Rupees		
<u>Assets</u>						
Furniture and fittings	98,870	53,839	152,709	20	14,948	77,314
Office equipment	4,086,592	-	4,086,592	33.33	913,686	3,438,309
Motor vehicles	321,558	4,297,767	4,619,325	20	615,620	811,309
	<u>4,507,020</u>	<u>4,351,606</u>	<u>8,858,626</u>		<u>1,544,254</u>	<u>4,326,932</u>
						<u>4,531,694</u>
2018						
	Cost		Rate %	Depreciation		Written Down Value as at 30 June 2018
	As at 01 July 2017	Additions during the year	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018
	Rupees			Rupees		
<u>Assets</u>						
Furniture and fittings	56,750	42,120	98,870	20	5,616	62,366
Office equipment	3,656,702	429,890	4,086,592	33.33	809,708	2,524,623
Motor vehicles	193,558	128,000	321,558	20	2,133	195,688
	<u>3,907,010</u>	<u>600,010</u>	<u>4,507,020</u>		<u>817,457</u>	<u>2,782,677</u>
						<u>1,724,343</u>

Assets also include 136 number of assets (2018: 136 number of assets) received from Government of Punjab under Decentralisation Support Program in previous years and are being carried at nominal value.

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	30 June 2019			30 June 2018
	Trust	Expense	Fund - Total	Fund - Total
	----- Rupees -----			
10 Accrued expenses				
Audit fee payable	-	1,100,000	1,100,000	688,900
EOBI payable	-	431,580	431,580	47,100
Utilities payable	-	204,569	204,569	94,814
Security guard fee payable	-	-	-	39,440
Others	-	56,663	56,663	7,067
	-	<u>1,792,812</u>	<u>1,792,812</u>	<u>877,321</u>

11 Contingencies and commitments

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

	30 June 2019			30 June 2018
	Trust	Expense	Fund - Total	Fund - Total
	----- Rupees -----			
12 Operating expenses				
Salaries and wages	-	28,357,686	28,357,686	36,292,483
Rent	-	3,561,416	3,561,416	4,027,488
Utilities	-	1,416,668	1,416,668	1,070,707
Office and other expenses	-	1,325,775	1,325,775	1,033,537
Repair and maintenance	-	543,515	543,515	553,741
Vehicle running expenses	-	737,609	737,609	545,871
Fee and subscription	-	2,737,474	2,737,474	1,133,537
Depreciation on operating fixed assets	-	1,544,254	1,544,254	817,457
Printing and stationery	-	434,998	434,998	548,090
Travelling, lodging and boarding	-	328,696	328,696	136,245
Advertisement	-	64,334	64,334	47,022
EOBI expense	-	136,139	136,139	157,661
Courier and postage	-	13,667	13,667	16,682
Training and development	-	132,066	132,066	206,004
Miscellaneous	-	187,601	187,601	77,174
	-	<u>41,521,898</u>	<u>41,521,898</u>	<u>46,663,699</u>

13 Auditor's remuneration

Statutory audit fee	-	550,000	550,000	457,800
Half yearly review	-	330,000	330,000	191,100
Compliance review	-	220,000	220,000	191,100
Out of pocket expenses and other adjustments	-	-	-	23,031
	-	<u>1,100,000</u>	<u>1,100,000</u>	<u>863,031</u>

14 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.

14.1 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 year end it arises principally from debt securities held, term deposits, bank balances and profit/markup recoverable, etc. Out of the total financial assets of Rs. 59,270 million (2018: Rs. 53,196 million) financial assets which are subject to credit risk amount to Rs. 20,663 million (2018: Rs. 19,326 million).

14.1.1 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. Investments in government securities is risk free. Investment is made in scheduled banks having a minimum Long Term rating of "AA-".

14.1.2 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	2018
	Rupees	Rupees
Bank balances	19,746,323,619	4,955,470,004
Investments - Fair Value Through OCI	796,711,590	887,996,300
Term deposit receipts	-	13,399,994,000
Accrued interest on TFCs & Sukuks	15,880,495	81,562,373
Interest on Bank Accounts	98,368,660	-
Security deposits	880,000	760,000
Receivable from Punjab General Provident		
Investment Fund - Related Party	4,597,320	-
	<u>20,662,761,684</u>	<u>19,325,782,677</u>

Differences in balances as per the statement of assets and liabilities and maximum exposure in investments is due to the fact that investments of Rs. 38,607 million (2018: Rs. 33,870 million) relates to investments in Government Securities & other assets which are not considered to carry credit risk.

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14.1.3 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 65.14% (2018: 63.67%) of the Fund's financial assets are in Government securities, while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties having higher credit rating from the benchmark credit ratings as mentioned in Punjab Pension Fund investment policy, 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	19,844,692,279	96.04%	18,425,874,068	95.34%
Miscellaneous	818,069,405	3.96%	899,908,609	4.66%
	20,662,761,684	100%	19,325,782,677	100%

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:

<u>Bank Balances</u>	Rating 2019		Agency	Amount
	Short Term	Long Term		Rs.
Bank of Punjab	A1+	AA	PACRA	4,547,730
Faysal Bank Limited	A-1+	AA	PACRA	52,719
Bank Alfalah Limited	A1+	AA+	PACRA	578,497
Bank Al-Habib Limited	A1+	AA+	PACRA	2,036
Allied Bank Limited	A1+	AAA	PACRA	6,977,773,394
Askari Bank Limited	A1+	AA+	PACRA	14,210
Habib Bank Limited	A-1+	AAA	VIS	9,595
Samba Bank Limited	A-1	AA	VIS	1,061,288,363
Soneri Bank Limited	A1+	AA-	PACRA	3,537,063,092
Sindh Bank Limited	A-1	A+	VIS	31,926
United Bank Limited	A-1+	AAA	VIS	22,327
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	5,032,253,187
JS Bank Limited	A1+	AA-	PACRA	3,132,678,516
MCB Bank Limited (formerly NIB Bank Limited)	A1+	AAA	PACRA	8,027
				19,746,323,619
<u>Term Finance Certificates</u>				
WAPDA-TFC	-	AAA	MUFAP	183,096,061
Dawood Hercules	-	AA	MUFAP	110,280,707
Dawood Hercules 2	-	AA	MUFAP	302,822,466
BOP-PPTFC-2	-	AA-	MUFAP	216,392,850
				812,592,084
				20,558,915,703

<u>Bank Balances</u>	Rating 2018		Agency	Amount
	Short Term	Long Term		Rs.
Bank of Punjab	A1+	AA	PACRA	140,054,725
Bank Alfalah Limited	A-1+	AA+	VIS	96,667,561
Bank Al-Habib Limited	A1+	AA+	PACRA	2,023
Allied Bank Limited	A1+	AA+	PACRA	2,179
Askari Bank Limited	A1+	AA+	PACRA	14,210
Habib Bank Limited	A-1+	AAA	VIS	9,595
Samba Bank Limited	A-1	AA	VIS	1,501,165,555
Soneri Bank Limited	A1+	AA-	PACRA	9,365

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Sindh Bank Limited	A-1+	AA	VIS	12,203
United Bank Limited	A-1+	AAA	VIS	22,327
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	13,322
JS Bank Limited	A1+	AA-	PACRA	3,217,488,912
MCB Bank Limited (formerly NIB Bank Limited)	A1	A	PACRA	8,027
				<u>4,955,470,004</u>

Term Deposit Receipts

Bank of Punjab	A1+	AA	PACRA	1,000,000,000
Bank Alfalah Limited	A-1+	AA+	VIS	4,002,367,123
Soneri Bank Limited	A1+	AA-	PACRA	3,403,353,425
Habib Metropolitan Bank	A1+	AA+	PACRA	5,004,925,501
				<u>13,410,646,049</u>

Term Finance Certificates & Sukuks

WAPDA-TFC	-	AAA	MUFAP	256,531,459
Dawood Hercules	-	AA	PACRA	122,362,825
Dawood Hercules 2	-	AA	PACRA	302,117,088
BOP-PPTFC-2	-	AA-	PACRA	218,137,238
				<u>899,148,610</u>
				<u>19,265,264,663</u>

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed on sale.

Management of risk

For the vast majority of transactions, the Fund mitigates this risk by conducting settlements through a broker or bank to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

14.2 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.

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14.2.1 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 year.

14.2.2 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	One to Two years	Two to five years
-----Rupees-----					
Trustee fee payable	898,166	898,166	-	-	-
Audit fee payable	1,100,000	1,100,000	-	-	-
Other payable	692,812	692,812	-	-	-
	<u>2,690,978</u>	<u>2,690,978</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2018					
	Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
-----Rupees-----					
Trustee fee payable	1,703,608	1,703,608	-	-	-
Audit fee payable	688,900	688,900	-	-	-
Other payable	141,321	141,321	-	-	-
	<u>2,533,829</u>	<u>2,533,829</u>	<u>-</u>	<u>-</u>	<u>-</u>

14.3 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.

14.3.1 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 Pension Fund Act 2007 and Punjab Pension Fund Rules 2007. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to interest rate risk and price risk only.

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14.3.2 Interest / markup rate risk

Interest / markup 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 / markup rates. Currently the Funds interest / markup rate exposure arises on investment in the Government securities, term finance certificates, deposit in national savings account, term deposit receipts with banks and balance with bank on saving account. Currently all of the Fund's investment carry fixed interest / markup rates except for investments in some of the Term Finance Certificates. 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.

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

	Financial assets			
	2019		2018	
	Interest rate (in Percentage)	Fair value Rupees	Interest rate (in Percentage)	Fair value Rupees
<u>Fixed rate instruments</u>				
Pakistan Investment Bonds	8.00 to 13.75	32,386,619,184	10.05 to 13.75	12,789,995,110
Term Deposit Receipts	-	-	7.20 to 12.05	13,399,994,000
National Savings Account	-	-	6.60 to 12.30	14,970,862,500
Bank balances	5.65 to 13.00	12,768,464,141	4.50 to 7.00	4,955,396,854
		<u>45,155,083,325</u>		<u>46,116,248,464</u>
<u>Variable rate instruments</u>				
Term Finance Certificates and Sukuks	3-6 month KIBOR + 100 bps to 6 month KIBOR + 125 bps	796,711,590	3-6 month KIBOR + 100 bps to 6 month KIBOR + 125 bps	887,996,300

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.

Cash flow sensitivity analysis for variable rate instruments

14.3.2.2 As at 30 June 2019

Cash flow sensitivity-Variable rate financial asset

Profit and loss 100 bps	
Increase	Decrease
----- Rupees -----	
<u>7,967,116</u>	<u>(7,967,116)</u>

As at 30 June 2018

Cash flow sensitivity-Variable rate financial asset

<u>8,879,963</u>	<u>(8,879,963)</u>
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None of the financial liabilities carry any interest rate.

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

14.3.3 Price risk

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. The Fund is exposed to price risk as the Fund holds investments in PIBs amounting to Rs. 32,387 million.

Fair value sensitive analysis

The Fund has financial assets at fair value through profit or loss. Therefore a change in market price at the reporting date would affect income statement.

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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.

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 recognised 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.

2024

Financial assets - measured at fair value

Investments

Financial assets - not measured at fair value

Investments

Cash and cash equivalents
Security deposits

Trustee fee payable

<u>Audit fee payable</u>	
Other payable	

Carrying amount		Fair value					
Available for sale	Deposits	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----							
16,413,087,503	-	-	16,413,087,503	-	18,260,826,520	-	18,260,826,520
886,000,000	-	-	886,000,000	887,996,300	-	-	887,996,300
-	1,000,000,000	-	1,000,000,000	-	-	-	-
-	14,970,862,500	-	14,970,862,500	-	-	-	-
-	17,255,747,951	-	17,255,747,951	-	-	-	-
-	719,849,798	-	719,849,798	-	-	-	-
-	100,000	-	100,000	-	-	-	-
-	99,716,053	-	99,716,053	-	-	-	-
-	660,000	-	660,000	-	-	-	-
17,299,087,503	34,046,936,302	-	51,346,023,805	887,996,300	18,260,826,520	-	19,148,822,820
-	-	1,703,608	1,703,608	-	-	-	-
-	-	688,900	688,900	-	-	-	-
-	-	141,321	141,321	-	-	-	-
-	-	2,533,829	2,533,829	-	-	-	-

16 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:

Name of Parties	Relationship	Transactions	30 June 2019		30 June 2018	
			Trust	Expense	Fund - Total	Fund - Total
			-----Rupees-----			
<i>Central Depository Company of Pakistan Limited</i>	Trustee	Fee for the year	10,569,754	-	10,569,754	10,010,968
<i>Central Depository Company of Pakistan Limited</i>	Trustee	Custody Fee	7,345	-	7,345	7,350
<i>Bank of Punjab</i>	Under Common Control	Income on term deposit receipts	118,849,315	-	118,849,315	120,500,000
<i>Bank of Punjab</i>	Under Common Control	Income on savings account realised during the year	53,835,526	6,399,756	60,235,282	36,969,180
<i>Members of Management Committee</i>	Key Management Personnel	Salary and bonus paid to General Manager	-	14,700,000	14,700,000	14,700,000
<i>Members of Management Committee</i>	Key Management Personnel	Meeting fee paid to members	-	1,103,000	1,103,000	1,100,000
Balances with						
<i>Central Depository Company of Pakistan Limited</i>	Trustee	Fee payable	898,166	-	898,166	1,703,608
<i>Bank of Punjab</i>	Under Common Control	Bank balances	9,567,393	93,348,998	102,916,391	140,054,725
<i>Bank of Punjab</i>	Under Common Control	Term Deposit Receipts	-	-	-	1,000,000,000
<i>Bank of Punjab</i>	Under Common Control	Term Finance Certificate	211,314,405	-	211,314,405	215,000,000

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17 Number of Employees

The following are the number of persons employed

	2019 (Number of Persons)	2018
Employees as at the year end	17	18
Average number of employees during the year	17	18

18 Date of authorization for issue

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


19 General

19.1 All financial information has been rounded to the nearest rupee, except when otherwise indicated.

19.2 Corresponding figures have been re-arranged or reclassified, where ever considered necessary, for the purpose of better presentation of the financial statements. However, no significant reclassification has been made in these financial statements.

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Lahore



General Manager



Private Member



Chairman