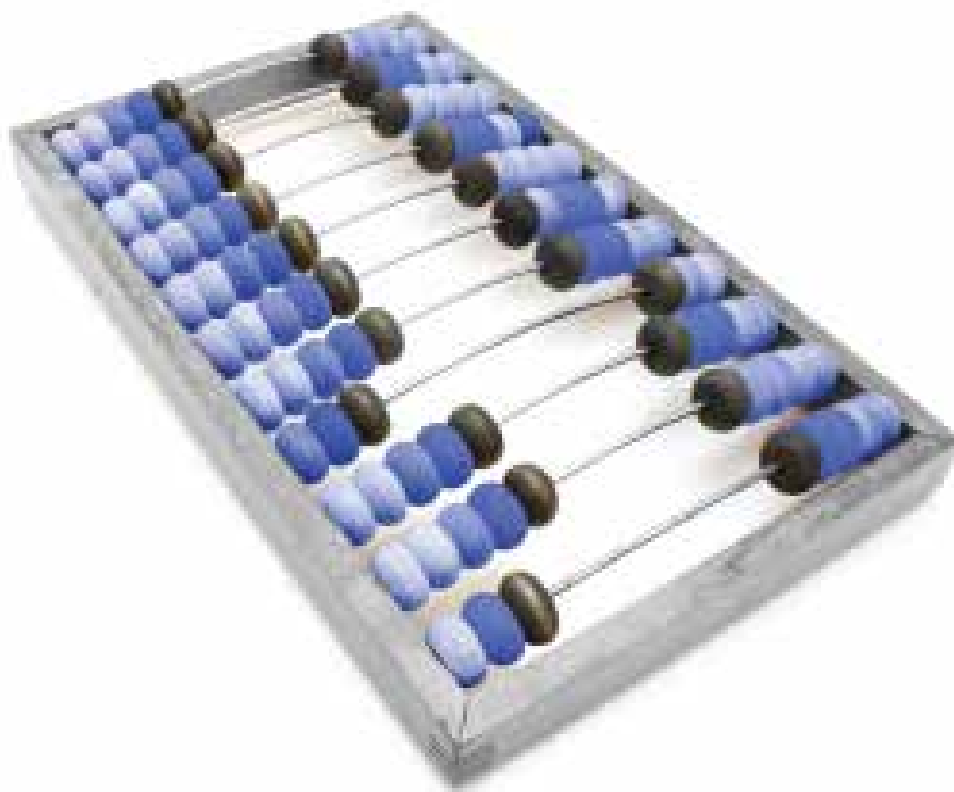


Faysal Asset Management

Income & Growth Fund

Financial Statements for the year ended June 30, 2019



Faysal Income & Growth Fund

The prime objective of Faysal Income & Growth Fund (FIGF) is to provide superior long-term risk adjusted returns by investing in a diverse pool of fixed income securities, including money market instruments; in particular, the aim is to minimize interest rate risk through duration management and default risk through portfolio diversification. The Fund will employ prudent and disciplined investment management, and maximize the total investment return through systematic and informed security selection.

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FUND INFORMATION

Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

Mr. Salman Ahmed Usmani, Chairman
Mr. Osman Asghar Khan, Director
Mr. Mian Salman Ali, Director
Syed Muhammad Fraz Zaidi, Director
Mr. Tahir Yaqoob Bhatti, Director
Mr. Farooq Hassan, Director
Mr. Khaldoon Bin Latif, Director/CEO

Chief Executive Officer

Mr. Khaldoon Bin Latif

Chief Financial Officer and Company Secretary of the Management Company

Mr. Faisal Ali Khan

Audit Committee

Mr. Osman Asghar Khan, Chairman
Mr. Mian Salman Ali, Member
Syed Muhammad Fraz Zaidi, Member

HR Committee

Mr. Osman Asghar Khan, Chairman
Mr. Khaldoon Bin Latif, Member
Mr. Farooq Hassan, Member

Trustee to the Fund

Central Depository Company of Pakistan Limited,
CDC House, 99B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi.

Bankers to the Fund

MCB Bank Limited
Soneri Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Askari Bank Limited
United Bank Limited
Allied Bank Limited
Khushhali Bank Limited
JS Bank Limited
Habib Bank Limited
Habib Metropolitan Bank
Zarai Taraqiati Bank Limited
Sindh Bank Limited
Standard Chartered Bank Limited.
U-Microfinance Bank

Auditors

Deloitte Yousuf Adil, Chartered Accountants

Legal Advisor

Mohsin Tayebaly & Co.
2nd Floor, Dime Centre,
BC-4 Block-9, KDA-5,
Clifton, Karachi.

Registrar

JWAFS Registrar Service (Pvt) Limited
407-408, Al-Ameera Centre,
Shahrah-e-Iraq, Saddar, Karachi.

MISSION STATEMENT

Faysal Income & Growth Fund seeks to provide its risk-averse investors an opportunity to earn a consistent market based income with a conservative risk profile while maintaining security of principal as its prime objective.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of Faysal Asset Management Limited, the Management Company of **Faysal Income & Growth Fund (FIGF)**, are pleased to present the Annual Report on the operations of FIGF along with the audited accounts, Reports of the Trustee and Auditors to the unit holders for the year ended June 30, 2019.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rs.451.825 million were issued and units with a value of Rs.779.719 million were redeemed.

UNIT HOLDERS

As of June 30, 2019, total units outstanding were 5,122,712 units with a value of Rs. 544,832 million (June 30, 2018: 8,106,463 units with a value of Rs. 902.332 million).

UNIT PRICES

Unit prices are being announced on a daily basis based on the NAV of the underlying portfolio. The highest and lowest offer / redemption prices during the year as well as the prices prevailing as of June 30, 2019 were as below:

| | Offer Price | Redemption Price |
|---------------------|-------------|------------------|
| Highest | 116.51 | 114.22 |
| Lowest | 108 | 105.88 |
| As of June 30, 2019 | 108.49 | 106.36 |

ECONOMIC OUTLOOK

Pakistan's economy continues to constrict further amid declining consumption, weakening investments, fiscal tightening and deteriorating external accounts. Country has posted a real growth of 5.5%/3.3% in FY18/19 respectively with IMF's forward expectations of 2.5% in FY20.

Central Bank has increased policy rate by 100bps to 13.25% vs 6.50% in SPLY stating "The decision takes into account upside inflationary pressures from exchange rate depreciation since the last MPC meeting in May 19 and the likely increase in near term inflation from the one-off impact of recent adjustments in utility prices and other measures in the FY20 budget". Secondary market is suggesting that current yield curve is exhibiting quite less convexity vs. SPLY.

To improve CAD, recent depreciation has bought PKR/USD to 161 in Jul 19 vs 124 in SPLY thus decreasing overvaluation from 5% to "-8%" as per latest calculation methodology. Central Bank's foreign exchange reserves currently stands at USD 7.7bn/import cover 1.4 months in Jul 19 from USD 10.2/import cover 1.6 months in SPLY, however; after a prolonged discussion, IMF has approved USD 6.0bn 39 months EFF arrangement but at a promise of structural reforms.

Increasing TTM inflation, up 7.7% YoY as of Jul 19 vs. 4.2% in SPLY and Central Bank's continuous monetary tightening are deterring domestic consumption. Furthermore declining TTM growth in 1) auto financing of 18% YoY as of FY19 vs. 34% in SPLY and 2) petrol consumption of 0% YoY as of Jul 19 vs. 9% in SPLY also reiterates our opinion. At the same time, adverse development such as water shortages and high input costs are also undermining agricultural performance, leading to decline in rural consumption. However, According to Central Bank, "Economic managers through monetary/fiscal tightening are managing the gap between demand and supply to decrease imports and increase exportable surplus in the future".

Despite PM's frequent foreign visits and signing of various memorandum of understanding, Country's industrialization remains weak with latest TTM FDI of USD 1.7bn as of FY19/0.8% of GDP vs. USD 3.4bn/1.4% of GDP in SPLY. Tractors TTM sales clocked in at 50,405 vs. 70,887 in SPLY, down -29% YoY vs. 29% in SPLY. TTM Cement dispatches clocked in at 39.7mn tons as of FY19, down -4.9% vs. 11.2% in SPLY. Going forward, expected FDI may improve investment sphere in Pakistan while also providing some support to external accounts.

TTM fiscal deficit as of Mar 19 has clocked in at 8.2% of GDP as Government's revenue declined to 15% of GDP vs. 18% in SPLY which is keeping fiscal stimulus in check as development spending contracts to 2.7% of GDP vs 5.9% in SPLY. On the other hand, news suggests that government is taking steps such as listed below to improve development spending/fiscal stimulus.

- Upward revision in values of immovable properties in 20 cities of the country to bring them in line with actual market rates.
- Initiative to send notices to around 100,000 non-filers who own a house bigger than 500 yards or a vehicle above 1000 cc.
- And defining of Tier-1 for retailers as having those with an area of more than 1,000 square feet located at luxury shopping malls with a standard rate of General Sales Tax at 17%.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Government and Central Bank’s efforts, PKR/USD depreciation and monetary tightening have bought TTM CAD slightly under control to USD 13.6bn/4.9% of GDP in FY19 vs. USD 19.8bn/6.3% of GDP in SPLY. However it is still in vulnerable zone as massive currency depreciation of 31% over TTM has yet to trigger growth in exports which clocked in at USD 29.4bn in FY19 vs 30.6bn in SPLY. Contracting imports led by fiscal/monetary tightening are keeping CAD under control, however; exports have to improve to shift CAD to less risk zone or to bring certainty over currency depreciation and policy rate. Global economic growth has also entered a late cycle slowdown which can keep Pakistan’s export difficulties upbeat.

Current economic times are such that that finding certainty in economic data points is an alluding task. We continue to keep close tab on unfolding data points to measure economy’s health.

MONEY MARKET REVIEW

During FY19 market observed excess liquidity; this was moped-up by SBP by conducting 114 OMO Mop-Ups where total accepted amount stood at PKR 38.49trn at weighted average rate of 9.71%. State bank also conducted 38 OMO Injections during FY19 where total accepted amount stood at PKR 25.7trn at weighted average rate of 9.14%.

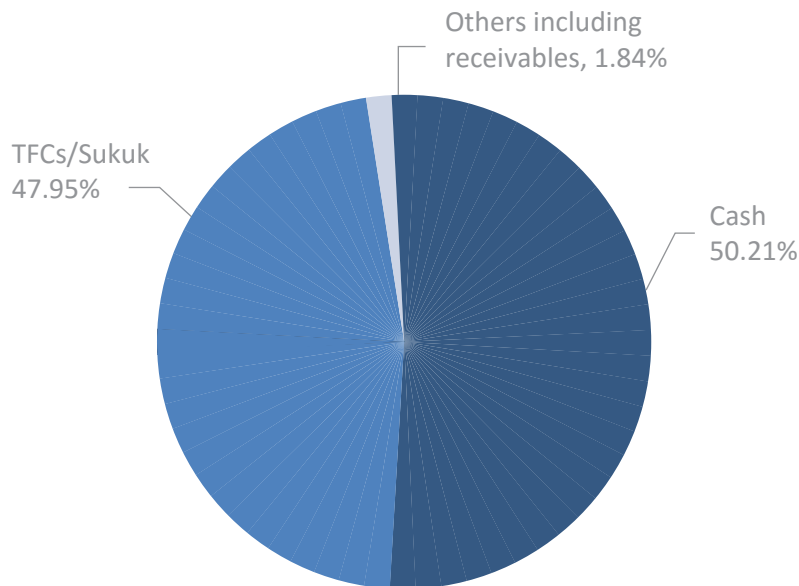
Central bank conducted 26 T-bill auctions during FY19, where in cut offs were raised to 3M – 12.75% from 6.7596% (05-Jul-19); 6M – 12.80% from 7.8526% (19-Jul-18), for 12M– 13.50%. During said period total amount realized was PKR 26.08 trillion against the target of PKR 20.4 trillion and maturities of PKR 20.61 trillion.

During 3QFY19 SBP conducted 03 auctions where mainly bids were received in 3Yr and 5Yr. during said period total accepted amount was 371 billion, against target of 200 billion. Cutoff for 3Yr, 5Yr and 10Yr are 12.23%, 12.64% and 13.15% respectively.

During FY19 SBP has issued 6 monetary policies increasing the discount rate by 575bps. State bank raised the interest rates based on deteriorating current account, widening trade deficit and PKR depreciation.

PERFORMANCE REVIEW

Faysal Income & Growth Fund generated return of 10.03% during the period 4QFY19. By the end of quarter, your fund’s investments in TFCs were 47.95% and cash held in banks were 50.21%. Capitalizing on rapidly improving economic landscape, your fund will be fully vigilant to explore securities yielding competitive returns while maintaining credit quality and risk metrics at optimal levels



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

INCOME DISTRIBUTION

The Board of Directors has approved interim distribution / payout at the rate of 7.59% (i.e. Rs. 8.05 per unit) for the year ended June 30, 2019.

MUTUAL FUND RATING

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a "A(f)" fund stability rating to FIGF as of April 17, 2019.

PATTERN OF UNIT HOLDING

The pattern of unit holding as at June 30, 2019 of FIGF is given as part of this Annual Report.

AUDITORS

The present auditors Messers Deloitte Yousuf Adil, Chartered Accountants have retired. The Audit Committee has recommended the appointment of Messers A. F. Ferguson & Co., Chartered Accountants, as auditors of the Fund. The Board endorses the recommendation of the Audit Committee for appointment of Messers A. F. Ferguson & Co., Chartered Accountants, who, being eligible, have consented to act as statutory auditors of the Fund for the year ending June 30, 2020.

ACKNOWLEDGEMENT

The Board of Directors of the Management Company is thankful to unit holders for their confidence on the Management, the Securities and Exchange Commission of Pakistan and the management of Pakistan Stock Exchange Limited for their valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee for their dedication and hard work.

For and on behalf of the Board

Chief Executive Officer

Director

Karachi: September 12, 2019

FUND MANAGER'S REPORT

ECONOMIC REVIEW

Pakistan's economy continues to constrict further amid declining consumption, weakening investments, fiscal tightening and deteriorating external accounts. Country has posted a real growth of 5.5%/3.3% in FY18/19 respectively with IMF's forward expectations of 2.5% in FY20.

Central Bank has increased policy rate by 100bps to 13.25% vs 6.50% in SPLY stating "The decision takes into account upside inflationary pressures from exchange rate depreciation since the last MPC meeting in May 19 and the likely increase in near term inflation from the one-off impact of recent adjustments in utility prices and other measures in the FY20 budget". Secondary market is suggesting that current yield curve is exhibiting quite less convexity vs. SPLY.

To improve CAD, recent depreciation has bought PKR/USD to 161 in Jul 19 vs 124 in SPLY thus decreasing overvaluation from 5% to "-8%" as per latest calculation methodology. Central Bank's foreign exchange reserves currently stands at USD 7.7bn/import cover 1.4 months in Jul 19 from USD 10.2/import cover 1.6 months in SPLY, however; after a prolonged discussion, IMF has approved USD 6.0bn 39 months EFF arrangement but at a promise of structural reforms.

Increasing TTM inflation, up 7.7% YoY as of Jul 19 vs. 4.2% in SPLY and Central Bank's continuous monetary tightening are deterring domestic consumption. Furthermore declining TTM growth in 1) auto financing of 18% YoY as of FY19 vs. 34% in SPLY and 2) petrol consumption of 0% YoY as of Jul 19 vs. 9% in SPLY also reiterates our opinion. At the same time, adverse development such as water shortages and high input costs are also undermining agricultural performance, leading to decline in rural consumption. However, According to Central Bank, "Economic managers through monetary/fiscal tightening are managing the gap between demand and supply to decrease imports and increase exportable surplus in the future". Despite PM's frequent foreign visits and signing of various memorandum of understanding, Country's industrialization remains weak with latest TTM FDI of USD 1.7bn as of FY19/0.8% of GDP vs. USD 3.4bn/1.4% of GDP in SPLY. Tractors TTM sales clocked in at 50,405 vs. 70,887 in SPLY, down -29% YoY vs. 29% in SPLY. TTM Cement dispatches clocked in at 39.7mn tons as of FY19, down -4.9% vs. 11.2% in SPLY. Going forward, expected FDI may improve investment sphere in Pakistan while also providing some support to external accounts.

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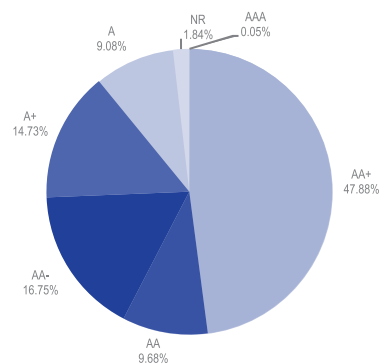
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FUND MANAGER’S REPORT

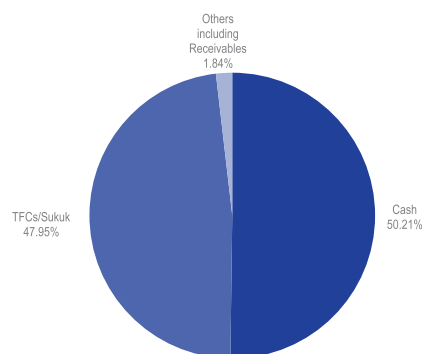
Fund Information

| | |
|---------------------|---|
| Fund Type | Open Ended |
| Category | Aggressive Fixed Income Scheme |
| Stability Rating | A(f) (PACRA) |
| Risk Profile | Medium |
| Launch Date | October 10, 2005 |
| Custodian/Trustee | CDC |
| Auditor | Deloitte Yousuf Adil, Chartered Accountants |
| Management Fee | 1.50% |
| Front/Back end Load | FEL up to 2% of NAV & BEL 0% |
| Min Subscription | PKR. 5,000 |
| Benchmark | One year KIBOR rates |
| Pricing Mechanism | Forward |
| Dealing Days | Monday-Friday |
| Cut-Off Timing | 9am-5pm |
| AMC Rating | AM3+ (VIS) |
| NAV per Unit (PKR) | 106.36 |
| Net Assets (PKR mn) | 544.83 |
| Leverage | Nil |

Asset Quality



Asset Allocation



Fund Returns (% p.a.)

| | June 19 | June 18 |
|-----------------|---------|---------|
| YTD | 7.81 | 5.15 |
| Benchmark (YTD) | 10.73 | 6.69 |

Note : Funds returns computed on Simple annualized basis / NAV to NAV Returns with dividend re-invested.

• Performance data does not include cost incurred by investor in the form of sales load.

FUND PERFORMANCE

Faysal Income and Growth Fund generated return of 10.03% during the period 4QFY19 whereas the return during the period FY19 stood at 7.81%. By the end of quarter, your fund’s investments in TFCs were 47.95% and cash held in banks were 50.21%. Capitalizing on rapidly improving economic landscape, your fund will be fully vigilant to explore securities yielding competitive returns while maintaining credit quality and risk metrics at optimal levels.

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

FAYSAL INCOME & GROWTH FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Faysal Income & Growth Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 20, 2019

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF FAYSAL INCOME & GROWTH FUND

To The Unit Holders of Faysal Income & Growth Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Faysal & Income Growth 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 movements in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view financial position of the Fund as at June 30, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards 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 and Management Company (Faysal Asset Management Limited) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|--|--|
| <p>Valuation and existence of investments</p> <p>As disclosed in note 5 to the financial statements, the total value of investments amounted to Rs. 276.76 million as at June 30, 2019.</p> <p>These investments represent a quantitatively significant financial statement line on the Statement of Assets and Liabilities. The Fund invests in debt securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate rates as issued by Mutual Funds Association of Pakistan (MUFAP) may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p> | <p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> • We obtained an understanding and evaluated the appropriateness of the management process for valuation and existence of investments. • independent testing of valuations by using the market price from an independent source i.e. MUFAP website and ensuring the existence of number of securities by independently matching securities as per internal records with the securities appearing in the Central Depository Company(CDC) statement; • independently tested valuations to ensure that the investments are valued as per the valuation methodology disclosed in the accounting policies; • performed purchases and sales testing on a sample of trades made during the year, if any, to obtain evidence regarding movement of securities during the year; and • any differences identified during our testing that were over our acceptable threshold were investigated further. |

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

Management Company is responsible for the other information. The other information comprises the information included in the annual report, 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 will not express any form of assurance or conclusion thereon.

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 have nothing to report in this regards.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

Management Company of the Fund 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 the management company 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, the Management Company 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 Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company 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 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 Management Company's internal control.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company'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 Those Charged with Governance of the Management Company 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.

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

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

Chartered Accountants

Date: 26 Sep 2019

Place: Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2019

| | Note | June 30, 2019 | June 30, 2018 |
|---|------|-------------------------------|--------------------|
| | | ----- (Rupees) ----- | |
| Assets | | | |
| Bank balances | 4 | 289,764,669 | 572,617,275 |
| Investments | 5 | 276,756,210 | 333,022,450 |
| Prepayments, deposits and other receivables | 6 | 10,690,160 | 8,710,505 |
| Total assets | | 577,211,039 | 914,350,230 |
| Liabilities | | | |
| Payable to the Management Company | 7 | 1,125,906 | 2,254,289 |
| Remuneration payable to the Trustee | 8 | 88,341 | 142,854 |
| Accrued and other liabilities | 9 | 11,543,494 | 9,621,066 |
| Dividend payable | | 19,620,910 | - |
| Total liabilities | | 32,378,651 | 12,018,209 |
| Net assets | | 544,832,388 | 902,332,021 |
| Unit holders' fund (as per statement attached) | | 544,832,388 | 902,332,021 |
| Contingencies and commitments | 10 | | |
| | | ----- (Number of units) ----- | |
| Number of units in issue | | 5,122,712 | 8,106,463 |
| | | ----- (Rupees) ----- | |
| Net assets value per unit | | 106.36 | 111.31 |

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

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

| | Note | June 30, 2019 | June 30, 2018 |
|---|------|----------------------|-------------------|
| | | ----- (Rupees) ----- | |
| Income | | | |
| Profit earned on debt securities: | | | |
| at fair value through profit or loss | | 32,652,787 | 24,934,247 |
| Return on bank balances | | 39,890,087 | 48,935,026 |
| Net (loss) / gain on investments: | | | |
| at fair value through profit or loss | | | |
| - Net capital loss on sale of investments | | - | (767,224) |
| - Net unrealized (loss) / gain on revaluation of investments | 5.2 | (2,877,508) | 903,862 |
| | | (2,877,508) | 136,638 |
| Other income | | 5,000 | 925,000 |
| Total income | | 69,670,366 | 74,930,911 |
| Expenses | | | |
| Remuneration of the Management Company | 7.1 | 10,897,206 | 15,347,908 |
| Sales tax on Management fee | 7.2 | 1,416,637 | 1,995,230 |
| Reimbursement of expenses to the Management Company | 7.3 | 726,298 | 993,270 |
| Remuneration of the Trustee | 8.1 | 1,232,379 | 1,694,421 |
| Sales tax on Trustee fee | 8.2 | 160,211 | 220,274 |
| Brokerage charges | | - | 76,127 |
| Bank charges | | 28,840 | 39,175 |
| SECP annual fee | 9.1 | 543,558 | 766,022 |
| Auditors' remuneration | 11 | 563,925 | 655,927 |
| Fees and subscription | | 291,064 | 275,927 |
| Settlement charges, federal excise duty and capital value tax | | 499,204 | 710,950 |
| Printing charges and other expenses | | 3,071 | 200,618 |
| Provision of Sindh Workers' Welfare Fund (SWWF) | 9.2 | 1,066,159 | 1,039,101 |
| Total expenses | | 17,428,552 | 24,014,950 |
| Net income for the year before taxation | | 52,241,814 | 50,915,961 |
| Taxation | 12 | - | - |
| Net income for the year after taxation | | 52,241,814 | 50,915,961 |
| Allocation of net income for the year | | | |
| Net income for the year | | 52,241,814 | 50,915,961 |
| Income already paid on units redeemed | | (11,329,909) | (29,785,837) |
| | | 40,911,905 | 21,130,124 |
| Accounting income available for distribution | | | |
| Relating to capital gains | | - | 136,638 |
| Excluding capital gains | | 40,911,905 | 20,993,486 |
| | | 40,911,905 | 21,130,124 |
| Earnings per unit | 13 | | |

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

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

| | June 30, 2019 | June 30, 2018 |
|--|--------------------------|--------------------------|
| | ----- (Rupees) ----- | |
| Net income for the year after taxation | 52,241,814 | 50,915,961 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | <u><u>52,241,814</u></u> | <u><u>50,915,961</u></u> |

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

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

| | Note | June 30, 2019 | June 30, 2018 |
|--|------|----------------------|----------------------|
| | | ----- (Rupees) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year before taxation | | 52,241,814 | 50,915,961 |
| Adjustments for non-cash and other items: | | | |
| Profit earned on debt securities: | | | |
| at fair value through profit or loss | | (32,652,787) | (24,934,247) |
| Return on bank balances | | (39,890,087) | (48,935,026) |
| Net loss / (gain) on investments: | | | |
| at fair value through profit or loss | | | |
| - Net capital loss on sale of investments | | - | 767,224 |
| - Net unrealized loss / (gain) on revaluation of investments | | 2,877,508 | (903,862) |
| | | (17,423,552) | (23,089,950) |
| Decrease in assets | | | |
| Prepayments, deposits and other receivables | | 410,347 | 6,902,001 |
| Advance against subscription of term finance certificates | | - | 100,000,000 |
| | | 410,347 | 106,902,001 |
| (Decrease) / increase in liabilities | | | |
| Payable to the Management Company | | (1,128,383) | (944,376) |
| Remuneration payable to the Trustee | | (54,513) | (52,203) |
| Accrued and other liabilities | | 1,922,428 | 972,069 |
| | | 739,532 | (24,510) |
| Proceeds from redemption of investments | | 53,388,732 | 203,568,257 |
| Payments made against purchase of investments | | - | (205,000,000) |
| Profits and returns received | | 70,152,872 | 81,641,057 |
| Net cash generated from operating activities | | 107,267,931 | 163,996,855 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Amounts received against issuance of units | | 429,846,730 | 1,054,966,787 |
| Payments made against redemption of units | | (779,719,381) | (1,207,002,470) |
| Dividend paid | | (40,247,886) | (12,463,507) |
| Net cash used in financing activities | | (390,120,537) | (164,499,190) |
| Net decrease in cash and cash equivalents during the year | | (282,852,606) | (502,335) |
| Cash and cash equivalents at beginning of the year | | 572,617,275 | 573,119,610 |
| Cash and cash equivalents at end of the year | 4 | 289,764,669 | 572,617,275 |

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

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2019

| | June 30, 2019 | | | June 30, 2018 | | |
|---|----------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| | (Rupees) | | | (Rupees) | | |
| Net assets at beginning of the year | 843,615,740 | 58,716,281 | 902,332,021 | 965,865,586 | 37,586,157 | 1,003,451,743 |
| Issuance of 4,128,427* units (June 30, 2018: 9,681,572 units) | | | | | | |
| - Capital value (at ex-dividend net asset value at the beginning of the year) | 416,171,898 | - | 416,171,898 | 1,024,891,212 | - | 1,024,891,212 |
| - Refund of capital | 21,978,060 | - | 21,978,060 | - | - | - |
| - Element of income | 13,674,832 | - | 13,674,832 | 30,075,575 | - | 30,075,575 |
| Total proceeds on issuance of units | 451,824,790 | - | 451,824,790 | 1,054,966,787 | - | 1,054,966,787 |
| Redemption of units 7,112,178 (June 30, 2018: 11,054,314 units) | | | | | | |
| - Capital value (at ex-dividend net asset value at the beginning of the year) | (754,815,451) | - | (754,815,451) | (1,170,209,680) | - | (1,170,209,680) |
| - Amount paid out of element of income relating to net income for the year after taxation | - | (11,329,909) | (11,329,909) | - | (29,785,837) | (29,785,837) |
| - Refund / adjustment on units as element of income | (13,574,021) | - | (13,574,021) | (7,006,953) | - | (7,006,953) |
| Total payments on redemption of units | (768,389,472) | (11,329,909) | (779,719,381) | (1,177,216,633) | (29,785,837) | (1,207,002,470) |
| Total comprehensive income for the year | - | 52,241,814 | 52,241,814 | - | 50,915,961 | 50,915,961 |
| Final cash distribution for the year ended June 30, 2018 @ Rs. 2.48 per unit (Declared on July 06, 2018) | | | | | | |
| - Cash distribution | - | (20,069,346) | (20,069,346) | - | - | - |
| - Refund of capital | (21,922,107) | - | (21,922,107) | - | - | - |
| Interim cash distribution for the year ended June 30, 2019 @ Rs.8.05 per unit (Declared on June 25, 2019) | | | | | | |
| - Cash distribution | - | (39,799,450) | (39,799,450) | - | - | - |
| - Refund of capital | (55,953) | - | (55,953) | - | - | - |
| Net (loss) / income for the year less distribution | (21,978,060) | (7,626,982) | (29,605,042) | - | 50,915,961 | 50,915,961 |
| Net assets at the end of the year | 505,072,998 | 39,759,390 | 544,832,388 | 843,615,740 | 58,716,281 | 902,332,021 |
| Distribution for the year | | | | | | |
| Undistributed income brought forward | | | | | | |
| - Realized | - | 56,613,231 | 56,613,231 | - | 32,953,484 | 32,953,484 |
| - Unrealized | - | 2,103,050 | 2,103,050 | - | 4,632,673 | 4,632,673 |
| | - | 58,716,281 | 58,716,281 | - | 37,586,157 | 37,586,157 |
| Final cash distribution for the year ended June 30, 2018 @ Rs. 2.48 per unit (Declared on July 06, 2018) | | | | | | |
| - | - | (20,069,346) | (20,069,346) | - | - | - |
| Interim cash distribution for the year ended June 30, 2019 @ Rs.8.05 per unit (Declared on June 25, 2019) | | | | | | |
| - | - | (39,799,450) | (39,799,450) | - | - | - |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gains | - | - | - | - | 136,638 | 136,638 |
| - Excluding capital gains | - | 40,911,905 | 40,911,905 | - | 20,993,486 | 20,993,486 |
| | - | 40,911,905 | 40,911,905 | - | 21,130,124 | 21,130,124 |
| Distribution during the year | - | - | - | - | - | - |
| Undistributed income carried forward | - | 39,759,390 | 39,759,390 | - | 58,716,281 | 58,716,281 |
| Undistributed income carried forward | | | | | | |
| - Realized | - | 38,984,932 | 38,984,932 | - | 56,613,231 | 56,613,231 |
| - Unrealized | - | 774,458 | 774,458 | - | 2,103,050 | 2,103,050 |
| | - | 39,759,390 | 39,759,390 | - | 58,716,281 | 58,716,281 |
| | | | (Rupees) | | | (Rupees) |
| Net asset value per unit at the beginning of the year | | | 111.31 | | | 105.86 |
| Net asset value per unit at the end of the year | | | 106.36 | | | 111.31 |

* Number of units issued includes 207,086 units at Nil cost on account of refund of capital.

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

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Income & Growth Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and was authorized as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 24, 2005. It was constituted under a Trust Deed dated April 27, 2005 between Faysal Asset Management Limited (the Management Company), a company incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also a company incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Fund was launched on October 10, 2005.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company is situated at West Wing, 7th floor, Faysal House, ST-02, Shahrah-e-Faisal, Karachi, Pakistan.

The Fund is an open-ended aggressive fixed income scheme and offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange Limited.

The objective of the Fund is to provide investors optimal yield through diversified portfolio consisting of both long-term fixed instruments as well as short-term money market instruments.

The Fund is categorized as an "Aggressive Fixed Income Scheme" as per the Circular No.7 of 2009 issued by SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned "A(f)" fund stability rating to Faysal Income & Growth Fund as of April 17, 2019.

VIS has awarded an "AM3+" asset manager rating to the Management Company as of June 24, 2019.

The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

NOTES TO THE FINANCIAL STATEMENTS

2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures and impact of IFRS 9 as disclosed in note 3.1.

| | Effective from accounting period beginning on or after: |
|--|--|
| IFRS 9 'Financial Instruments' - This standard has superseded IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | January 01, 2019 |
| IFRS 15 'Revenue' - This standard has superseded IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 1, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 1, 2018 |
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions. | January 1, 2018 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property. | January 1, 2018 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 1, 2018 |

Certain annual improvements have also been made to a number of IFRSs.

2.3 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | Effective from accounting period beginning on or after: |
|---|---|
| IFRS 16 'Leases': This standard has supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date. | January 01, 2019 |
| Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business | January 01, 2020 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective date to be determined. Earlier application is permitted. |
| Amendments to references to the Conceptual Framework in IFRS Standards | January 01, 2020 |

NOTES TO THE FINANCIAL STATEMENTS

| | Effective from accounting period beginning on or after: |
|--|--|
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards. | January 01, 2020 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards;
- IFRS 14 – Regulatory Deferral Accounts; and
- IFRS 17 – Insurance Contracts

2.4 Critical accounting estimates and judgments

The preparation of these financial statements is in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are documented in the following accounting policies, notes and relate primarily to:

- Classification and valuation of investments (note 3.1)
- Impairment of financial assets (note 3.1)
- Taxation (note 3.8)
- Provision (note 3.3)

The revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only

2.5 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments which are stated at fair value.

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as explained in note 3.1 to these financial statements.

3.1 Impact of initial application of IFRS 9 Financial Instruments

During the current financial year, the Fund has applied IFRS 9 'Financial Instruments' (issued in July 24, 2017) and the related consequential amendments to other IFRS Standards that are effective for an annual period beginning on or after July 1, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

In the current year, the Fund has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL. The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- there is no change in the measurement of the Fund's investments in debt securities that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the classification of IFRS-9 i.e, at FVTPL;
- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost using effective interest rate method continue to be measured at amortised cost under the new classification of IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

Basis of valuation

Debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 33 of 2012 dated October 24, 2012 (which is essentially the same as contained in circular no. 1 of 2009 previously used). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

(b) Impairment of financial assets

The SECP has, through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017, deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or

NOTES TO THE FINANCIAL STATEMENTS

where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

(d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| | Carrying amount as per IAS 39 as on June 30, 2018 | Reclassific- ations | Remeasure- ments | Carrying amount on initial adoption of IFRS 9 on July 01, 2018 | Effects on Unit Holder's Fund on July 01, 2018 |
|--|---|------------------------|---------------------|--|--|
| ----- Rupees ----- | | | | | |
| Financial assets | | | | | |
| Fair value through profit or loss | | | | | |
| Debt securities | 333,022,450 | 333,022,450 | - | 333,022,450 | - |

3.2 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

3.3 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions, if any, are regularly reviewed and adjusted to reflect the current best estimate.

3.4 Impairment of non-financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the Income Statement.

3.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

3.6 Financial assets and financial liabilities

All financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income statement currently.

Financial assets carried in the statement of assets and liabilities include bank balances, investments, advance against subscription of debt securities and deposits and other receivables.

Financial liabilities carried in the statement of assets and liabilities include payable to the Management Company, remuneration payable to the Trustee, dividend payable and accrued and other liabilities.

3.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.8 Taxation

The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realized and unrealized capital gains for the year is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.9 Dividend distribution and appropriation

Dividend distributions and appropriation are recorded in the period in which these are approved by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in these financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.10 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net assets value of units at the end of the day plus the allowable sales load. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net assets value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

3.11 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the "Statement of Assets and Liabilities", is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.12 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Interest income on bank balances, term deposits, placements, debt and government securities and other money market placements is recognised on an accrual basis.
- Income / profit from bank balances, investments in term finance certificates / sukuks is recognised on a time proportionate basis using effective interest rate method.

3.13 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.14 Transaction cost

Transaction costs incurred to acquire assets at FVTPL are immediately recognised as expense in the Income Statement.

3.15 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

3.16 Zakat payable

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani shareholders are subject to Zakat @ 2.5% of the par value of the unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

| | Note | June 30, 2019 ----- (Rupees) ----- | June 30, 2018 |
|-------------------------------------|------|--|--------------------|
| 4. BANK BALANCES | | | |
| Cash at bank - PLS savings accounts | 4.1 | <u>289,764,669</u> | <u>572,617,275</u> |

4.1 These carry mark-up ranging between 5% and 13.40% (June 30, 2018: 4.5% and 7.30%) per annum and include a balance of Rs. 5.972 million (June 30, 2018: Rs. 2.054 million) held with Faysal Bank Limited, related party.

NOTES TO THE FINANCIAL STATEMENTS

June 30, June 30,
2019 2018
----- (Rupees) -----

Note
5.1 276,756,210 333,022,450

5.1 Debt securities - at fair value through profit or loss

At fair value through profit or loss
Debt securities

| Name of investee company / security | Issue date | Number of certificates | | | | | | --- Balance as at June 30, 2019 --- | | | Market value as percentage of total investments | Market value as percentage of net assets | Market value as percentage of size of issue |
|---|---|------------------------|---------------------------|--------------------------|------------------------------|----------------------|--|--|---|---------------------------|---|--|---|
| | | As at July 01, 2018 | Purchased during the year | Redeemed during the year | Disposed off during the year | As at June 30, 2019 | Carrying value | Market value | Unrealized gain / (loss) on revaluation | | | | |
| Technology and communication TPL Corporation Limited - TFC* | December 19, 2017 | 800 | - | - | - | 800 | 26,666,668 | 26,612,874 | (53,794) | 9.62% | 4.88% | 6.65% | |
| Microfinance bank Khushali Microfinance Bank Limited -TFC* | March 19, 2018 | 500 | - | - | - | 500 | 50,000,000 | 50,000,000 | - | 18.07% | 9.18% | 5.00% | |
| Commercial banks JS Bank Limited -PPTFC ** The Bank of Punjab - TFC * JS Bank Limited -TFC * | December 14, 2016 December 12, 2016 December 29, 2017 | 12,000 660 250 | - - - | - - - | - - - | 12,000 660 250 | 59,940,000 65,934,000 24,990,000 | 60,199,648 65,231,145 24,752,549 | 259,648 (642,855) (237,451) | 21.75% 23.59% 8.94% | 11.05% 11.98% 4.54% | 2.01% 2.64% 0.85% | |
| Investment bank / investment companies / securities companies Dawood Hercules Corporation Limited - Sukuk | March 01, 2018 | 500 | - | - | - | 500 | 50,000,000 | 49,899,994 | (100,006) | 18.03% | 9.16% | 0.83% | |
| | | | | | | | 277,530,668 | 276,756,210 | (774,458) | | | | |
| | | | | | | | 330,919,400 | 333,022,450 | 2,103,050 | | | | |

June 30, 2019

June 30, 2018

5.1.1 Significant terms and conditions of debt securities are as follows:

| Name of security | Face value per certificate (Rupees) | Redeem face value per certificate (Rupees) | Number of certificates held | Mark-up rate (per annum) | Maturity | Secured / unsecured | Rating |
|---|-------------------------------------|--|-----------------------------|--------------------------|----------------|---------------------|--------|
| TPL Corporation Limited - TFC* | 100,000 | 33,333 | 800 | 1.50% + 3M KIBOR | December, 2019 | Secured | AA- |
| Khushali Microfinance Bank Limited -TFC* | 100,000 | 100,000 | 500 | 2.05% + 6M KIBOR | March, 2026 | Secured | A |
| JS Bank Limited -PPTFC** | 5,000 | 4,995 | 12,000 | 1.40% + 6M KIBOR | December, 2023 | Secured | A+ |
| The Bank of Punjab - TFC* | 100,000 | 99,900 | 660 | 1.00% + 6M KIBOR | December, 2026 | Unsecured | AA- |
| JS Bank Limited -TFC* | 100,000 | 99,940 | 250 | 1.40% + 6M KIBOR | December, 2024 | Secured | A+ |
| Dawood Hercules Corporation Limited - Sukuk | 100,000 | 100,000 | 500 | 1.00%+ 3M KIBOR | March, 2023 | Secured | AA |

* Term Finance Certificates

** Privately Placed Term Finance Certificates

NOTES TO THE FINANCIAL STATEMENTS

| | June 30, 2019 | June 30, 2018 |
|--|----------------------|----------------------|
| | (Rupees) | |
| Net unrealized (loss) / gain on revaluation of investments - at fair value through profit or loss | | |
| Market value of investments | 276,756,210 | 333,022,450 |
| Less: Carrying value of investment | <u>(277,530,668)</u> | <u>(330,919,400)</u> |
| | (774,458) | 2,103,050 |
| Net unrealized loss on investments at beginning of the year | <u>(2,103,050)</u> | <u>(4,632,673)</u> |
| Realized on disposal during the year | - | 3,433,485 |
| | <u>(2,103,050)</u> | <u>(1,199,188)</u> |
| | <u>(2,877,508)</u> | <u>903,862</u> |

5.2 Net unrealized (loss) / gain on revaluation of investments -
at fair value through profit or loss

Market value of investments
Less: Carrying value of investment

Net unrealized loss on investments
at beginning of the year
Realized on disposal during the year

5.3 Details of non-compliant investments

The Securities and Exchange Commission of Pakistan (SECP), vide its circular no. 16 dated July 7, 2010 has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the collective investment schemes or with the investment requirements of their constitutive documents.

| Name of non-compliant investment under NBFC Regulation 55 | Note | Issue date | Type of instrument | Market value of investment | Provision held if any | Market value of investment after provision | % of net assets | % of gross assets |
|---|-------------|-------------------|---|----------------------------|-----------------------|--|-----------------|-------------------|
| (Rupees) | | | | | | | | |
| Non-compliance under NBFC Regulation 55 (5) | | | | | | | | |
| JS Bank Limited | 5.1 & 5.3.1 | December 14, 2016 | Privately placed Term Finance Certificate | 60,199,648 | - | 60,199,600 | 11.05% | 10.43% |
| JS Bank Limited | 5.1 & 5.3.1 | December 29, 2017 | Term Finance Certificate | 24,752,549 | - | 24,752,595 | 4.54% | 4.29% |
| | | | | <u>84,952,197</u> | | <u>84,952,195</u> | <u>15.59%</u> | <u>14.72%</u> |
| The Bank of Punjab | 5.1 & 5.3.1 | December 23, 2016 | Term Finance Certificate | <u>65,291,145</u> | - | <u>65,291,145</u> | <u>11.98%</u> | <u>11.31%</u> |
| Non-compliance under NBFC Regulation 55 (9) | | | | | | | | |
| JS Bank Limited | 5.1 & 5.3.2 | December 14, 2016 | Privately placed Term Finance Certificate | 60,199,600 | - | 60,199,600 | 11.05% | 10.43% |
| The Bank of Punjab | 5.1 & 5.3.2 | December 23, 2016 | Term Finance Certificate | 65,291,144 | - | 65,291,144 | 11.98% | 11.31% |
| JS Bank Limited | 5.1 & 5.3.2 | December 29, 2017 | Term Finance Certificate | 24,752,595 | - | 24,752,595 | 4.54% | 4.29% |
| | | | | <u>150,243,339</u> | | <u>150,243,339</u> | <u>27.57%</u> | <u>26.03%</u> |

5.3.1 As per the NBFC and NE Regulations, 2008, regulation 55 sub-regulation (5), the exposure of Collective Investment Scheme to any single entity shall not exceed the lower of an amount equal to 10% of the total net assets of the Collective Investment Scheme or 10% of the debt issue. As at year end investment exceeds 10% of net assets value. However, the NBFC Regulations allow four months time period to regularise these exposures.

5.3.2 As per the NBFC and NE Regulations, 2008, regulation 55 sub-regulation (9), the exposure of Collective Investment Scheme to any single sector shall not exceed 25% of the total net assets of the Collective Investment Scheme. As at year end investment exceeds 25% of net assets value. However, the NBFC Regulations allow four months time period to regularise these exposures.

NOTES TO THE FINANCIAL STATEMENTS

| | June 30, 2019 | June 30, 2018 |
|---|----------------------|------------------|
| Note | ----- (Rupees) ----- | |
| 6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES | | |
| - considered good | | |
| Prepayments | 77 | 162,870 |
| Security deposits: | | |
| - National Clearing Company of Pakistan Limited | 2,500,000 | 2,749,999 |
| - Central Depository Company of Pakistan Limited | 100,000 | 100,000 |
| | 2,600,000 | 2,849,999 |
| Profit receivable on debt securities | 4,664,624 | 2,104,682 |
| Return receivable on bank balances | 6.1 3,258,277 | 3,428,217 |
| Income tax recoverable | 6.2 167,182 | 164,737 |
| | 10,690,160 | 8,710,505 |

6.1 This includes return receivable amounting to Rs. 243,498 (June 30, 2018: Rs. 14,147) on balance held with Faysal Bank Limited (a related party).

6.2 The income of mutual funds is exempt from tax under clause (99) of Part I of the Second Schedule of the Income Tax Ordinance 2001. However, income tax is withheld by banks on profit paid to the Fund. The Fund has recorded the amount as income tax recoverable as management is confident that the amount will be refunded.

| | June 30, 2019 | June 30, 2018 |
|---|----------------------|------------------|
| Note | ----- (Rupees) ----- | |
| 7. PAYABLE TO THE MANAGEMENT COMPANY | | |
| Management fee payable | 7.1 712,667 | 1,115,064 |
| Front end load payable | 1,091 | 993 |
| Sales tax payable on Management fee | 7.2 92,650 | 144,962 |
| Reimbursement of expenses payable to the Management Company | 7.3 319,498 | 993,270 |
| | 1,125,906 | 2,254,289 |

7.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets. The Management Company has charged its remuneration at the rate of 1.50% per annum of the daily net assets value of the Fund (June 30, 2018: 1.50% per annum).

7.2 The Government of Sindh has levied Sindh Sales Tax on services at the rate of 13% (June 30, 2018: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

7.3 SECP has introduced "expense ratio" vide amendments in NBFC Regulations dated November 25, 2015, whereby, the total expense ratio of an aggressive income scheme shall be capped at 2% of average daily net assets value of the scheme. The regulation further states that for the purpose of expense ratio, expenses incurred in relation to any government levy on funds such as sales tax, federal excise duty, SECP fee, etc. shall be excluded while calculating expense ratio. Furthermore, under NBFC Regulation 60(3)(s), wherein the Management Company is allowed to charge their cost to Collective Investment Schemes (CIS) in respect of fees and expenses related to registrar services, accounting, operations and valuation services related to that CIS. The maximum cost that can be charged in this regard is up to 0.1% of the average annual net assets of that CIS or actual, whichever is less. Accordingly, this represents the amount payable to the Management Company to maintain the expense ratio of the Fund within the prescribed limits.

NOTES TO THE FINANCIAL STATEMENTS

| | | June 30, 2019 | June 30, 2018 |
|---|------|----------------------|------------------|
| | Note | ----- (Rupees) ----- | |
| 8. REMUNERATION PAYABLE TO THE TRUSTEE | | | |
| Remuneration payable to the Trustee | 8.1 | 78,178 | 126,420 |
| Sales tax payable on Trustee fee | 8.2 | 10,163 | 16,434 |
| | | 88,341 | 142,854 |

8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets value of the Fund.

8.2 The Government of Sindh has levied Sindh Sales Tax on services at the rate of 13% (June 30, 2018: 13%) on the remuneration of Trustee through the Sindh Sales Tax on Services Act, 2011.

| | | June 30, 2019 | June 30, 2018 |
|---|------|----------------------|------------------|
| | Note | ----- (Rupees) ----- | |
| 9. ACCRUED AND OTHER LIABILITIES | | | |
| Annual fee payable to the SECP | 9.1 | 543,533 | 766,023 |
| Accrued expenses | | 759,000 | 1,677,992 |
| Withholding tax and zakat payable | | 2,032,962 | 35,211 |
| Provision of Sindh Workers' Welfare Fund (SWWF) | 9.2 | 4,157,282 | 3,091,123 |
| Provision for indirect taxes and duties | 9.3 | 4,050,717 | 4,050,717 |
| | | 11,543,494 | 9,621,066 |

9.1 This represents annual fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.075% (June 30, 2018: 0.075%) per annum of the daily net assets value of the Fund.

9.2 The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs.0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2% of their accounting or taxable income, whichever was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan (SCP).

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 01, 2015.

On November 10, 2016 SCP has passed a judgment declaring the amendments made in the Finance Acts, 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could; therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, MUFAP (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

NOTES TO THE FINANCIAL STATEMENTS

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

Accordingly, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in these financial statements of the CISs / mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in these financial statements of the Fund, the net assets value per unit of the Fund as at June 30, 2019 would have been higher by Re. 0.81 per unit (June 30, 2018: Re. 0.38 per unit).

- 9.3** As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and CDC on behalf of Collective Investment Schemes through a constitutional petition filed in the Honorable Sindh High Court (SHC) in September 2013.

On June 30, 2016 the SHC had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication.

Further, as per the Finance Act, 2016, the management fees charged by the asset management company have been declared exempt from the levy of FED with effect from July 01, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the Fund has charged FED and sales tax on service thereon in its financial statements with effect from the date of commencement of its operations till June 30, 2016. As at June 30, 2019, the Fund has held a provision for FED aggregating to Rs.4.05 million (June 30, 2018: Rs.4.05 million). Had the said provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.79 per unit (June 30, 2018: Re. 0.50 per unit).

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 and June 30, 2018 except as disclosed in relevant notes to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

| | June 30, 2019 | June 30, 2018 |
|-----------------------------------|----------------------|------------------|
| | ----- (Rupees) ----- | |
| 11. AUDITORS' REMUNERATION | | |
| Audit fee | 346,500 | 346,500 |
| Review and other certifications | 115,000 | 217,500 |
| Other | 65,505 | 43,340 |
| | 527,005 | 607,340 |
| Sales tax | 36,920 | 48,587 |
| | 563,925 | 655,927 |

12. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. On June 25, 2019, the Fund has made distribution in form cash dividend of Rs. 8.05 per unit in the manner as explained above, therefore, no provision for taxation has been made in these financial statements.

13. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

14.1 Connected persons and related parties include Faysal Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, Faysal Asset Management Limited - Staff Provident Fund, Faysal Asset Management Limited - Staff Gratuity Fund, Faysal Bank Limited, Faysal Bank Limited - Staff Provident Fund, Faysal Bank Limited - Staff Gratuity Fund and other entities under common management and / or directorship and the directors and officers of the Management Company and the Trustee, key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund at year end.

14.2 The transactions with connected persons are in the normal course of business at contracted rates.

14.3 The details of significant transactions carried out by the Fund with connected persons / related parties and balances with them at year end are as follows:

| | June 30, 2019 | June 30, 2018 |
|---|----------------------|------------------|
| | ----- (Rupees) ----- | |
| Transactions during the year | | |
| Faysal Asset Management Limited (Management Company) | | |
| Remuneration of the Management Company | 10,897,206 | 15,347,908 |
| Sales tax on Management fee | 1,416,637 | 1,995,230 |
| Reimbursement of expenses to the Management Company | 726,298 | 993,270 |
| Issue of 3,547,637 units (2018: Nil units) | 390,119,838 | - |
| Redemption 3,546,586 units (2018: Nil units) | 390,478,535 | - |
| Issue of 77 units (2018: Nil units) as refund of capital | - | - |

NOTES TO THE FINANCIAL STATEMENTS

| | June 30, 2019 | June 30, 2018 |
|---|----------------------|------------------|
| | ----- (Rupees) ----- | |
| Faysal Bank Limited (Group / Associated Company) | | |
| Return on PLS savings accounts | 932,914 | 135,781 |
| Bank charges | 572 | 14,502 |
| Issue of Nil units (2018: 2,413,740 units) | - | 268,625,120 |
| Redemption of 117,378 units (2018: 2,413,740 units) | 12,437,358 | 268,625,120 |
| Issue of 117,378 units (2018: Nil units) as refund of capital | - | - |
| Cash dividend paid | 19,430,606 | - |
| Central Depository Company of Pakistan Limited - (Trustee of the Fund) | | |
| Remuneration of the Trustee | 1,232,379 | 1,694,421 |
| Sales tax on Trustee fee | 160,211 | 220,274 |
| Settlement charges | 6,780 | 27,745 |
| Unit holders holding 10% or more units | | |
| Muller & Phipps Pakistan (Pvt.) Limited Staff Provident Fund | | |
| Issuance of 73,988 units (2018: Nil units) | 7,855,594 | - |
| Outstanding balances | | |
| Faysal Asset Management Limited (Management Company) | | |
| Management fee payable | 712,667 | 1,115,064 |
| Front end load payable | 1,091 | 993 |
| Sales tax payable on Management fee | 92,650 | 144,962 |
| Reimbursement of expenses payable to the Management Company | 319,498 | 993,270 |
| Units in issue 1,128 units (2018: Nil units) | 119,974 | - |
| * Faysal Bank Limited (Group / Associated Company) | | |
| Units in issue 2,413,740 units (2018: 2,413,740 units) | 256,725,386 | 268,673,399 |
| Balance in PLS savings accounts | 5,971,856 | 2,054,540 |
| Return receivable on PLS savings accounts | 243,498 | 14,147 |
| Central Depository Company of Pakistan Limited - (Trustee of the Fund) | | |
| Remuneration payable to the Trustee | 78,178 | 126,420 |
| Sales tax payable on Trustee fee | 10,163 | 16,434 |
| Security deposit | 100,000 | 100,000 |
| Unit holder holding 10% or more units | | |
| Muller & Phipps Pakistan (Pvt.) Limited Staff Provident Fund | | |
| Units in issue 650,634 units (2018: 576,646 units) | 69,201,432 | 64,186,466 |

* Faysal Bank also hold more than 10% units in the fund

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund (also refer Annexure I to these financial statements which describes the risk management structure of the Fund). The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

15.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

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. As of June 30, 2019, the Fund's exposure to the risk of changes in market interest rates relates primarily to bank balances and debt securities. The bank balances and debt securities are subject to rates as declared by the respective banks / institutions on periodic basis. As at June 30, 2019, approximately 98.18% (June 30, 2018: 99.07%) of the Fund's financial assets are subject to interest rates.

Management of the Fund estimates that an increase of 100 basis points in the floating interest rate, with all other factors remaining constant, would increase the Fund's income and increase in the net assets of the Fund by Rs. 5.67 million (June 30, 2018: Rs. 9.06 million) and a decrease of 100 basis points would result in a decrease in the Fund's income and decrease in the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

The fund does not have any fixed interest rate instruments.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investment in equity securities. The Fund does not have any equity instrument; therefore, it is not exposed to such risk.

15.2 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holders' option based on the Fund's net assets value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units in issue. The Fund did not withhold any redemptions during the year.

NOTES TO THE FINANCIAL STATEMENTS

The table below summarizes the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments.

| June 30, 2019 | Upto three months | More than three months and upto one year | More than one year | Total |
|---------------|-------------------|--|--------------------|-------|
|---------------|-------------------|--|--------------------|-------|

----- (Rupees) -----

Financial liabilities

| | | | | |
|-------------------------------------|------------|---|---|------------|
| Payable to the Management Company | 1,033,256 | - | - | 1,033,256 |
| Remuneration payable to the Trustee | 78,178 | - | - | 78,178 |
| Accrued and other liabilities | 759,000 | - | - | 759,000 |
| Dividend payable | 19,620,910 | - | - | 19,620,910 |
| | 21,491,344 | - | - | 21,491,344 |

| June 30, 2018 | Upto three months | More than three months and upto one year | More than one year | Total |
|---------------|-------------------|--|--------------------|-------|
|---------------|-------------------|--|--------------------|-------|

----- (Rupees) -----

Financial liabilities

| | | | | |
|-------------------------------------|-----------|---|---|-----------|
| Payable to the Management Company | 2,108,334 | - | - | 2,108,334 |
| Remuneration payable to the Trustee | 126,420 | - | - | 126,420 |
| Accrued and other liabilities | 1,677,992 | - | - | 1,677,992 |
| | 3,912,746 | - | - | 3,912,746 |

15.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

| | June 30, 2019 | June 30, 2018 |
|--------------------------------------|----------------------|------------------|
| | ----- (Rupees) ----- | |
| Bank balances | 289,764,669 | 572,617,275 |
| Debt securities | 276,756,210 | 333,022,450 |
| Profit receivable on debt securities | 4,664,624 | 2,104,682 |
| Return receivable on bank balances | 3,258,277 | 3,428,217 |
| Security deposits | 2,600,000 | 2,849,999 |
| | 577,043,780 | 914,022,623 |

NOTES TO THE FINANCIAL STATEMENTS

All deposits with banks are highly rated and risk of default is considered minimal.

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The table below analyses the Fund's concentration of credit risk by industrial distribution:

| | June 30, 2019 | June 30, 2018 |
|------------------|---------------------------------------|------------------|
| | % of assets exposed to credit risk | |
| Commercial banks | 86.17% | 62.65% |
| Others | 13.83% | 37.35% |
| | <u>100.00%</u> | <u>100.00%</u> |

15.4 Unit holders' fund

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The capital structure depends on the issuance and redemption of units. The Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to seek maximum preservation of unit holders' fund and an optimum rate of return by investing in avenues having good credit rating and liquidity and to maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Under the NBFC Regulations, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

| | | June 30, 2019 | | | | June 30, 2018 | | | |
|--|-------------|---|-------------|---------------|-------------|---------------|-------------|----------|-------------|
| | | Carrying amount | | Fair value | | | | | |
| | | Prepayments, deposits and other receivables | | Bank balances | | Total | | Total | |
| | | (Rupees) | | (Rupees) | | (Rupees) | | (Rupees) | |
| | | | | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | | | | | | | |
| Investments at fair value through profit or loss | | | | | | | | | |
| Debt securities | 276,756,210 | - | - | 276,756,210 | - | - | 276,756,210 | - | - |
| Financial assets not measured at fair value | | | | | | | | | |
| Bank balances | - | - | 289,764,669 | 289,764,669 | - | - | - | - | - |
| Deposits and other receivables | - | 10,522,901 | - | 10,522,901 | - | - | - | - | - |
| | 276,756,210 | 10,522,901 | 289,764,669 | 577,043,780 | 276,756,210 | - | 276,756,210 | - | 276,756,210 |
| | | | | | | | | | |
| | | Carrying amount | | Fair value | | | | | |
| | | Prepayments, deposits and other receivables | | Bank balances | | Total | | Total | |
| | | (Rupees) | | (Rupees) | | (Rupees) | | (Rupees) | |
| | | | | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | | | | | | | |
| Investments at fair value through profit or loss | | | | | | | | | |
| Debt securities | 333,022,450 | - | - | 333,022,450 | - | - | 333,022,450 | - | - |
| Financial assets not measured at fair value | | | | | | | | | |
| Bank balances | - | - | 572,617,275 | 572,617,275 | - | - | - | - | - |
| Deposits and other receivables | - | 8,382,898 | - | 8,382,898 | - | - | - | - | - |
| | 333,022,450 | 8,382,898 | 572,617,275 | 914,022,623 | 333,022,450 | - | 333,022,450 | - | 333,022,450 |

NOTES TO THE FINANCIAL STATEMENTS

| | June 30, 2019 | | | | |
|---|----------------------|------------|---------|---------|-------|
| | Carrying Amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| | ----- (Rupees) ----- | | | | |
| Financial liabilities not measured at fair value | | | | | |
| Payable to the Management Company | 1,033,256 | - | - | - | - |
| Remuneration payable to the Trustee | 78,178 | - | - | - | - |
| Accrued and other liabilities | 759,000 | - | - | - | - |
| Dividend payable | 19,620,910 | - | - | - | - |
| | 21,491,344 | - | - | - | - |
| <hr/> | | | | | |
| | June 30, 2018 | | | | |
| | Carrying Amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| | ----- (Rupees) ----- | | | | |
| Financial liabilities not measured at fair value | | | | | |
| Payable to the Management Company | 2,108,334 | - | - | - | - |
| Remuneration payable to the Trustee | 126,420 | - | - | - | - |
| Accrued and other liabilities | 1,677,992 | - | - | - | - |
| | 3,912,746 | - | - | - | - |

During the year ended June 30, 2019, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

17. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, top ten brokers, members of the Investment Committee, performance table, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to these financial statements.

18. GENERAL

18.1 Figures have been rounded off to the nearest rupee.

18.2 Expense ratio

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP, the total expense ratio of the Fund is 2.39% as on June 30, 2019 which includes 0.43% representing Government Levies, Provision for SWWF and SECP fee.

19. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 12 Sep. 2019 by the Board of Directors of the Management Company.

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS
SUB CLAUSE (D), (F), (G), (H), (I) AND (J) OF THE 5TH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

ANNEXURE I

(i) PATTERN OF UNIT HOLDING

| Category | No. of investors | Units held | % |
|--------------------|------------------|------------------|---------------|
| Associated company | 2 | 2,413,740 | 47.11 |
| Insurance company | - | - | - |
| Retirement funds | 8 | 1,124,045 | 21.94 |
| Individuals | 260 | 867,902 | 16.94 |
| Banks and DFIs | - | - | - |
| NBFCs | - | - | - |
| Other | 17 | 717,026 | 14.01 |
| | <u>287</u> | <u>5,122,712</u> | <u>100.00</u> |

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Nil brokerage for the year.

| Name | June 30, 2018 % |
|---|--------------------|
| KASB Securities Limited | 15.96% |
| BMA Capital | 42.40% |
| Jahangir Siddiqui Capital Markets Limited | 21.42% |
| Next Capital Limited | 20.22% |

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

| Name | Qualification | Experience |
|-----------------------|--|---------------|
| Mr.Khaldoon Bin Latif | B.Sc. Economics | Over 15 years |
| Mr.Ayub Khuhro | B.Sc. Economics | Over 10 years |
| Mr.Mohammad Qasim | B. S. (Actuarial Science & Risk Management) & MBA (Fin.) | Over 9 years |
| Mr.Furqan Miriwala | ACCA, B.com | Over 9 years |
| Mr. Syed Shahid Iqbal | B. Com. | Over 27 years |

**SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS
SUB CLAUSE (D), (F), (G), (H), (I) AND (J) OF THE 5TH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(iv) PARTICULARS OF FUND MANAGERS

| Name | Qualification | Other Collective Investment Schemes Managed | | |
|-----------------------|---------------|---|---------------|---------------|
| Mr. Syed Shahid Iqbal | B. Com. | Faysal Savings Growth Fund | | |
| | | Faysal Islamic Savings Growth Fund | | |
| | | Faysal Money Market Fund | | |
| | | Faysal Financial Sector Opportunity Fund | | |
| | | Faysal MTS Fund | | |
| | | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| | | ----- (Rupees) ----- | | |

(v) PERFORMANCE TABLE

| | | | |
|---|--------------|--------------|---------------|
| Net assets | 544,832,388 | 902,332,021 | 1,003,451,743 |
| Net assets value per unit | 106.36 | 111.31 | 105.86 |
| Offer price per unit | 108.49 | 113.54 | 105.86 |
| Repurchase price per unit | 106.36 | 111.31 | 105.86 |
| Highest offer price per unit | 116.51 | 113.54 | 110.10 |
| Highest repurchase price per unit | 114.22 | 111.31 | 110.10 |
| Lowest offer price per unit | 108.00 | 105.89 | 105.64 |
| Lowest repurchase price per unit | 105.88 | 105.89 | 105.64 |
| Total return: | 7.81% | 5.15% | 4.56% |
| - capital growth | 0.22% | 0.53% | 0.30% |
| - income distribution | 7.59% | 4.62% | 4.26% |
| Average annual return: (Launch date: October 10, 2005) | | | |
| - one year | 7.81% | 5.15% | 4.56% |
| - two years | 6.48% | 4.86% | 6.99% |
| - three years | 5.84% | 6.37% | 8.70% |
| Distribution per unit: | | | |
| - Interim distribution (% per unit) * | 7.59% | - | 4.50% |
| - Final distribution (% per unit) | - | 4.89% | - |
| | <u>7.59%</u> | <u>4.89%</u> | <u>4.50%</u> |

* Announced on 25 June 2019

The Fund's past performance is not necessarily indicative of future performance. Therefore, the unit prices and investment returns may go down, as well as up.

(vi) Expense ratio from the July 01, 2018 to June 30, 2019

Faysal Income & Growth Fund (FIGF) has total expense ratio (TER) of 2.39%, the TER includes 0.43% representing government levy and SECP fee.

**SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS
SUB CLAUSE (D), (F), (G), (H), (I) AND (J) OF THE 5TH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(viii) MEETINGS OF THE BOARD OF DIRECTORS

Following is the analysis of the attendance in the meetings of the Board of Directors of the Management Company during the year:

| Name of Director | Meetings attended | Meeting held on | | | | | |
|--------------------------------|-------------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| | | Apr 24, 2019 | Feb 26, 2019 | Nov 22, 2018 | Oct 19, 2018 | Sep 19, 2018 | Jul 06, 2018 |
| Mr.Salman Ahmed Usmani | 6 | 1 | 1 | 1 | 1 | 1 | 1 |
| Mr.Osman Asghar Khan | 4 | - | 1 | 1 | - | 1 | 1 |
| Mr.Farooq Hassan | 6 | 1 | 1 | 1 | 1 | 1 | 1 |
| Mr.Tahir Yaqoob Bhatti | 5 | 1 | 1 | 1 | 1 | 1 | - |
| Mr.Mian Salman Ali | 1 | - | 1 | - | - | - | - |
| Mr.Syed Muhammad Fraz Zaidi | 2 | 1 | 1 | - | - | - | - |
| Mr.Khaldoon Bin Latif | 2 | 1 | 1 | - | - | - | - |
| Mr.Syed Ibad ur Rehman Chishti | 3 | - | - | 1 | 1 | 1 | - |
| Mr.Razi-ur-Rahman Khan | 4 | - | - | 1 | 1 | 1 | 1 |

(ix) MEETINGS OF THE AUDIT COMMITTEE

Following is the analysis of the attendance in the meetings of the Audit Committee of the Management Company during the year:

| Name of Member | Meetings attended | Meeting held on | | | |
|---------------------------------|-------------------|-----------------|--------------|--------------|--------------|
| | | Apr 24, 2019 | Feb 25, 2019 | Oct 17, 2018 | Sep 17, 2018 |
| Mr. Osman Asghar Khan | 4 | 1 | 1 | 1 | 1 |
| Mr.Mian Salman Ali | 2 | 1 | 1 | - | - |
| Mr.Syed Muhammad Fraz Zaidi | 2 | 1 | 1 | - | - |
| Mr. Farooq Hassan | 2 | - | - | 1 | 1 |
| Mr. Syed Ibad ur Rehman Chishti | 2 | - | - | 1 | 1 |

(x) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has assigned "A(f)" fund stability rating to Faysal Income & Growth Fund as of April 17, 2019.

VIS Credit Rating Company Limited has awarded an "AM3+" asset manager rating to the Management Company as of June 24, 2019.

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

اعتراف:

مینجمنٹ کمپنی کا بورڈ آف ڈائریکٹرز یونٹ ہولڈرز کی جانب سے مینجمنٹ پر اعتماد کرنے، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کی مینجمنٹ کی قابل قدر مدد، معاونت اور رہنمائی پر ان سب کا شکر گزار ہے، بورڈ مینجمنٹ کمپنی کے تمام ملازمین اور سٹیز کی محنت اور لگن پر ان کا بھی شکر گزار ہے۔

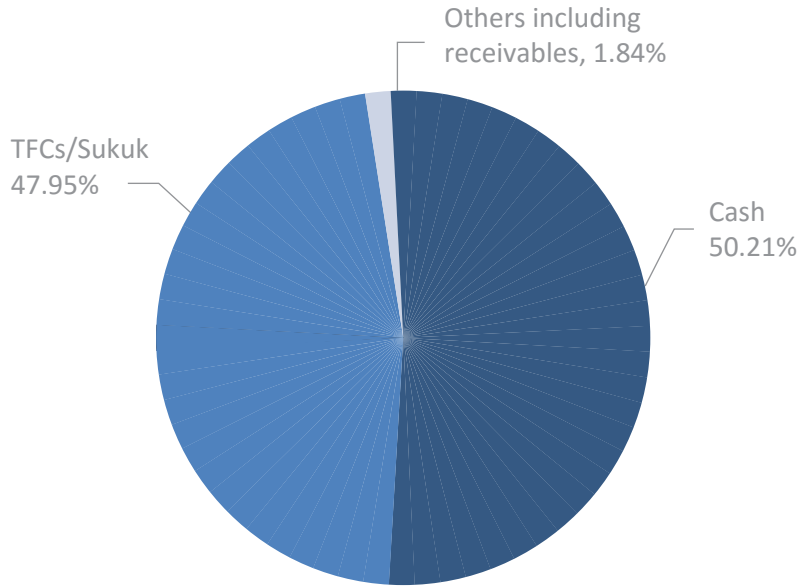
ڈائریکٹر

برائے اور منجانب بورڈ

چیف ایگزیکٹو آفیسر

کراچی: 12 ستمبر 2019ء

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ



آمدنی کی تقسیم:

بورڈ آف ڈائریکٹرز نے 30 جون 2019ء کو مکمل ہونے والے سال کے لیے (پورے سال کے لیے) 7.59 فیصد (یعنی 8.05 روپے فی یونٹ) کی شرح سے حتمی تقسیم کی ادائیگی کی منظوری دے دی ہے۔

میوچل فنڈ کی درجہ بندی:

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آر اے) نے 17 اپریل 2019ء کو ایف آئی جی ایف فنڈ کو اے۔ (ایف) اسٹیبلٹی ریٹنگ تجویز کی ہے۔

یونٹ ہولڈنگ کا طریقہ کار:

30 جون 2019ء کو ایف آئی جی ایف کے یونٹ ہولڈنگ کا طریقہ کار سالانہ رپورٹ ہذا کا جزو ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز ڈیلویٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو چکے ہیں، آڈٹ کمیٹی نے فنڈ کے آڈیٹرز کے لیے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تفریحی سفارش کی ہے، بورڈ نے میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تفریحی سفارش کی توثیق کر دی ہے اور اس کی اہلیت کے حامل ہونے کی وجہ سے 30 جون 2020ء کو ختم ہونے والے سال کے لیے فنڈ کے قانونی آڈیٹرز کے طور پر کام کرنے پر اتفاق کیا گیا ہے۔

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

منی مارکیٹ کا جائزہ:

مالی سال 2019ء کے دوران اضافی لیکویڈیٹی موجود رہی جس کے لئے اسٹیٹ بینک آف پاکستان نے 114 او ایم او موپ ایپس کیے جہاں منظور کی جانے والی رقم 38.49 ٹریلین روپے ہو گئی اور اس کا ویٹڈ اوسط ریٹ 9.71 فیصد رہا، اسٹیٹ بینک نے مالی سال 2019ء کے دوران 38 او ایم او انکیشن کیے جن میں منظور کی جانے والی مجموعی رقم 25.7 ٹریلین روپے رہی جبکہ اس کے ویٹڈ اوسط ریٹ 9.14 فیصد رہے۔

مرکزی بینک نے مالی سال 2019ء کے دوران ٹی بلز کے 26 آکشن کیے جن میں تین ماہ کے لیے کٹ آف 12.75 فیصد رہی جو پہلے 6.7596 فیصد (05 جولائی 2019ء) تھی، چھ ماہ کے لیے 12.80 فیصد جو پہلے 7.8526 فیصد (19 جولائی 2018ء)، 12 ماہ کے لیے 13.50 فیصد رہی۔ اس عرصے کے دوران ریلانز کی جانے والی مجموعی رقم 26.08 ٹریلین روپے تھی جبکہ ٹارگٹ 20.4 ٹریلین اور مچھوڑی 20.61 ٹریلین روپے تھی۔

مالی سال 2019ء کی تیسری سہ ماہی کے دوران اسٹیٹ بینک نے تین آکشن کیے جن میں سب سے زیادہ بولی تین سال اور پانچ سال کے لیے موصول ہوئیں، اس عرصے کے دوران منظور کی جانے والی مجموعی رقم 371 بلین تھی جبکہ ہدف 200 ارب تھا۔ کٹ آف برائے تین سال، پانچ سال اور 10 سال بالترتیب 12.23 فیصد، 12.64 فیصد اور 13.15 فیصد تھا۔

مالی سال 2019ء کے دوران اسٹیٹ بینک آف پاکستان نے 6 زرعی پالیسیاں جاری کیں جن میں ڈسکاؤنٹ ریٹ میں مجموعی طور پر 575 پیسز پوائنٹ کا اضافہ کیا گیا۔ اسٹیٹ بینک نے انٹرسٹ ریٹ میں یہ اضافہ جاری کھاتوں کی بگڑتی صورتحال، بڑھتے ہوئے تجارتی خسارے اور پاکستانی کرنسی کی قدر میں کمی کی وجہ سے کیا۔

کارکردگی کا جائزہ:

فیصل انکم اینڈ گروتھ فنڈ نے مالی سال 2019ء کی چوتھی سہ ماہی کے دوران 10.03 فیصد کی شرح سے ریٹرن دیے، سہ ماہی کے اختتام پر، آپ کے فنڈ کی ٹی ایف سی میں سرمایہ کاری 47.95 فیصد اور بینک میں موجود کیش کی صورت میں 50.21 فیصد تھا، سازگار معاشی حالات میں سرمایہ کاری کی وجہ سے مستقبل میں بھی آپ کا فنڈ بہتر ریٹرن پیدا کرنے کے لیے منافع بخش لیکن کم رسک والے اور کم غیر مستحکم انویسٹمنٹ اپونینٹ تلاش کرنے کی اپنی کوششیں جاری رکھے گا۔

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

سال 2009ء میں براہ راست بیرونی سرمایہ کاری 1.7 ارب ڈالر تھی جو جی ڈی پی کا 0.8 فیصد ہے جبکہ گزشتہ سال کے اس عرصے میں ایف ڈی آئی 3.4 ارب ڈالر تھی جو جی ڈی پی کا 1.4 فیصد تھا۔ ٹریڈرز کی فروخت 50,405 تک گر گئی جو گزشتہ سال کے اس عرصے کے مقابلے میں 29 فیصد کم تھی جبکہ گزشتہ سال کے اس عرصے میں اس میں 29 فیصد اضافہ ہوا تھا۔ سیمنٹ کی فروخت 39.7 ملین ٹن ہو گئی جو گزشتہ سال کے اس عرصے کے مقابلے میں 4.9 فیصد کم تھی جبکہ گزشتہ سال کے اس عرصے میں اس میں 11.2 فیصد اضافہ ہوا تھا۔ مستقبل میں پاکستان میں براہ راست بیرونی سرمایہ کاری میں اضافے کی توقع ہے جس سے بیرونی کھاتوں میں معاونت فراہم ہو سکے گی۔

حکومت کی آمدنی گزشتہ سال میں جی ڈی پی کا 18 فیصد کے مقابلے میں اس سال کم ہو کر جی ڈی پی کا 8.2 فیصد ہونے سے حکومت کے مالیاتی خسارے کی وجہ سے ڈیولپمنٹ پر اخراجات جی ڈی پی کا 2.7 فیصد ہو گئے جو کہ گزشتہ سال کے اس عرصے میں جی ڈی پی کا 5.9 فیصد تھے۔ دوسری جانب، اس طرح کی خبریں آرہی ہیں کہ حکومت ڈیولپمنٹ اخراجات/مالیاتی محرک کو بہتر بنانے کے لیے درج ذیل اقدامات کر رہی ہے:

* ملک کے 20 شہروں میں جائیدادوں کی مالیت میں اضافہ کر کے ان کو اصل مارکیٹ ویلیو کے برابر لانا

* 500 گز سے زائد رقبے کا مکان یا 1000 سی سی سے بڑی گاڑی رکھنے والے 100,000 کے قریب نان فائلرز کو نوٹس جاری کرنا

* لگژری شاپنگ مال میں 1000 مربع فٹ سے زائد رقبے پر کاروبار کرنے والے ریٹیلرز کو 17 فیصد جنرل سیلز ٹیکس کے معیار کے درجے پر لانا۔

حکومت اور مرکزی بینک کی جانب سے امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی اور مانیٹری کی سختی کی وجہ سے جاری کھاتوں کے خسارے میں کمی ہوئی اور یہ مالی سال 2019ء میں 13.6 ارب ڈالر ہو گیا جو جی ڈی پی کا 4.9 فیصد ہے جبکہ گزشتہ سال کے اس عرصے میں یہ خسارہ 19.8 ارب ڈالر تھا جو جی ڈی پی کا 6.3 فیصد تھا۔ تاہم یہ اب بھی کمزور حالت میں ہے اور پاکستان کرنسی کی قدر میں 31 فیصد کی نمایاں کمی بھی برآمدات میں اضافے کا بھی سبب نہیں بنیں، مالی سال 2019ء کے دوران برآمدات 29.4 ارب ڈالر تھیں جو کہ گزشتہ سال کے اس عرصے میں 30.6 ارب ڈالر تھیں۔ مالیاتی اور زری سختی کی وجہ سے درآمدات میں کمی کی وجہ سے جاری کھاتوں کے خسارے میں بہتری آئی ہے تاہم برآمدات میں مزید اضافے کی ضرورت ہے تاکہ جاری کھاتوں کے خسارے کو مزید بہتر کرتے ہوئے اسے رسک زون سے نیچے لایا جاسکے یا اسے کرنسی کے قدر میں کمی اور پالیسی ریٹ سے اوپر قابل اطمینان سطح پر رکھا جاسکے۔ عالمی معاشی شرح نمو میں مندی کا رجحان بھی پاکستان کی برآمدات میں اضافے کی راہ میں رکاوٹ ہے۔

موجودہ معاشی صورتحال میں یقینی اکٹنا مک ڈیٹا پوائنٹ اہم ہے اور ہم معاشی صحت کا جائزہ لینے کے لیے ڈیٹا پوائنٹ کی فراہمی جاری رکھیں گے۔

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

اقتصادی جائزہ:

زوال پذیر کھپت، سرمایہ کاری میں کمی، مالیاتی سختی اور بیرونی کھاتوں میں بگاڑ کی وجہ سے پاکستان کی معیشت کو مسلسل مشکلات کا سامنا ہے، مالی سال 2018ء اور مالی سال 2019ء میں پاکستان کی حقیقی نمو بالترتیب 5.5 فیصد اور 3.3 فیصد رہی جبکہ مالی سال 2020ء کے لیے آئی ایم ایف نے یہ شرح نمو 2.5 رہنے کی توقع ظاہر کی ہے۔

مرکزی بینک نے پالیسی ریٹ میں 100 بی پی ایس کا اضافہ کر کے 13.25 فیصد کر دیا ہے جو گزشتہ سال کے اس عرصے میں 6.50 فیصد تھا، مرکزی بینک کا کہنا ہے کہ یہ فیصلہ مئی 2019ء میں ایم پی سی کے آخری اجلاس کے بعد ایکسچینج ریٹ میں کمی، بڑھتے ہوئے افراط زر کے دباؤ اور مالی سال 2020ء کے بجٹ میں یوٹیلیٹی کی قیمتوں میں حالیہ ایڈجسٹمنٹ اور دیگر اقدامات کی وجہ سے افراط زر پر ہونے والے ایک بارگی اثرات کی وجہ سے کیا گیا ہے۔ ثانوی مارکیٹ گزشتہ سال کے اسی عرصے کے مقابلے میں موجودہ پیداوار کے تناسب میں کمی کا اشارہ کر رہی ہے۔

تازہ ترین حساب کتاب کے مطابق جاری کھاتوں میں بہتری، جولائی 2019ء میں ڈالر کی قدر میں 161 روپے تک کے حالیہ اضافے، جو کہ گزشتہ سال کے اس عرصے میں 124 روپے تھا، کی وجہ سے اور ویلیو ایڈجسٹمنٹ 5 فیصد سے کم ہو کر منفی 8 فیصد تک ہو گئی ہے، مرکزی بینک کے پاس غیر ملکی زرمبادلہ کے ذخائر جولائی 2019ء میں 7.7 ارب امریکی ڈالر ہو گئے ہیں جو 1.4 مہینے کی درآمدات کے لیے کافی ہو سکتے ہیں جبکہ گزشتہ سال کے اس عرصے میں یہ ذخائر 10.2 ارب امریکی ڈالر تھے جو 1.6 ماہ کی درآمدات کے لیے کافی تھے۔ تاہم طویل مذاکرات کے بعد آئی ایم ایف نے 39 مہینے کے ای ایف ایف انتظامات کے لیے 6.0 ارب ڈالر کی منظوری دی ہے۔

گزشتہ سال جولائی میں 4.2 فیصد کی شرح سے بڑھتے ہوئے جولائی 2019ء میں 7.7 فیصد تک ٹی ٹی ایم افراط زر میں اضافے اور مرکزی بینک کی جانب سے مالیاتی سختی کی وجہ سے مقامی کھپت میں کمی ہو رہی ہے۔ مزید برآں ٹی ٹی ایم نمو میں کمی (آٹو فنانسنگ مالی سال 2019ء میں 18 فیصد جو کہ گزشتہ سال کے اس عرصے میں 34 فیصد تھی اور پٹرول کی کھپت میں جولائی 2019ء میں 0 فیصد جبکہ گزشتہ سال کے اس عرصے میں 9 فیصد) ہماری رائے کی تصدیق کر رہی ہے۔ اس کے ساتھ ہی کچھ منفی اثرات مثال کے طور پر پانی کی کمی اور اخراجات میں اضافے کی وجہ سے زرعی شعبے کی کارکردگی کو بری طرح متاثر کر رہی ہے جس کی وجہ سے دیہی کھپت میں کمی ہو رہی ہے۔ تاہم مرکزی بینک کے مطابق "اکنامک نیجز زری/مالیاتی سختی کے ذریعے درآمدات میں کمی اور برآمدات میں اضافے کے ذریعے طلب اور رسد میں توازن پیدا کرنے کی کوشش کر رہے ہیں۔

وزیر اعظم کے مسلسل غیر ملکی دوروں اور مفاہمت کی متعدد یادداشتوں پر دستخط کرنے کے باوجود ملک کا صنعتی شعبہ ہنوز کمزور ہے، مالی

مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

فیصل ایسٹ مینجمنٹ کے ڈائریکٹرز فیصل انکم اینڈ گروتھ فنڈ (ایف آئی جی ایف) کی مینجمنٹ کمپنی 30 جون 2019ء کو مکمل ہونے والے سال کے لیے ایف آئی جی ایف کی سالانہ کارکردگی کی رپورٹ مع آڈٹ شدہ اکاؤنٹس اور ٹسٹی اور آڈیٹرز کی رپورٹس، بخوشی یونٹ ہولڈرز کو پیش کرتے ہیں۔

یونٹس کی فروخت اور ریڈمشن

زیر جائزہ سال کے دوران 451.825 ملین روپے کے یونٹس جاری کیے گئے اور 779.719 ملین روپے مالیت کے یونٹس کی ریڈمشن کی گئی۔

یونٹ ہولڈرز

30 جون 2019ء کو 544.832 ملین روپے کی مالیت کے 5122712 یونٹس قابل ذکر تھے (30 جون 2018ء کو 902.332 ملین روپے مالیت کے 8106463 یونٹس تھے)

یونٹ کی قیمتیں

مروجہ پورٹ فولیو کے این اے وی (NAV) کی بنیاد پر یونٹ نرخوں کا روزانہ اعلان کیا جاتا ہے زیادہ سے زیادہ اور کم از کم پیش کردہ نرخ ریڈمشن نرخ اور 30 جون 2019ء کو رائج نرخ حسب ذیل تھے۔








| ریڈمشن نرخ | پیش کردہ نرخ | |
|------------|--------------|----------------|
| 114.22 | 116.51 | زیادہ سے زیادہ |
| 105.88 | 108 | کم از کم |
| 106.36 | 108.49 | 30 جون 2019ء |










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