

Punjab Pension Fund

Financial Statements
for the year ended 30 June 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

To the members of Management Committee

Report on the audit of the Financial Statements

We have audited the annexed financial statements of **Punjab Pension Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, and the income statement, statement of comprehensive income, statement of movement in accumulated pension fund and 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 and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, related income statement, statement of comprehensive income, statement of movement in accumulated pension fund and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Punjab Pension Fund Act, 2007 ("the Act") and Punjab Pension Fund Rules, 2007 ("the Rules") and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2018 and of the income, the comprehensive income, the movement in accumulated pension fund and its cash flows for the year then ended.

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 is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial statements and our auditor's report thereon.

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

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In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the accounting and reporting standards as applicable in Pakistan and the Act and Rules and the requirements of Companies Act, 2017(XIX of 2017) 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.

Members of the management committee are 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.

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- 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 members of 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) proper books of account have been kept by the Fund as required by the Act and the Rules and the Companies Act, 2017 (XIX of 2017);
- b) the statement of assets and liabilities, the income statement, the statement of comprehensive income, the statement of movement in accumulated pension fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Act and the Rules and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Fund's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Kamran Iqbal Yousafi.

Lahore

Date: 07 December 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

Punjab Pension Fund
Statement of Assets and Liabilities
As at 30 June 2018

	Note	30 June 2018		30 June 2017	
		Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total
----- Rupees -----					
ASSETS					
Cash and cash equivalents	4	17,255,747,951	99,756,053	17,355,504,004	18,486,146,651
Investments	5	35,119,685,320	-	35,119,685,320	30,045,640,338
Accrued interest	6	719,849,798	-	719,849,798	735,395,561
Deposits and prepayments	7	100,000	989,422	1,089,422	1,560,593
Operating fixed assets	8	-	1,724,343	1,724,343	1,941,790
Total assets		53,095,383,069	102,469,818	53,197,852,887	49,270,684,933
LIABILITIES					
Trustee fee payable		1,703,608	-	1,703,608	755,376
Accrued expenses	9	-	877,321	877,321	917,930
Total liabilities		1,703,608	877,321	2,580,929	1,673,306
Contingencies and commitments	10				
Net assets		53,093,679,461	101,592,497	53,195,271,958	49,269,011,627
Represented by:					
Accumulated Pension Fund		53,093,679,461	101,592,497	53,195,271,958	49,269,011,627

The annexed notes 1 to 18 form an integral part of these financial statements.

ASSEMBLY

Lahore

General Manager

Private Member

Chairman

Punjab Pension Fund

Income Statement

For the year ended 30 June 2018

	30 June 2018		30 June 2017	
	Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total

Note ----- Rupees -----

Income

Interest income from:

- National Savings Account and Certificates
- Pakistan Investment Bonds
- Term Deposit Receipts
- Term Finance Certificates
- Bank deposits
- Market Treasury Bills

1,410,686,142	-	1,410,686,142	1,989,248,445
1,133,297,063	-	1,133,297,063	1,034,009,888
1,131,955,555	-	1,131,955,555	876,800,065
37,285,703	-	37,285,703	25,465,591
219,061,959	3,807,589	222,869,548	40,971,850
338,529,411	-	338,529,411	10,993,083
4,270,815,833	3,807,589	4,274,623,422	3,977,488,922

Net capital loss on available
for sale investments

(570,970)

(570,970)

(12,783)

Other income

-

34,260

34,260

6,774

Total income

4,270,244,863

3,841,849

4,274,086,712

3,977,482,913

Expenditure

- Operating expenses 11
- Trustee remuneration and safe custody charges
- Legal and other professional charges
- Auditor's remuneration 12
- Bank charges

-	46,663,699	46,663,699	42,980,039
10,018,318	-	10,018,318	8,782,391
-	-	-	4,000
-	863,031	863,031	977,692
44,844	6,322	51,166	28,729

Total expenditure

10,063,162

47,533,052

57,596,214

52,772,851

Income / (expense) for the year

4,260,181,701

(43,691,203)

4,216,490,498

3,924,710,062

Budgetary (payments) / receipts for the year

(77,914,621)

77,914,621

-

-

Net income for the year

4,182,267,080

34,223,418

4,216,490,498

3,924,710,062

The annexed notes 1 to 18 form an integral part of these financial statements.

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Lahore

General Manager

Private Member

Chairman

Punjab Pension Fund
Statement of Comprehensive Income
For the year ended 30 June 2018

	30 June 2018		30 June 2017		
	Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total	
	Note ----- Rupees -----				
Net income for the year	4,182,267,080	34,223,418	4,216,490,498	3,924,710,062	
<u>Other comprehensive income</u>					
Items that are to be classified subsequently to income statement:					
<i>Available-for-sale investments:</i>					
- unrealised (diminution) / appreciation on remeasurement - net	5.2	(290,230,167)	-	(290,230,167)	100,436,041
Total comprehensive income for the year	3,892,036,913	34,223,418	3,926,260,331	4,025,146,103	

The annexed notes 1 to 18 form an integral part of these financial statements.

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Lahore

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General Manager

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Private Member

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Chairman

Punjab Pension Fund
Statement of Movement in Accumulated Pension Fund
For the year ended 30 June 2018

	30 June 2018		30 June 2017
	Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total
	----- Rupees -----		
Balance at the beginning of the year	49,201,642,548	67,369,079	49,269,011,627
Amount contributed by the Government of Punjab through the Reserve Pension Fund	-	-	5,000,000,000
<u>Total comprehensive income for the year</u>			
Net income for the year	4,182,267,080	34,223,418	4,216,490,498
Other comprehensive income for the year	(290,230,167)	-	(290,230,167)
	3,892,036,913	34,223,418	3,926,260,331
Balance at the end of the year	53,093,679,461	101,592,497	53,195,271,958

The annexed notes 1 to 18 form an integral part of these financial statements.

18/07/2018

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General Manager


Private Member


Chairman

Punjab Pension Fund

Cash Flow Statement

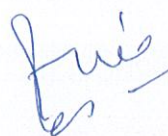
For the year ended 30 June 2018

	30 June 2018		30 June 2017	
	Punjab Pension Fund Trust	Punjab Pension Fund - Expense Account	Punjab Pension Fund - Total	Punjab Pension Fund - Total
Note ----- Rupees -----				
<u>Cash flow from operating activities</u>				
Income / (expense) for the year	4,260,181,701	(43,691,203)	4,216,490,498	3,924,710,062
<u>Adjustments for non cash items:</u>				
Amortization of discount income	13,598,655	-	13,598,655	(15,815,528)
Depreciation on operating fixed assets	-	817,457	817,457	516,772
	13,598,655	817,457	14,416,112	(15,298,756)
	4,273,780,356	(42,873,746)	4,230,906,610	3,909,411,306
<u>(Increase) / decrease in assets:</u>				
Investments - net	(5,377,873,804)	-	(5,377,873,804)	(1,386,161,883)
Accrued interest	15,545,763	-	15,545,763	(60,333,174)
Deposits and prepayments	-	471,171	471,171	(44,343)
	(5,362,328,041)	471,171	(5,361,856,870)	(1,446,539,400)
<u>(Decrease) / increase in liabilities:</u>				
Trustee fee payable	948,232	-	948,232	62,545
Accrued Expenses	-	(40,609)	(40,609)	(2,266,797)
	948,232	(40,609)	907,623	(2,204,252)
Budgetary (payments) / receipts for the year	(77,914,621)	77,914,621	-	-
Net cash generated from operations	(1,165,514,074)	35,471,437	(1,130,042,637)	2,460,667,654
<u>Cash flow from investing activities</u>				
Fixed assets purchased	-	(600,010)	(600,010)	(2,188,837)
Net cash used in investing activities	-	(600,010)	(600,010)	(2,188,837)
<u>Cash flow from financing activities</u>				
Amount contributed by the Government of Punjab through the Reserve Pension Fund	-	-	-	5,000,000,000
Cash generated from financing activities	-	-	-	5,000,000,000
Net increase in cash and cash equivalents during the year	(1,165,514,074)	34,871,427	(1,130,642,647)	7,458,478,817
Cash and cash equivalents at beginning of the year	18,421,262,025	64,884,626	18,486,146,651	11,027,667,834
Cash and cash equivalents at end of the year	17,255,747,951	99,756,053	17,355,504,004	18,486,146,651


The annexed notes 1 to 18 form an integral part of these financial statements.

18/07/18

Lahore



General Manager



Private Member



Chairman

Punjab Pension Fund

Notes to the Financial Statements

For the year ended 30 June 2018

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 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Punjab Pension Fund Act 2007, Punjab Pension Fund Rules 2007 and 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
- Provisions of and directives issued under the Companies Act, 2017.

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.

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2.2 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 International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees ("Rs."), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.4 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	3.1
- classification, valuation and impairment if any, of investments	3.2
- provisions and contingencies	3.7

3 Summary of significant accounting policies

3.1 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 8. 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 fixed assets represented by the difference between the sale proceeds and the carrying amount of the assets is included in income statement.

3.2 Investments

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

14/07/2014

3.2.1 Trade date accounting

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

3.2.2 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.

3.2.3 Subsequent measurement

Financial assets at fair value through profit or loss

These include investments which are acquired principally for the purpose of generating profit from short term fluctuations in prices and are classified as financial assets at fair value through profit or loss. These are stated at fair values with any resulting surplus / (deficit) recognized in the income statement.

Held to maturity

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

Available-for-sale

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition financial assets classified as 'Loans and receivables' are carried at amortized cost using the effective interest method. Gain or loss is also recognized in the 'income statement' when financial assets carried at amortized cost are derecognized or impaired, and through the amortization process.

3.2.4 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 the average rate obtained from PKRV rate sheet and quoted on Mutual Funds Association of Pakistan ("MUFAP") and such average rate shall be based on the remaining tenor of the security.

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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 the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

d) **Mutual Fund**

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

3.3 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) 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.

3.4 Financial instruments

- (i) Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognized when the Fund loses control of the contractual rights that comprise the financial asset.
- (iii) Financial liabilities are de-recognized when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.
- (iv) Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.
- (v) Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.
- (vi) The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.5 Off setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if the Fund has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

3.6 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.

14/07/2014

3.7 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 at the balance sheet date.

3.8 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.

3.9 Foreign currency translation

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

3.10 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.

3.11 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.

M/11/15/1/1

3.12 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

There were certain other new standards and amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed.

In addition to the above, following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 July 2018.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. The management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model and considers that the impact would not be significant.

The following new or amended standards / interpretations are not relevant to the Fund and so are not expected to have an impact on these financial statements:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
- IFRS 2 - Share-based Payment	01 January 2018
- IAS 40 - Investment Property	01 January 2018
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
- IFRS 15 - Revenue from Contracts with Customers	01 July 2018
- IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
- IFRS 16 - Leases	01 January 2019

Annual improvements to IFRS standards 2015-2017 cycle. The new cycle of improvements addresses improvements to following approved accounting standard

	Effective date (accounting periods beginning on or after)
- Amendments to IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangement	01 January 2019
- Amendments to IAS 12 - Income Taxes	01 January 2019
- Amendments to IAS 23 - Borrowing Costs	01 January 2019
- Amendments to IAS 19 - Employee Benefits	01 January 2019
- Amendments to IAS 28 - Investments in Associates and Joint Ventures	01 January 2019

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	Note	2018			2017
		Trust	Expense	Fund - Total	Fund - Total
----- Rupees -----					
4 Cash and cash equivalents		-	40,000	40,000	40,000
Cash in hand					
Cash at banks					
- saving accounts	4.1	4,855,680,801	99,716,053	4,955,396,854	7,685,716,865
- current accounts		73,150	-	73,150	389,786
- term deposit receipts	4.2	12,399,994,000	-	12,399,994,000	10,800,000,000
		17,255,747,951	99,716,053	17,355,464,004	18,486,106,651
		17,255,747,951	99,756,053	17,355,504,004	18,486,146,651

4.1 These carry interest at the rate of 4.50% to 7.00% per annum (30 June 2017: 4.50% to 6.50% per annum).

4.2 These are placed with commercial banks and carry interest at the rate of 7.20% per annum (30 June 2017: 6.26% to 6.61% per annum) which are due to mature latest by 28 September 2018.

	Note	2018			2017
		Trust	Expense	Fund - Total	Fund - Total
----- Rupees -----					
5 Investments					
Deposits	5.1	15,970,862,500	-	15,970,862,500	20,057,919,101
Available for sale	5.2	19,148,822,820	-	19,148,822,820	9,987,721,237
		35,119,685,320	-	35,119,685,320	30,045,640,338

5.1 Deposits

Term Deposit Receipt	5.1.1	1,000,000,000	-	1,000,000,000	1,000,000,000
National Savings Account					
- Regular Income Certificates	5.1.2	3,900,000,000	-	3,900,000,000	3,900,000,000
National Savings Scheme					
- Special Savings Account	5.1.3	11,070,862,500	-	11,070,862,500	15,157,919,101
		15,970,862,500	-	15,970,862,500	20,057,919,101

5.1.1 Term Deposit Receipt ('TDR') has been placed with a commercial bank on 26 June 2014 with a tenure of 5 years and carries fixed interest at the rate of 12.05% (30 June 2017: 12.05%) per annum receivable semi-annually.

5.1.2 These comprise of Regular Income Certificates issued by National Savings Organization. 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 carry fixed interest at the rate of 12.30% (30 June 2017: 12.30%) per annum receivable monthly.

5.1.3 This represents deposits maintained in form of an account at National Savings Organization. These deposits have different issue dates, maturity dates and cash flows. These deposits have maturity period of 3 years. The amount can be withdrawn at par at any time after the date of its deposit. These carry fixed interest at the rate 6.60% (30 June 2017: ranging from 7.60% to 13.40%) per annum receivable semi-annually and automatically stand reinvested and would be calculated for further profit on completion of the next six months period.

	Note	Trust			
		Carrying value		Fair value	
		2018	2017	2018	2017
----- Rupees -----					
5.2 Available for sale					
Government securities					
- Pakistan Investment Bonds	5.2.1	10,940,837,528	7,526,327,183	12,789,995,110	9,663,560,524
- Market Treasury Bills	5.2.2	5,472,249,975	-	5,470,831,410	-
Debt securities					
- Term Finance Certificates	5.2.3	886,000,000	321,428,570	887,996,300	324,160,713
		17,299,087,503	7,847,755,753	19,148,822,820	9,987,721,237
Fair value adjustment - net		1,849,735,317	2,139,965,484		
		19,148,822,820	9,987,721,237		

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

Issue date	Tenure - Years	Face value				Balance as at 30 June 2018			Fair value as percentage of net assets	Fair value as percentage of total investments and deposits
		As at 1 July 2017	Purchases during the year	Sales / matured during the year	As at 30 June 2018	Carrying value	Fair value	Appreciation / (diminution) from carrying value		
31-Oct-06	20 - Years	25,000,000	-	-	25,000,000	22,142,712	27,255,898	5,113,186	0.05%	0.06%
30-Aug-08	20 - Years	900,000,000	-	-	900,000,000	873,366,520	1,130,255,810	256,889,290	2.12%	2.38%
30-Aug-08	30 - Years	750,000,000	-	-	750,000,000	743,945,024	903,649,520	159,704,496	1.70%	1.90%
18-Aug-11	15 - Years	25,000,000	-	-	25,000,000	23,893,394	30,082,425	6,189,031	0.06%	0.06%
18-Aug-11	20 - Years	6,075,000,000	-	-	6,075,000,000	5,880,826,921	7,365,375,760	1,484,548,839	13.85%	15.50%
19-Jul-12	10 - Years	-	3,000,000,000	-	3,000,000,000	3,396,662,957	3,333,375,697	(63,287,260)	6.27%	7.01%
		7,775,000,000	3,000,000,000	-	10,775,000,000	10,940,837,528	12,789,995,110	1,849,157,582	24.04%	36.42%

- PIBs carry fixed interest at the rate ranging from 10.50% to 13.75% (30 June 2017: 10.50 % to 13.75 %) per annum receivable semi-annually.

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

Issue date	Tenure - Months	Face value				Balance as at 30 June 2018			Fair value as percentage of net assets	Fair value as percentage of total investments and deposits
		As at 1 July 2017	Purchases during the year	Sales / Matured during the year	As at 30 June 2018	Carrying value	Fair value	Diminution from carrying value		
6-Jul-17	3 Months	-	2,900,000,000	2,900,000,000	-	-	-	-	-	-
1-Sep-17	3 Months	-	12,045,000,000	12,045,000,000	-	-	-	-	-	-
12-Oct-17	3 Months	-	3,000,000,000	3,000,000,000	-	-	-	-	-	-
9-Nov-17	3 Months	-	9,350,000,000	9,350,000,000	-	-	-	-	-	-
23-Nov-17	3 Months	-	250,000,000	250,000,000	-	-	-	-	-	-
1-Feb-18	3 Months	-	13,831,025,000	13,831,025,000	-	-	-	-	-	-
4-Jan-18	3 Months	-	3,250,000,000	3,250,000,000	-	-	-	-	-	-
18-Jan-18	3 Months	-	6,500,000,000	6,500,000,000	-	-	-	-	-	-
15-Feb-18	3 Months	-	250,000,000	250,000,000	-	-	-	-	-	-
15-Mar-18	3 Months	-	250,000,000	250,000,000	-	-	-	-	-	-
12-Apr-18	3 Months	-	3,700,000,000	3,700,000,000	-	-	-	-	-	-
26-Apr-18	3 Months	-	10,989,000,000	5,500,000,000	5,489,000,000	5,472,249,975	5,470,831,410	(1,418,565)	10.30%	11.51%
		-	66,315,025,000	60,826,025,000	5,489,000,000	5,472,249,975	5,470,831,410	(1,418,565)	10.30%	11.51%

- These bills were zero coupon and carried a yield ranging from 5.96% to 6.81% per annum (30 June 2017: 6.06% to 6.13% per annum)

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5.2.3 Debt securities - Term Finance Certificates ("TFCs")

Name of issuer	Issue Date	Number of Certificates			Balance as at 30 June 2018			Fair value as percentage of net assets	Fair value as percentage of total investments and deposits	
		As at 1 July 2017	Purchase during the year	Sales / Matured during the year	As at 30 June 2018	Carrying value	Fair value			Appreciation from carrying value
WAPDA TFCs	8-Sep-13	100,000	-	-	100,000	250,000,000	251,560,500	1,560,500	0.47%	0.53%
Dawood Hercules	16-Nov-17	-	1,210	-	1,210	121,000,000	121,242,000	242,000	0.23%	0.26%
Dawood Hercules 2	1-Mar-18	-	3,000	-	3,000	300,000,000	300,193,800	193,800	0.56%	0.63%
BOP-PPTFC-2	23-Apr-18	-	2,150	-	2,150	215,000,000	215,000,000	-	0.40%	0.45%
		100,000	6,360	-	106,360	886,000,000	887,996,300	1,996,300	1.67%	1.87%

-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 2017: 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 TFCs 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 2017: nil) per annum receivable quarterly.

-Dawood Hercules Sukuk 2 have face value of Rs. 100,000 per certificate. The principal redemption of such TFCs 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 2017: nil) per annum receivable quarterly.

-BOP-PPTFC-2 have face value of Rs. 100,000 per certificate. The principal redemption of such TFCs 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 2017: nil) per annum receivable semi-annually.

6

Accrued interest

Trust	30 June 2018		30 June 2017	
	Expense	Fund - Total	Fund - Total	Fund - Total
Term Deposit Receipts	70,410,064	70,410,064	12,203,397	12,203,397
National Savings Account and Certificates	110,658,788	110,658,788	351,635,266	351,635,266
Pakistan Investment Bonds	527,628,637	527,628,637	365,529,189	365,529,189
Term Finance Certificates and Sukuks	11,152,309	11,152,309	6,027,709	6,027,709
	719,849,798	719,849,798	735,395,561	735,395,561

7

Deposits and prepayments

Prepaid rent	-	329,422	329,422	635,593
Security deposits	100,000	-	100,000	100,000
- Central Depository Company	-	660,000	660,000	825,000
- Office building	100,000	989,422	1,089,422	1,560,593

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8 Operating fixed assets

		2018					2017				
		Cost			Depreciation		Written Down				
As at	As at	As at	Rate	As at	Charge for the	As at	Value as at	As at	Value as at		
01 July 2017	30 June 2018	30 June 2018	%	01 July 2017	year	30 June 2018	30 June 2018	30 June 2017	30 June 2017		
Rupees		Rupees		Rupees		Rupees		Rupees			
<u>Assets</u>											
Furniture and fittings	56,750	42,120	98,870	20	56,750	5,616	62,366	36,504			
Office equipment	3,656,702	429,890	4,086,592	33.33	1,714,915	809,708	2,524,623	1,561,969			
Motor vehicles	193,558	128,000	321,558	20	193,555	2,133	195,688	125,870			
	3,907,010	600,010	4,507,020		1,965,220	817,457	2,782,677	1,724,343			
<u>Assets</u>											
Furniture and fittings	56,750	-	56,750	20	56,750	-	56,750	-			
Office equipment	1,467,865	2,188,837	3,656,702	33.33	1,198,143	516,772	1,714,915	1,941,787			
Motor vehicles	193,558	-	193,558	20	193,555	-	193,555	3			
	1,718,173	2,188,837	3,907,010		1,448,448	516,772	1,965,220	1,941,790			

	30 June 2018			30 June 2017
	Trust	Expense	Fund - Total	Fund - Total
----- Rupees -----				
9 Accrued expenses				
Audit fee payable	-	688,900	688,900	676,419
Meeting fee payable	-	-	-	50,000
EOBI payable	-	47,100	47,100	22,800
Utilities payable	-	94,814	94,814	90,034
Security guard fee payable	-	39,440	39,440	28,342
Others	-	7,067	7,067	50,335
	-	877,321	877,321	917,930

10 Contingencies and commitments

There were no contingencies and commitments as at 30 June 2018.

	30 June 2018			30 June 2017
	Trust	Expense	Fund - Total	Fund - Total
----- Rupees -----				
11 Operating expenses				
Salaries and wages	-	36,292,483	36,292,483	34,408,208
Rent	-	4,027,488	4,027,488	3,769,220
Utilities	-	1,070,707	1,070,707	954,961
Office and other expenses	-	1,033,537	1,033,537	645,770
Repair and maintenance	-	553,741	553,741	528,775
Vehicle running expenses	-	545,871	545,871	425,737
Fee and subscription	-	1,133,537	1,133,537	1,058,973
Depreciation on operating fixed assets	-	817,457	817,457	516,772
Printing and stationery	-	548,090	548,090	178,108
Traveling, lodging and boarding	-	136,245	136,245	189,636
Advertisement	-	47,022	47,022	53,465
EOBI expense	-	157,661	157,661	102,200
Courier and postage	-	16,682	16,682	9,642
Training and development	-	206,004	206,004	70,056
Miscellaneous	-	77,174	77,174	68,516
	-	46,663,699	46,663,699	42,980,039

12 Auditor's remuneration

Statutory audit fee	-	457,800	457,800	436,800
Half yearly review	-	191,100	191,100	182,700
Compliance review	-	191,100	191,100	181,650
Out of pocket expenses and other adjustments	-	23,031	23,031	176,542
	-	863,031	863,031	977,692

13 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.

13.1 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. 53,196 million (2017: Rs. 49,268 million) financial assets which are subject to credit risk amount to Rs. 19,326 million (2017: Rs. 19,829 million).

13.1.1 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-".

13.1.2 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	
	2018	2017
	Rupees	Rupees
Bank balances	4,955,470,004	7,686,106,651
Investments - <i>available for sale</i>	887,996,300	324,160,713
Term deposit receipts	13,399,994,000	11,800,000,000
Accrued interest - <i>TDR and TFC</i>	81,562,373	18,231,106
Security deposits	760,000	925,000
	<u>19,325,782,677</u>	<u>19,829,423,470</u>

Differences in the balances as per the statement of assets and liabilities and maximum exposure in investments is due to the fact that investments of Rs. 33,870 million (2017: Rs. 29,439 million) relates to investments in Government Securities & other assets which are not considered to carry credit risk.

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13.1.3 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 63.67% (2017: 59.75%) 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 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:

	2018		2017	
	Rupees	Percentage	Rupees	Percentage
Commercial banks	18,425,874,068	95.34%	19,498,310,048	98.33%
Miscellaneous	899,908,609	4.66%	331,113,422	1.67%
	<u>19,325,782,677</u>	<u>100%</u>	<u>19,829,423,470</u>	<u>100%</u>

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 2018		Agency	Amount
	Short Term	Long Term		Rs.
Bank of Punjab	A1+	AA	PACRA	140,054,725
Bank Alfalah Limited	A-1+	AA+	JCR-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	JCR-VIS	9,595
Samba Bank Limited	A-1	AA	JCR-VIS	1,501,165,555
Soneri Bank Limited	A1+	AA-	PACRA	9,365
Sindh Bank Limited	A-1+	AA	JCR-VIS	12,203
United Bank Limited	A-1+	AAA	JCR-VIS	22,327
Habib Metropolitan Bank	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>
<u>Term Deposit Receipts</u>				
Bank of Punjab	A1+	AA	PACRA	1,000,000,000
Bank Alfalah	A-1+	AA+	JCR-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>
<u>Term Finance Certificates</u>				
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>

<u>Bank Balances</u>	Rating 2017			Amount
	Short Term	Long Term	Agency	Rs.
Bank of Punjab	A1+	AA	PACRA	195,739,555
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	6,267,362,450
Bank Al-Habib Limited	A1+	AA+	PACRA	71,826
Allied Bank Limited	A1+	AA+	PACRA	22,285
Askari Bank Limited	A1+	AA+	PACRA	314,210
Habib Bank Limited	A-1+	AAA	JCR-VIS	9,130
National Bank of Pakistan	A1+	AAA	PACRA	-
Samba Bank Limited	A-1	AA	JCR-VIS	1,222,539,315
Soneri Bank Limited	A1+	AA-	PACRA	3,718
Sindh Bank Limited	A-1+	AA	JCR-VIS	7,961
United Bank Limited	A-1+	AAA	JCR-VIS	22,427
JS Bank Limited	A1+	AA-	PACRA	5,747
MCB Bank Limited (formerly NIB Bank Limited)	A1+	AA-	PACRA	8,027
				<u>7,686,106,651</u>
<u>Term Deposit Receipts</u>				
Bank of Punjab	A1+	AA	PACRA	1,000,000,000
JS Bank	A1+	AA-	PACRA	3,002,318,027
Soneri Bank Limited	A1+	AA-	PACRA	3,604,122,740
Allied Bank Limited	A1+	AA+	PACRA	4,205,762,630
				<u>11,812,203,397</u>
<u>Term Finance Certificates</u>				
WAPDA-TFC	-	AAA	MUFAP	330,188,422
				<u>330,188,422</u>
				<u>19,828,498,470</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.

13.2 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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13.2.1 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 by the management committee in budget for the year.

13.2.2 Maturity analysis for financial liabilities

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

	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>
	30 June 2017				
	Carrying amount	Six months or less	Six to twelve months	One to Two years	Two to five years
	-----Rupees-----				
Trustee fee payable	755,376	755,376	-	-	-
Audit fee payable	676,419	676,419	-	-	-
Other payable	218,711	218,711	-	-	-
	<u>1,650,506</u>	<u>1,650,506</u>	<u>-</u>	<u>-</u>	<u>-</u>

13.3 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.

13.3.1 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 only.

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13.3.2 *Interest rate risk*

13.3.2.1 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 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 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.

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

	Financial assets			
	2018		2017	
	Interest rate (in Percentage)	Fair value Rupees	Interest rate (in Percentage)	Fair value Rupees
<i><u>Fixed rate instruments</u></i>				
Pakistan Investment Bonds	10.05 to 13.75	12,789,995,110	10.05 to 13.75	9,663,560,524
Term Deposit Receipts	7.20 to 12.05	13,399,994,000	6.26 to 12.05	11,800,000,000
National Savings Account	6.60 to 12.30	14,970,862,500	7.60 to 13.40	19,057,919,101
Bank balances	4.50 to 7.00	4,955,396,854	4.85 to 6.50	7,685,716,865
		<u>46,116,248,464</u>		<u>48,207,196,490</u>
<i><u>Variable rate instruments</u></i>				
WAPDA TFCs	6 Months KIBOR + 100 bps	251,560,500	6 Months KIBOR + 100 bps	324,160,713
Dawood Hercules	3 Months KIBOR + 100 bps	121,242,000	-	-
Dawood Hercules 2	3 Months KIBOR + 100 bps	300,193,800	-	-
BOP-PPTFC-2	6 Months KIBOR + 125 bps	215,000,000	-	-
		<u>887,996,300</u>		<u>324,160,713</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.

Cash flow sensitivity analysis for variable rate instruments

	Profit and loss 100 bps	
	Increase	Decrease
	Rupees	
As at 30 June 2018		
Cash flow sensitivity-Variable rate financial asset	<u>8,879,963</u>	<u>(8,879,963)</u>
As at 30 June 2017		
Cash flow sensitivity-Variable rate financial asset	<u>3,241,607</u>	<u>(3,241,607)</u>

None of the financial liabilities carry any interest rate.

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

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 sensitive 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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14 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 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.

	Carrying amount		Fair value				
	Available for sale	Deposits	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----							
<u>As at 30 June 2018</u>							
<u>Financial assets - measured at fair value</u>							
<u>Trust</u>							
Investments							
- government securities	16,413,087,503	-	16,413,087,503	-	18,260,826,520	-	18,260,826,520
- debt securities	886,000,000	-	886,000,000	887,996,300	-	-	887,996,300
<u>Financial assets - not measured at fair value</u>							
<u>Trust</u>							
Investments							
- term deposit receipts	-	1,000,000,000	1,000,000,000	-	-	-	-
- national saving scheme	-	14,970,862,500	14,970,862,500	-	-	-	-
Cash equivalents	-	17,255,747,951	17,255,747,951	-	-	-	-
Accrued interest	-	719,849,798	719,849,798	-	-	-	-
Security deposits	-	100,000	100,000	-	-	-	-
<u>Expense</u>							
Cash equivalents	-	99,716,053	99,716,053	-	-	-	-
Security deposits	-	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
<u>Financial liabilities - not measured at fair value</u>							
<u>Trust</u>							
Trustee fee payable	-	-	1,703,608	-	-	-	-
<u>Expense</u>							
Audit fee payable	-	-	688,900	-	-	-	-
Other payable	-	-	141,321	-	-	-	-
	-	-	2,533,829	-	-	-	-

AMBA

	Carrying amount		Fair value					
	Available for sale	Deposits	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----								
As at 30 June 2017								
<i>Financial assets - measured at fair value</i>								
<i>Trust</i>								
<i>Investments</i>								
- government securities	7,526,327,183	-	-	7,526,327,183	-	9,663,560,524	-	9,663,560,524
- debt securities	321,428,570	-	-	321,428,570	324,160,713	-	-	324,160,713
<i>Financial assets - not measured at fair value</i>								
<i>Trust</i>								
<i>Investments</i>								
- term deposit receipts	-	1,000,000,000	-	1,000,000,000	-	-	-	-
- national saving scheme	-	19,057,919,101	-	19,057,919,101	-	-	-	-
Cash equivalents	-	18,421,262,025	-	18,421,262,025	-	-	-	-
Accrued interest	-	735,395,561	-	735,395,561	-	-	-	-
Security deposits	-	100,000	-	100,000	-	-	-	-
<i>Expense</i>								
Cash equivalents	-	64,884,626	-	64,884,626	-	-	-	-
Security deposits	-	825,000	-	825,000	-	-	-	-
	7,847,755,753	39,280,386,313	-	47,128,142,066	324,160,713	9,663,560,524	-	9,987,721,237
<i>Financial liabilities - not measured at fair value</i>								
<i>Trust</i>								
<i>Trustee fee payable</i>								
	-	-	755,376	755,376	-	-	-	-
<i>Expense</i>								
Audit fee payable	-	-	676,419	676,419	-	-	-	-
Other payable	-	-	218,711	218,711	-	-	-	-
	-	-	1,650,506	1,650,506	-	-	-	-

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15 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 2018		30 June 2017	
			Trust	Expense	Fund - Total	Fund - Total
				----- Rupees -----		
<i>Central Depository Company of Pakistan Limited</i>	Trustee	Fee for the year	10,010,968	-	10,010,968	8,776,171
<i>Central Depository Company of Pakistan Limited</i>	Trustee	Custody Fee	7,350	-	7,350	6,220
<i>Bank of Punjab</i>	Under Common Control	Income on term deposit receipts realised during the year	120,500,000	-	120,500,000	120,334,030
<i>Bank of Punjab</i>	Under Common Control	Income on savings account realised during the year	33,161,591	3,807,589	36,969,180	10,606,108
<i>Members of Management Committee</i>	Key Management Personnel	Salary and bonus paid to General Manager	-	14,700,000	14,700,000	17,512,500
<i>Members of Management Committee</i>	Key Management Personnel	Meeting Fee paid to members	-	1,100,000	1,100,000	950,000
Balances with						
<i>Central Depository Company of Pakistan Limited</i>	Trustee	Fee payable	1,703,608	-	1,703,608	755,376
<i>Bank of Punjab</i>	Under Common Control	Bank balances	40,338,672	99,716,053	140,054,725	195,739,555
<i>Bank of Punjab</i>	Under Common Control	Term Deposit Receipts	1,000,000,000	-	1,000,000,000	1,000,000,000
<i>Bank of Punjab</i>	Under Common Control	Term Finance Certificate	215,000,000	-	215,000,000	-
<i>Members of Management Committee</i>	Key Management Personnel	Fee payable	-	-	-	50,000

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16 Number of Employees

The following are the number of persons employed

	2018 (Number of Persons)	2017 (Number of Persons)
Employees as at the year end	18	19
Average number of employees during the year	18	14

17 Date of authorization for issue


These financial statements were authorized for issue on 10th MAY 2019 by the Management Committee of the Fund.

18 General

Figures have been rounded off to the nearest rupees.

10/05/19

Lahore



General Manager



Private Member



Chairman