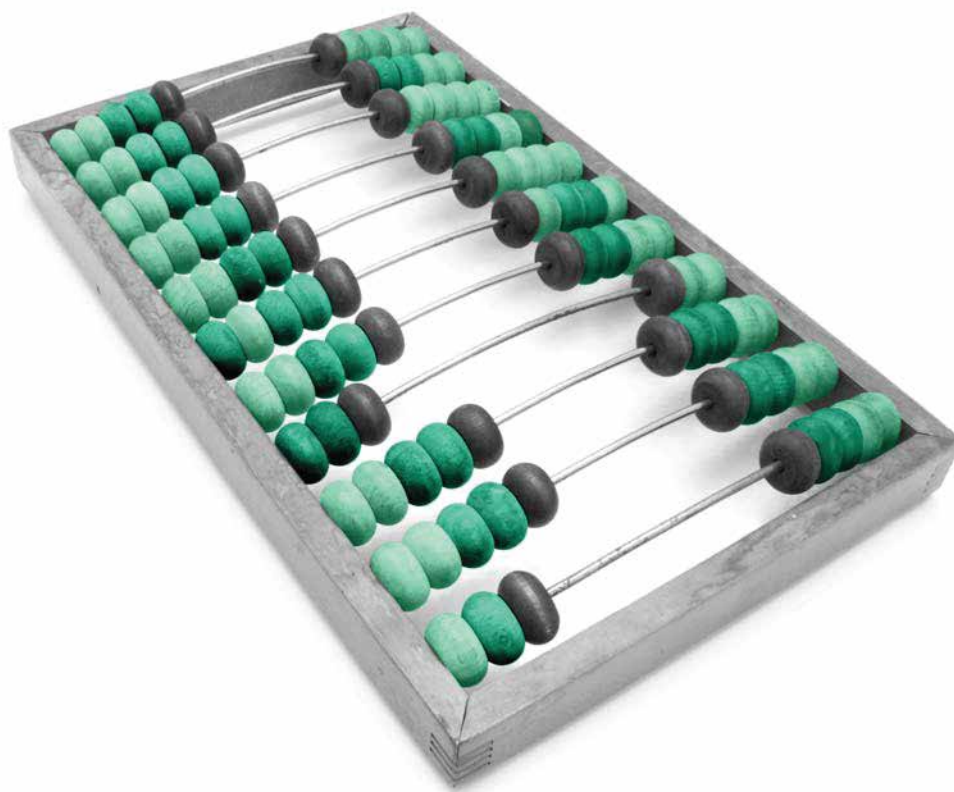


# Faysal Asset Management

## Islamic Savings Growth Fund

Financial Statements for the year ended June 30, 2018



### **Faysal Islamic Savings Growth Fund**

Faysal Islamic Savings Growth Fund (FISGF) is an open-ended mutual fund. The units of FISGF are listed on the Karachi Stock Exchange and were initially offered to the public on 14 June 2010. FISGF seeks to provide investors maximum preservation of capital and a reasonable rate of return via investing in Shariah compliant money market and debt securities having good quality rating and liquidity.

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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 Khan, Director  
Syed Ibad-Ur-Rehman Chishti, Director  
Mr. Tahir Yaqoob Bhatti, Director  
Mr. Farooq Hassan, Director  
Mr. Razi-ur-Rahman Khan, Director/CEO

### Chief Executive Officer

Mr. Razi-ur-Rahman Khan

### Chief Financial Officer and Company Secretary of the Management Company

Mr. Naved Hanif

### Audit Committee

Mr. Osman Khan, Chairman  
Syed Ibad-ur-Rehman Chishti, Member  
Mr. Farooq Hassan, Member

### HR Committee

Mr. Osman Khan, Chairman  
Syed Ibad-Ur-Rehman Chishti, Member  
Mr. Razi-ur-Rahman Khan, 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

National Bank-Islamic Banking  
Dubai Islamic Bank Pakistan Limited  
Al-Barka Bank Limited  
Bank Islami Pakistan Limited  
Faysal Bank Limited (Islamic Banking)  
Bank Alfalah Limited (Islamic Bank)  
Habib Bank Limited

### Auditors

Deloitte Yousuf Adil, Chartered Accountants

### Legal Advisor

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

### Registrar

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

## **MISSION STATEMENT**

Faysal Islamic Savings Growth Fund seeks to provide maximum possible preservation of capital and a responsible Shariah compliant return to its units holder.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of Faysal Asset Management Limited, the Management Company of **Faysal Islamic Savings Growth Fund (FISGF)**, are pleased to present the Annual Report on the operations of FISGF along with the audited accounts, Reports of the Trustee and Auditors to the unit holders for the year ended June 30, 2018.

### SALE AND REDEMPTION OF UNITS

During the year, units worth Rs.1,082.723 million were issued and units with a value of Rs.1,373.783 million were redeemed.

### UNIT HOLDERS

As of June 30, 2018, total units outstanding were 9,455,340 units with a value of Rs.1,013.273 million (June 30, 2017: 12,217,867 units with a value of Rs.1,253.763 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, 2018 were as below:

	Offer Price	Redemption Price
Highest	109.31	107.16
Lowest	102.64	102.64
As of June 30, 2018	109.31	107.16

### ECONOMIC OUTLOOK

Economy of Pakistan managed to post thirteen year highest growth rate of 5.79% during the period Fiscal Year 2018 (FY18). All the three main sectors namely Service, Industrial and Agriculture contributed to economic growth. Better energy supply relative to last year coupled with capacity expansions helped the Large Scale Manufacturing (LSM) units to post growth of 5.38% during FY18 which also provided support to higher economic growth. However, balance of payment crisis persisted as financing failed to cover higher current and fiscal account deficits which also kept the foreign exchange reserves under enormous pressure throughout the year. During the period FY18, currency witnessed multiple rounds of depreciation whereas Central Bank also opted to go for monetary tightening.

In order to support higher economic activity, imports remained on the higher side during the period FY18 and stood at USD 55.85bn as compared to USD 48.68bn in the same period last year, witnessing a growth of 14.71% on Year-on-Year (YoY) basis. Exports also picked up pace by the year end on account of multiple developments to encourage exports and stood at USD 24.77bn during FY18 vis-à-vis USD 22.00bn during FY17, depicting a upsurge of 12.58% on YoY basis. Ever increasing import resulted in widening trade deficit by 16.47% on YoY basis and stood at USD 31.07bn during the period under review.

During the period FY18, remittances remained muted with USD 19.63bn vis-à-vis USD 19.35bn with meager increase of 1.42% on YoY basis. Higher trade deficit with no support from remittances kept the current account deficit elevated which recorded at USD 18.13bn during FY18 versus USD 12.62bn during FY17, augmented by 43.65% on YoY basis. Foreign Direct Investment (FDI) stood at USD 2.77bn during the period FY18 compared to USD 2.75bn in the same period last year, posting a marginal growth of 0.76%. Fiscal Deficit for the period FY18 also remained on the higher side and recorded highest deficit of PKR 2.26trn (6.60% of GDP) due to expansionary fiscal policies in an election year.

Massive twin deficits coupled with lack of major foreign inflows dragged foreign exchange reserves to precariously low levels of USD 16.41bn at the end of June 2018 from USD 21.40bn at the end of June 2017, showing a decline of 23.34% on YoY basis. Due to pressure on foreign exchange reserves, currency witnessed multiple rounds of depreciation and stood at PKR 121.49 against greenback with cumulatively devaluation of 15.87% during the period under review. Whereas, Consumer Price Index (CPI) inflation remained under control with average inflation clocked-in at 3.92% for FY18 as compared to 4.16% for FY17. In order to avoid overheating of the economy, Central Bank increased the policy rates by 75 basis points (bps) during the period FY18.

Moving forward, government's stance to implement economic & structural reforms and to improve ties with regional & major global countries is expected to bode well for the economic wellbeing of the country and may be helpful in obtaining foreign inflows. Further, positive development related to engaging with IMF for another bailout package will be needed to provide support to diminishing reserves in recent balance of payment crisis and will provide economic stability in the future.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### MONEY MARKET REVIEW

Market remained short of liquidity during the FY18 and to accomplish this liquidity shortage SBP conducted 76 OMO – Injections where the total participation stood at PKR 65.59trn and total accepted amount was PKR 61.80trn and the weighted average rate of all OMO – Injections was 5.89%. State bank also conducted 10 OMO Mop-Ups during FY'18 where total accepted amount stood at PKR 1.66trn.

Central bank conducted 27 T-bill auctions during FY18, where in cut offs were maintained at 3M – 5.9910% and 6M – 6.0109% till monetary policy was revised at the end of January; the new Cut offs were 3M – 6.2144%. During calendar year 2018 monetary policy has been revised and rates have been hiked by 175bps. This led T-bills to settle at 3M – 6.7596% and 6M – 6.8545%. The total amount realized was PKR 18,324bn against the target of PKR 17,825bn.

During FY18 SBP conducted 12 auctions. The state bank rejected all bids for 08 auctions except for July'17, April'18, May'18 and June'18, however participation and accepted amount remained at lower end.

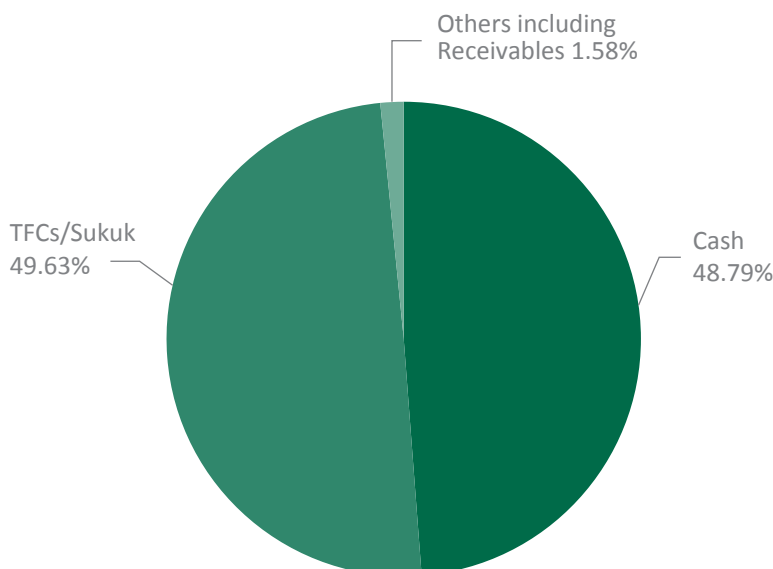
GoP also issued two floating rate bonds where total participation stood at 296bn, against a total target of 100bn; however total accepted amount closed at 34.62bn at a spread of 50bps.

SBP issued 6 monetary policies in which it maintained its policy rate at 5.75% in first 3 auctions on the back of broad-based pick-up in the industrial output, gains in factors supporting the production of major crops, growth in private-sector credit alongside strong up-rise in Tax collection in first half of this fiscal year. However SBP decided to change the rate by 25bps in January auction and 50bps in May auction, thereby raising the yields on all available debt instruments. SBP's this move was strongly supported by ~15% to 20% rupee depreciation during same period.

### PERFORMANCE REVIEW

FISGF generated return of 4.42% during the FY18, outperforming the benchmark by 198 bps. By the end of FY18, your fund maintained investments in Islamic Commercial Securities in the form of Sukuk at 49.63% and cash held in Shariah Compliant banks was around 48.79%. Going forward, your fund would continue to explore Islamic investment avenues in order to provide competitive returns.

### ASSET ALLOCATION AS AT JUNE 30, 2018



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### INCOME DISTRIBUTION

The Board of Directors has approved final distribution / payout (for full year) at the rate of 4.20% (i.e. Rs.4.31 per unit) for the year ended June 30, 2018.

### MUTUAL FUND RATING

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a "A+(f)" stability rating to FISGF as of November 21, 2017.

### PATTERN OF UNIT HOLDING

The pattern of unit holding of FISGF as at June 30, 2018 is given as part of this Annual Report.

### AUDITORS

The present auditors Messers Deloitte Yousuf Adil, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Board endorses the recommendation of the Audit Committee for re-appointment of Messers Deloitte Yousuf Adil, Chartered Accountants as the auditors for the year ending June 30, 2019.

### 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

Karachi: September 19, 2018

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Razi-ur-Rahman Khan  
Chief Executive Officer

## FUND MANAGER'S REPORT

### ECONOMIC REVIEW

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### MONEY MARKET REVIEW

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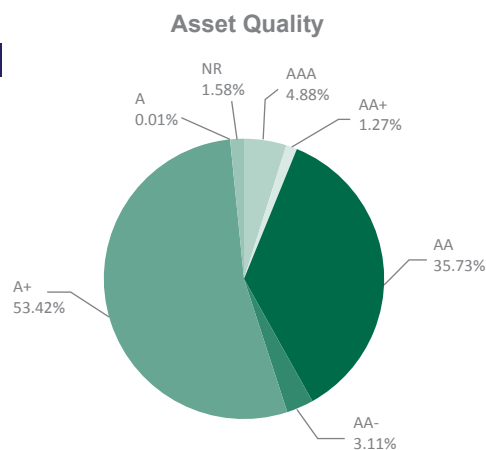
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## FUND MANAGER’S REPORT

### Fund Information

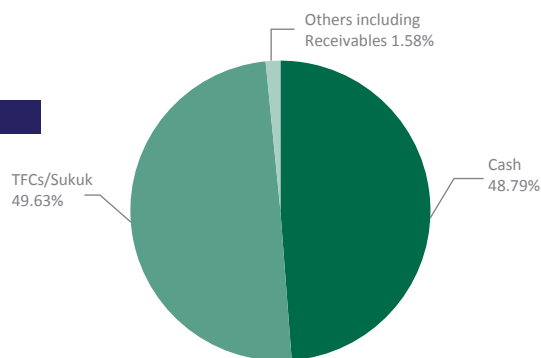
Fund Type	Open Ended
Category	Islamic Income Scheme
Stability Rating	A+(f) (JCRVIS)
Risk Profile	Low
Launch Date	June 14, 2010
Custodian/Trustee	CDC
Auditor	Deloitte Yousuf Adil, Chartered Accountants
Management Fee *	10% of gross earnings (min 0.90% p.a., max 1.50% p.a.) of average daily net assets
Front/Back end Load	FEL up to 2% of NAV & BEL 0%
Min Subscription	PKR 5000
Benchmark	Six months average deposit rates of three A rated scheduled Islamic Banks or Islamic windows of conventional Banks
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM3 (JCRVIS)
NAV per Unit (PKR)	107.16
Net Assets (PKR mn)	1,013.27
Leverage	Nil



\* Effective from January 01, 2018

### Fund Return (% p.a.)

	June 18	June 17
YTD	4.42%	5.30%
Benchmark (YTD)	2.44%	3.11%



**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.

### Performance

Faysal Islamic Savings Growth Fund generated return of 4.42% during the FY18, outperforming the benchmark by 198 bps. By the end of FY18, your fund maintained investments in Islamic Commercial Securities in the form of Sukuk at 49.63% and cash held in Shariah Compliant banks was around 48.79%. Going forward, your fund would continue to explore Islamic investment avenues in order to provide competitive returns.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
 الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ، وَالصَّلَاةُ وَالسَّلَامُ عَلَى خَاتَمِ النَّبِيِّينَ وَسَيِّدِ الْمُرْسَلِينَ،  
 وَعَلَى آلِهِ وَأَصْحَابِهِ أَجْمَعِينَ. أَمَّا بَعْدُ

## REPORT OF THE SHARIAH ADVISOR FAYSAL ISLAMIC SAVINGS GROWTH FUND

August 9, 2018

By the blessing of ALLAH, the year ended 30 June, 2018 under analysis of Faysal Islamic Savings Growth Fund (FISGF). We, as the Shariah Advisors of the fund are issuing the report in accordance with clause 7.2.4 of the trust deed of the fund. The scope of the report is to express an opinion on the Shariah Compliance of the fund's activities.

In the capability of Shariah Advisors, we have set out criteria and guideline to be followed in ensuring Shariah Compliance in the each and every transaction.

It is the responsibility of the management of the fund to establish and maintain a system of internal control to ensure Shariah Compliance with the Shariah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personal and review of various documents prepared by the management company to comply with the prescribed criteria.

In the light of above, we hereby certify that:

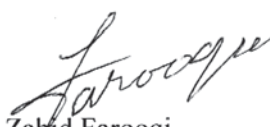
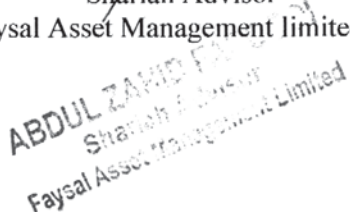
- We have reviewed and approved the modes of investment of FISGF in light of the Shariah guidelines.
- All the provisions of the scheme and investment made on account of FISGF by FAML Fund Managers are Shariah Compliant and in accordance with the criteria established.

- On the basis of information provided by the management, all operations of FISGF for year ended 30 June 2018 have been in compliance with the Shariah Principles.

May Allah make us successful and accept efforts of the management company for developing of Islamic Finance System.

وصلى الله على حبيبه محمد صلى الله عليه وسلم

Mufti Muhammad Abubaker  
Shariah Advisor  
Faysal Asset Management limited

  
Abdul Zahid Farooqi  
Shariah Advisor  
Faysal Asset Management limited  


## **INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS IN RESPECT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We have performed an independent assurance engagement of Faysal Islamic Savings Growth Fund (the Fund) to express a conclusion that the Fund has complied with the Shariah principles specified in Trust Deed and the guidelines issued by Shariah Board of the Fund during the year ended June 30, 2018. Our engagement was carried out as required under clause 7.4 of the Trust Deed of the Fund.

### **MANAGEMENT COMPANY'S RESPONSIBILITY**

It is the responsibility of the Management Company (the management) of the Fund to comply with all the Shariah principles specified in the Trust Deed and the guidelines issued by Shariah Board. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures to ensure that operations of the Fund and its investment and placements have been made in compliance with the Shariah principles.

### **RESPONSIBILITY OF INDEPENDENT ASSURANCE PROVIDERS**

Our responsibility is to express a conclusion on the compliance with Shariah principles based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by Shariah Board.

The procedures selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with the Shariah principles. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing a conclusion on the effectiveness of the Fund's internal controls. Amongst others, our scope included procedures to:

- Check compliance of specific guidelines relating to maintaining bank accounts and for making investments of the Fund; and
- Check that the Shariah Board has certified that investments made by the Fund during the year ended June 30, 2018 are in compliance with the Shariah principles specified in Trust Deed and where required investment were made in consultation with the Shariah Board.

We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our conclusion.

### **CONCLUSION**

Based on procedure performed, we conclude that the Fund was, in all material respects, in compliance with the Shariah principles as specified in the Trust Deed and the guidelines issued by Shariah Board of the Fund during the year ended June 30, 2018.

### **CHARTERED ACCOUNTANTS**

**DATED:** September 19, 2018  
**PLACE:** Karachi

**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 ISLAMIC SAVINGS 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 Islamic Savings 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, 2018 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.

  
**Aftab Ahmed Diwan**  
Chief Executive Officer  
Karachi, September 24, 2018  
Central Depository Company of Pakistan Limited

# **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF FAYSAL ISLAMIC SAVINGS GROWTH FUND**

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **OPINION**

We have audited the financial statements of Faysal Islamic Savings Growth Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018 and the income statement, statement of comprehensive income, statement of movements in unit holder's 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 of the Fund's financial position as at June 30, 2018 and of its financial performance and its cash flows for the year then ended in accordance with 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
<b>a) Valuation and existence of investments at fair value</b>	
<p>As disclosed in note 8.1 to the financial statements, investments amounted to Rs. 278.27 million as at June 30, 2018.</p> <p>These investments represent a significant item on the Statement of Assets and Liabilities. The Fund invests principally 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 values.</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"> <li>• 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 statement;</li> <li>• performed purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities during the year; and</li> <li>• any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
<b>b) Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulations, 2008</b>	
<p>As disclosed in note 4.1, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification</p>	<p>In order to address the matter we:</p> <ul style="list-style-type: none"> <li>• Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>• Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate and also prepared a quantitative reconciliation of units reported; and</li> <li>• Checked adequacy of presentation and disclosures including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as a Key Audit Matter.</p>	

### 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 do 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 are required to report that fact. We have nothing to report in this regard.

### 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.

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

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.

### **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: SEPTEMBER 19, 2018**

**PLACE: KARACHI**

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	June 30, 2018	June 30, 2017
		----- (Rupees) -----	
<b>Assets</b>			
Bank balances	7	499,710,491	603,989,377
Investments	8	508,226,731	687,216,162
Deposits and other receivables	9	16,184,491	13,693,399
<b>Total assets</b>		<b>1,024,121,713</b>	<b>1,304,898,938</b>
<b>Liabilities</b>			
Payable to the Management Company	10	913,990	2,240,443
Remuneration payable to the Trustee	11	161,660	157,822
Accrued and other liabilities	12	9,773,319	9,215,290
Payable against redemption of units		-	24,994,518
Dividend payable		-	14,527,632
<b>Total liabilities</b>		<b>10,848,969</b>	<b>51,135,705</b>
<b>Net assets</b>		<b>1,013,272,744</b>	<b>1,253,763,233</b>
Unit holders' fund (as per the statement attached)		<b>1,013,272,744</b>	<b>1,253,763,233</b>
<b>Contingencies and commitments</b>	13	----- (Number of units) -----	
<b>Number of units in issue</b>		<b>9,455,340</b>	<b>12,217,867</b>
<b>Net asset value per unit</b>		<b>107.16</b>	<b>102.62</b>

The annexed notes from 1 to 23 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, 2018

	Note	June 30, 2018 ----- (Rupees) -----	June 30, 2017
<b>Income</b>			
Profit earned on government securities and sukuk certificates classified as 'at fair value through profit or loss' - held-for-trading		35,138,227	25,994,860
Return on bank balances and term deposit receipts		34,282,802	37,004,223
Return on certificate of musharika - classified as 'held to maturity'		6,151,853	3,258,657
Other income		-	20,355
Net (loss) / gain on investments:			
- Net capital gain on sale of investments classified as:			
- 'at fair value through profit or loss' - held-for-trading		172,715	1,455,191
- Net unrealized (loss) / gain on revaluation of investments classified as			
- 'at fair value through profit or loss' - held-for-trading	8.5	(3,110,721)	2,678,718
		(2,938,006)	4,133,909
<b>Total income</b>		<b>72,634,876</b>	<b>70,412,004</b>
<b>Expenses</b>			
Remuneration of the Management Company	10.1	14,536,264	15,677,833
Reimbursement of expenses to the Management Company	10.3	-	713,619
Sales tax on management fee	10.2	1,889,714	2,038,118
Remuneration of the Trustee	11.1	1,857,171	1,659,488
Sales tax on trustee fee		241,429	215,733
Brokerage		57,475	101,134
Bank charges		99,586	96,222
Auditors' remuneration	14	570,869	612,831
SECP annual fee	12.1	880,672	783,892
Fees and subscriptions		253,240	284,013
Settlement charges, federal excise duty and capital value tax		401,901	322,131
Printing and other expenses		245,225	250,695
Reversal of Workers' Welfare Fund (SWWF)	12.2	-	(4,350,657)
Provision of Sindh Workers' Welfare Fund	12.2	1,032,027	1,038,625
<b>Total expenses</b>		<b>22,065,573</b>	<b>19,443,677</b>
<b>Net income from operating activities</b>		<b>50,569,303</b>	<b>50,968,327</b>
<b>Element of loss and capital losses included in prices of units sold less those in units redeemed - net</b>		<b>-</b>	<b>(75,706)</b>
<b>Net income for the year before taxation</b>		<b>50,569,303</b>	<b>50,892,621</b>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>50,569,303</b>	<b>50,892,621</b>
<b>Allocation of net income for the year</b>			
Net income for the year		50,569,303	
Income already paid on units redeemed		(30,462,210)	
		<b>20,107,093</b>	
<b>Accounting income available for distribution</b>			
Relating to capital gains		-	
Excluding capital gains		20,107,093	
		<b>20,107,093</b>	
Earnings per unit	16		

The annexed notes from 1 to 23 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, 2018

	June 30, 2018	June 30, 2017
	----- (Rupees) -----	
Net income for the year after taxation	50,569,303	50,892,621
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>50,569,303</b>	<b>50,892,621</b>

The annexed notes from 1 to 23 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, 2018

	Note	June 30, 2018	June 30, 2017
		----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		50,569,303	50,892,621
<b>Adjustments for non-cash and other items</b>			
Profit earned on government securities and sukuk certificates		(35,138,227)	(25,994,860)
Return on bank balances and term deposit receipts		(34,282,802)	(37,004,223)
Return on certificate of musharika		(6,151,853)	(3,258,657)
Net capital gain on sale of investments classified as at fair value through profit or loss' - held-for-trading		(172,715)	(1,455,191)
Net unrealized loss / (gain) on revaluation of investments classified as at fair value through profit or loss' - held-for-trading		3,110,721	(2,678,718)
Other income		-	(20,355)
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		-	75,706
Provision of SWWF / reversal of provision for Worker's Welfare Fund		1,032,027	(3,312,032)
		<u>(21,033,546)</u>	<u>(22,755,709)</u>
<b>Increase in assets</b>			
Deposits and other receivables		(264,119)	(455,711)
<b>(Decrease) / increase in liabilities</b>			
Payable to the Management Company		(1,326,453)	752,208
Remuneration payable to the Trustee		3,838	43,022
Accrued and other liabilities		(473,998)	(195,834)
		<u>(1,796,613)</u>	<u>599,396</u>
		<u>(23,094,278)</u>	<u>(22,612,024)</u>
Proceeds from sale / redemption of investments		542,051,425	367,732,850
Payment made against purchase of investments		(366,000,000)	(693,467,950)
Profit received on government securities and sukuk certificates		33,625,138	22,711,327
Return received on bank balances and term deposit receipts		32,994,356	36,718,249
Return received on certificate of musharika		6,726,415	2,684,095
Other income received		-	20,355
<b>Net cash generated from / (used in) operating activities</b>		<u>226,303,056</u>	<u>(286,213,098)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received against issue of units		1,082,722,833	1,982,648,071
Payments made against redemption of units		(1,398,777,143)	(1,330,558,185)
Dividend paid		(14,527,632)	(27,835,206)
<b>Net cash (used in) / generated from financing activities</b>		<u>(330,581,942)</u>	<u>624,254,680</u>
Net (decrease) / increase in cash and cash equivalents during the year		(104,278,886)	338,041,582
Cash and cash equivalents at the beginning of the year		<u>603,989,377</u>	<u>265,947,795</u>
<b>Cash and cash equivalents at the end of the year</b>	7	<u>499,710,491</u>	<u>603,989,377</u>

The annexed notes from 1 to 23 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, 2018

	June 30, 2018			June 30, 2017
	Capital value	Undistributed income <small>(Rupees)</small>	Total	Total <small>(Rupees)</small>
<b>Net assets at the beginning of the year</b>	1,231,516,337	22,246,896	1,253,763,233	636,147,051
Issuance of 10,264,531 units (June 30, 2017: 18,256,803 units)				
- Capital value (at net asset value per unit at the beginning of the year)	1,053,346,171	-	1,053,346,171	-
- Element of income	29,376,662	-	29,376,662	-
Total proceeds on issuance of units	1,082,722,833	-	1,082,722,833	1,902,563,396
Redemption of 13,027,058 units (June 30, 2017: 12,288,650 units)				
- Capital value (at net asset value per unit at the beginning of the year)	(1,336,836,692)	-	(1,336,836,692)	-
- Amount paid out of element of income				
- Relating to net income for the year after taxation	-	(30,462,210)	(30,462,210)	-
- Refund / adjustment on units as element of income	(6,483,723)	-	(6,483,723)	-
Total payments on redemption of units	(1,343,320,415)	(30,462,210)	(1,373,782,625)	(1,293,552,703)
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	-	-	-	75,706
Total comprehensive income for the year	-	50,569,303	50,569,303	50,892,621
Distribution during the year	-	-	-	(42,362,838)
Net income for the year less distribution	-	50,569,303	50,569,303	8,529,783
<b>Net assets at the end of the year</b>	<b>970,918,755</b>	<b>42,353,989</b>	<b>1,013,272,744</b>	<b>1,253,763,233</b>
<b>Distribution for the year</b>				
Undistributed loss brought forward				
- Realized	-	16,252,312	16,252,312	7,453,984
- Unrealized	-	5,994,584	5,994,584	6,263,129
	-	22,246,896	22,246,896	13,717,113
Interim cash distribution for the period ended June 19, 2017 @ Rs.5.00 per unit declared for distribution on June 20, 2017	-	-	-	(42,362,838)
Accounting income available for distribution				
- Relating to capital gains	-	-	-	-
- Excluding capital gains	-	20,107,093	20,107,093	50,892,621
	-	20,107,093	20,107,093	50,892,621
Undistributed income carried forward	-	42,353,989	42,353,989	22,246,896
- Realized	-	40,594,110	40,594,110	16,252,312
- Unrealized	-	1,759,879	1,759,879	5,994,584
	-	42,353,989	42,353,989	22,246,896
		<b>(Rupees)</b>	<b>(Rupees)</b>	
Net asset value per unit at the beginning of the year		<u>102.62</u>	<u>101.92</u>	
Net asset value per unit at the end of the year		<u>107.16</u>	<u>102.62</u>	

The annexed notes from 1 to 23 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, 2018**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

Faysal Islamic Savings Growth Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorized as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 04, 2009. It has been constituted under a Trust Deed, dated April 22, 2009, 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 incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017).

The Fund is a shariah compliant open ended Islamic income fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited. The Fund was launched on June 14, 2010.

The principal activity of the Fund is to invest in shariah compliant money market instruments and debt securities having good credit rating and liquidity.

The Fund is categorized as a "Islamic Income Scheme" as per the Circular 07 of 2009 issued by SECP.

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a "A+(f)" stability rating to Faysal Islamic Saving Growth Fund as of November 21, 2017.

JCR - VIS has awarded an " AM3 " rating to the Management Company as of March 19, 2018.

### **2. 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.

### **3. BASIS OF MEASUREMENT**

- 3.1** These financial statements have been prepared under the historical cost convention, except for certain investments which are accounted for as stated in notes 4.2 and 4.3 below.
- 3.2** These financial statements are presented in Pak rupees, which is the Fund's functional and presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, except as described in note 4.1.

#### 4.1 Changes in accounting policy

##### 4.1.1 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the SRO, 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 Regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised Regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised Regulations.

Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealized appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognized in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP via email dated February 07, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP. Had the retrospective application for the change in accounting policy been applied as per IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', the profit for the year ended June 30, 2017, would have been increased Rs. 75,706.

Had the element of income been recognized as per the previous accounting policy, the profit of the Fund would have been lower by Rs.7.569 million. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' which have been incorporated in these statements.

##### 4.1.2 Separate performance statements

International Accounting Standard (IAS) 1- 'Presentation of Financial Statements' allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the period and items of other comprehensive income in separate statements.

#### 4.2 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss, available-for-sale or held to maturity investments as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

All investments, are initially measured at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs that are directly attributable to acquisition.

All regular way purchases / sales of investments that require delivery within the time frame established by the regulation of market convention are recognized on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within the period generally established by the regulation or market convention.

### 4.2.1 At fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading.

Investments designated at fair value through profit or loss include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

These investments are initially recognized at fair value, being the cost of the consideration given.

After initial measurement, investment at fair value through profit or loss are carried at fair value and the gains or losses on revaluation are recognized in the income statement.

Fair value of investments is determined as follows:

#### **Debt securities / Sukuk certificates**

These are valued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 33 of 2012 dated October 24, 2012, read with Regulation 66(b) of the NBFC Regulations.

### 4.2.2 Held to maturity investments

Investment with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity investments' when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortized cost less any provision for impairment except for in case of debt securities and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

### 4.2.3 Available-for-sale investments

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealized gain or loss recognized directly in the unit holders' fund until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recognized in unit holders' fund is taken to the income statement.

### 4.3 Derivatives

Derivative instruments held by the Fund generally comprise of futures contracts, options and forwards contracts etc. in the capital market. These are initially recognized at cost and are subsequently remeasured at their fair value. The fair value of derivative instruments is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the instrument. Derivative with positive market values (un-realized gains) are included in other assets and derivatives with negative market values (un-realized losses) are included in other liabilities in the statement of assets and liabilities. The resultant gains and losses are included in income statement.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by IAS-39 Financial Instruments: Recognition and Measurement, consequently hedge accounting is not used by the Fund.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.4 Provisions

Provisions are recognized 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 4.5 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 asset 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 asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

### 4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

### 4.7 Revenue recognition

Gain or loss on sale of marketable and government securities is accounted for in the period in which it arises.

Unrealized gains or losses arising on revaluation of investments classified as 'at fair value through profit or loss' are included in the income statement in the period in which they arise.

Profit from shariah compliant debt securities, return on certificates of investment, commercial papers, placements under murabaha, musharikhah, mudarabah, Ijarah arrangements and return on bank balances are recognized on a time proportion basis using effective profit rate method.

### 4.8 Expenses

All expenses, including management fee, trustee fee and SECP fee are recognized in the income statement on an accrual basis.

### 4.9 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 to the Second Schedule of the Income Tax Ordinance, 2001. Accordingly, Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 4B of Income Tax Ordinance, 2001).

### 4.10 Net asset value (NAV) per unit

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

### 4.11 Distribution to unit holders

Distribution to unit holders made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared and approved by the Board of Directors of the Management Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.12 Financial assets and financial liabilities

All financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expires. Financial liabilities are derecognized 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.

Financial assets carried in the statement of assets and liabilities include bank balances and term deposit receipts, investments, receivable against issue of units and deposits and other receivables.

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

At the time of initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition methods adopted for subsequent remeasurement of significant financial assets and financial liabilities are disclosed in the individual policy statements associated with each item.

#### Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognized in the income statement.

Impairment is determined as follows:

- (a) for assets carried at amortized cost, impairment is difference between present value of estimated cash flows discounted at the original effective interest rate and amortized cost.
- (b) for assets carried at fair value, impairment is the difference between cost and fair value.
- (c) for assets carried at cost, impairment is difference between present value of future cash flows discounted at the current market rate of return for a similar financial asset and cost.

For available-for-sale equity investments, reversal of impairment losses are recorded as increases in cumulative changes in fair value through unit holders' fund.

In addition, a provision is made to cover impairment for specific groups of assets where there is a measurable decrease in estimated future cash flows.

### 4.13 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognized amount and the Fund intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 4.14 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.

## 5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates, judgments and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

## NOTES TO THE FINANCIAL STATEMENTS

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in note 4.3, 4.4, 4.9 and 4.12 to the financial statements.

### 6. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS FOR THE YEAR ENDED JUNE 30, 2018

#### 6.1 Effective for the year ended June 30, 2018

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. 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.

Standard or Amendments	Effective from accounting period beginning on or after
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealized losses	January 01, 2017

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

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Fund.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

#### 6.2 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
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date (note 6.3).	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (note 6.3).	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

## NOTES TO THE FINANCIAL STATEMENTS

	<b>Effective from accounting period beginning on or after</b>
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
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
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
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 01, 2018. Earlier application is permitted.
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:	
<ul style="list-style-type: none"> <li>- IFRS 1 – First Time Adoption of International Financial Reporting Standards</li> <li>- IFRS 14 – Regulatory Deferral Accounts</li> <li>- IFRS 17 – Insurance Contracts</li> </ul>	

### 6.3 IFRS 9 Financial Instruments

In July 2014 IASB issued a revised version of IFRS 9 'Financial Instruments' which supersedes all its previous versions and is mandatorily effective for periods beginning on or after January 1, 2018. The SECP has adopted the IFRS 9 effectively from July 1, 2018 and will be applicable for the Fund as well.

Key requirements of IFRS 9:

- Debt investments 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 outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

### Impairment

The SECP / Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has 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.

### Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 and also considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 on the financial statements as follows;

Investments classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9 with value changes continue to recognize in profit or loss.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principle outstanding. These financial assets will qualify for designation as measured at amortized cost and will continue to be subsequently measured at amortized cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortized cost will continue to be subsequently measured at amortized cost upon application of IFRS 9.

	Note	June 30, 2018 ----- (Rupees) -----	June 30, 2017 -----
<b>7. BANK BALANCES</b>			
Cash at banks - PLS saving accounts	7.1	<u>499,710,491</u>	<u>603,989,377</u>
<b>7.1</b>	These carry mark-up ranging between 3.75% to 6.60% (June 30, 2017: 3.75% to 5.60%) per annum and include balance of Rs. 2.38 million (June 30, 2017: Rs. 3.83 million) held with Faysal Bank Limited, a related party.		
<b>8. INVESTMENTS</b>	Note	June 30, 2018 ----- (Rupees) -----	June 30, 2017 -----
<b>At fair value through profit or loss - held-for-trading</b>			
Listed sukuk certificates	8.1	278,269,121	292,216,162
<b>Held to maturity</b>			
Certificates of Musharika	8.2	-	110,000,000
Term Deposit Receipts	8.3	-	110,000,000
Unlisted sukuk certificates	8.4	<u>229,957,610</u>	<u>175,000,000</u>
		<u>508,226,731</u>	<u>687,216,162</u>

## NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2018	June 30, 2017
		----- (Rupees) -----	
<b>9. DEPOSITS AND OTHER RECEIVABLES</b>			
<b>- considered good</b>			
Security deposit with			
- Central Depository Company of Pakistan Limited		100,000	100,000
- National Clearing Company of Pakistan Limited		-	102,144
Profit receivable on sukuk certificates		11,606,247	10,093,158
Profit receivable on Certificates of Musharika		-	574,562
Return receivable on bank balances and term deposits receipts	9.1	3,492,383	2,203,937
Income tax recoverable	9.2	985,861	619,598
		<b>16,184,491</b>	<b>13,693,399</b>

**9.1** This includes profit receivable amounting to Rs. 46,000 (June 30, 2017: Rs. 41,200 ) on balance held with Faysal Bank Limited, a related party.

**9.2** 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.

	Note	June 30, 2018	June 30, 2017
		----- (Rupees) -----	
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee payable	10.1	808,841	1,351,173
Sales tax on management fee payable	10.2	105,149	175,651
Reimbursement of expenses payable	10.3	-	713,619
		<b>913,990</b>	<b>2,240,443</b>

**10.1** 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 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets. The Management Company has charged its remuneration at the rate of 1.5% per annum of average daily net assets till December 31, 2017, and from January 01, 2018, at the rate of 10% gross earnings subject to minimum fees of 0.90% and maximum fees of 1.5% of average daily net assets (June 30, 2017: 1.5% per annum) of the daily net asset value of the Fund .

**10.2** The Government of Sindh has levied Sindh Sales Tax on services at the rate of 13% (June 30, 2017: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

**10.3** SECP has introduced "expense ratio" vide amendments in NBFC Regulations dated November 25, 2015, 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. Furthermore, under NBFC Regulation 60(5), the total expense ratio of an income scheme shall be capped at 2% of average daily net assets value of the scheme.

## NOTES TO THE FINANCIAL STATEMENTS

8.1 Listed sukuk certificates

Name of investee company	Rate of return per annum	Number of certificates			Balance as at June 30, 2018			Maturity	Market value as percentage of total investments	Market value as percentage of net assets
		Purchased during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealized gain / (loss) on revaluation			
<b>Electricity / energy</b>										
K-Electric Limited - Azam (19-03-14) (5 years)	9.16%	14,800	-	14,800	74,000,000	75,039,753	1,039,753	March, 2019	14.77%	7.41%
<b>Fertilizer</b>										
Engro Corporation Limited (11-07-14) (5 years)	13.50%	2,408	-	2,408	12,857,876	13,057,368	199,492	July, 2019	2.57%	1.29%
Engro Fertilizer Limited (09-07-14) (5 years)	7.96%	12,000	-	12,000	31,790,988	31,815,000	24,032	July, 2019	6.26%	3.14%
Dawood Hercules Corporation Limited	7.41%	-	660	660	66,000,000	66,132,000	132,000	November, 2022	13.01%	6.53%
<b>Cable and electrical goods</b>										
TPL Trakker Limited - Shirkatalik Sukuk (13-04-16)	9.91%	90	-	40	50,221,018	51,625,000	1,403,982	April, 2021	10.16%	5.09%
<b>Financial</b>										
Meezan Bank Limited (22-09-2016)	6.95%	55	-	15	41,596,990	40,600,000	(996,990)	September, 2026	7.99%	4.01%
<b>June 30, 2018</b>					<b>276,466,852</b>	<b>278,269,121</b>	<b>1,802,269</b>			
<b>June 30, 2017</b>					<b>286,221,576</b>	<b>292,216,162</b>	<b>5,994,584</b>			

8.1.1 Significant terms and conditions of listed sukuk certificates are as follows:

Name of investee company	Number of Certificates held	Face value per certificate (Rupees)	Mark-up rate (per annum)	Maturity	Secured / Unsecured	Rating
K-Electric Limited - Azam (19-03-14) (5 years)	14,800	5,000	2.75% + 3 Months KIBOR	March, 2019	Secured	AA
Engro Corporation Limited (11-07-14) (5 years)	2,408	5,000	13.50%	July, 2019	Secured	AA-
Engro Fertilizer Limited (09-07-14) (05 Years)	12,000	2,625	1.75% + 6 Months KIBOR	July, 2019	Secured	AA
Dawood Hercules Corporation Limited	660	100,000	1% + 3 Months KIBOR	November, 2022	Secured	AA
TPL Trakker Limited - Shirkatalik Sukuk (13-04-16)	50	1,000,000	3% + 1 Year KIBOR	April, 2021	Secured	A+
Meezan Bank Limited (22-09-2016)	40	1,000,000	0.50% + 6 Months KIBOR	September, 2026	Secured	AA

8.2 Certificates of Musharika

Name of investee company	Rate of Return per annum	Face value		Carrying value	Maturity	Rating	Face Value as percentage of total investments	Face Value as percentage of net assets
		As at July 01, 2017	Purchased during the year					
Chix Modaraba	6.15%	110,000,000	420,000,000	230,000,000	November, 2017	-	0.00%	0.00%
June 30, 2017		-	110,000,000	110,000,000				

8.3 Term deposit receipts

Name of investee company	Rate of Return per annum	Face value		Carrying value	Maturity	Rating	Face Value as percentage of total investments	Face Value as percentage of net assets
		As at July 01, 2017	Purchased during the year					
Dubai Islamic Bank Limited	6.00%	110,000,000	-	110,000,000	December, 2017	-	0.00%	0.00%
June 30, 2017		-	220,000,000	110,000,000				

## NOTES TO THE FINANCIAL STATEMENTS

8.4 Unlisted sukuk certificates

Name of investee company	Rate of return per annum	Number of certificates			Balance as at June 30, 2018			Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2017	Purchased during the year	Transferred/Sold during the year	As at June 30, 2018	Carrying value	Market value		
(Rupees)									
<b>Oil and gas</b>									
BYCO Oil Pakistan Limited	7.46%	1,750	-	1,250	500	50,000,000	49,918,850	(81,150)	9.82%
<b>Others</b>									
International Brands Limited	6.97%	-	1,200	-	1,200	120,000,000	120,000,000	-	23.61%
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited (01-03-2018)	7.80%	-	600	-	600	60,000,000	60,038,760	38,760	11.81%
						<u>230,000,000</u>	<u>229,957,610</u>	<u>(42,390)</u>	

8.4.1 Significant terms and conditions of unlisted sukuk certificates are as follows:

Name of investee company	Number of Certificates held	Face value per certificate (Rupees)	Mark-up rate (per annum)	Maturity	Secured / Unsecured	Rating
BYCO Oil Pakistan Limited	500	100,000	1.05% + 3 Months KIBOR	January, 2022	Secured	AAA
International Brands Ltd- Sukuk Certificate	1,200	100,000	0.5%+12 Months KIBOR	November, 2021	Secured	AA
Dawood Hercules Corporation Limited	600	100,000	1%+3 Months KIBOR	March, 2023	Secured	AA
<b>Unrealized gain / loss on investments</b>						
					June 30, 2018	June 30, 2017
Market value of investments					508,226,731	292,216,162
Less: Carrying value					(506,466,852)	(286,221,578)
					<u>1,759,879</u>	<u>5,994,584</u>
Net unrealized gain on investments at the beginning of the year					<u>(5,994,584)</u>	<u>(6,263,129)</u>
Realized loss on disposal during the year					<u>1,123,984</u>	<u>2,947,263</u>
					<u>(4,870,600)</u>	<u>(3,315,866)</u>
					<u>(3,110,721)</u>	<u>2,678,718</u>

8.5

## NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2018	June 30, 2017
		----- (Rupees) -----	
<b>11. REMUNERATION PAYABLE TO THE TRUSTEE</b>			
Remuneration to the Trustee	11.1	143,061	139,665
Sales tax on Trustee fee	11.2	18,599	18,157
		<u>161,660</u>	<u>157,822</u>

**11.1** 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 asset value of the Fund.

**11.2** Sindh Sales Tax on services at the rate of 13% (June 30, 2017: 13%) has been levied on the remuneration of the Trustee.

	Note	June 30, 2018	June 30, 2017
		----- (Rupees) -----	
<b>12. ACCRUED AND OTHER LIABILITIES</b>			
SECP annual fee payable	12.1	880,672	783,868
Accrued liabilities		856,311	1,427,113
Provision for Sindh Worker's Welfare Fund	12.2	2,764,467	1,732,440
Provision for indirect taxes and duties	12.3	5,271,869	5,271,869
		<u>9,773,319</u>	<u>9,215,290</u>

**12.1** This represents annual fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay annually an amount equal to 0.075% (June 30, 2017: 0.075%) per annum of the daily net asset value of the Fund.

**12.2** 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 two percent 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 Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed off 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.

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 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (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 for hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (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 0.50 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 mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of Federal and Sindh Workers' Welfare Fund on Mutual Funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- the 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.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017. The SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs. Accordingly, necessary adjustments in this respect have been recorded in the books of the Funds on January 12, 2017.

Consequent to the above, the Fund on January 12, 2017 reversed an amount of Rs 4.35 million in respect of provision of WWF, this has resulted in an increase in NAV per unit of Re. 0.431 on January 12, 2017. As on reporting date, the Fund has made a provision of Rs 2.76 million in respect of SWWF. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2018 would have been higher by Re.0.29 per unit (2017: 0.14 per unit).

- 12.3** 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 from 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, 2018, the Fund has held a provision for FED aggregating to Rs. 5.27 million (June 30, 2017: Rs. 5.27 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, 2018 would have been higher by Re. 0.55 per unit (June 30, 2017: Re. 0.43).

### 13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2018 and June 30, 2017 except as disclosed in relevant notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2018	June 30, 2017
	----- (Rupees) -----	
<b>14. AUDITORS' REMUNERATION</b>		
Audit fee	283,500	283,500
Review and other certifications	185,500	185,500
Others	59,582	98,436
	528,582	567,436
Sales tax	42,287	45,395
	570,869	612,831

### 15. TAXATION

The income of the fund is exempt from income tax under Clause (99) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 (Clause 99) subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. As disclosed in Note 21, the Management Company, subsequent to year end, has announced 95% distribution of accounting income for the year to avail the tax exemption. Accordingly, no provision for current and deferred tax has been made in these financial statements. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause I I A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001. Accordingly, Supertax introduced in Finance Act, 2015 is also not applicable on funds (Section 48 of Income Tax Ordinance, 2001).

### 16. 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.

### 17. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

**17.1** 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.

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

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

	June 30, 2018	June 30, 2017
	----- (Rupees) -----	
<b>Transactions during the year</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of Management Company	14,536,264	15,677,833
Sales tax on management fee	1,889,714	2,038,118
Reimbursement of expenses to Management Company	-	713,619
<b>Faysal Bank Limited (Group company / Associated Company)</b>		
Redemption of 1,818,788 units (2017: Nil units)	194,883,089	-
Issue of 1,818,788 units (2017: 1,477,739 units)	194,883,089	155,000,000
Cash dividend paid	-	8,085,823
Income on deposits	124,909	193,324
Bank charges	8,442	8,442

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2018	June 30, 2017
	----- (Rupees) -----	
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b>		
Remuneration of Trustee	1,857,171	1,659,488
Sales tax on Trustee fee	241,429	215,733
Settlement charges	18,667	16,001
<b>Directors and Key Management Personnel of the Management Company</b>		
Issue of Nil units (2017: 47 units)	-	4,794
Redemption of 1,174 units (2017: 5,801 units)	120,605	591,702
Cash dividend paid	-	4,770
<b>Faysal Stock Fund (Formerly Faysal Balanced Growth Fund)</b>		
Sale of unlisted Sukuks - BYCO Oil Pakistan Limited	-	35,000,000
<b>Units holders having 10% or more units</b>		
<b>FBL Staff Provident Fund</b>		
Issue of 1,985,681 units (June 2017: 1,985,681 units)	212,765,709	208,923,486
Redemption of 1,985,681 units (June 2017: 1,985,681 units)	212,765,709	-
Dividend	-	8,923,486
<b>Outstanding balances</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration payable to the management Company	808,841	1,351,173
Sales tax on management fee payable	105,149	175,651
FED on management fee payable	5,271,869	5,271,869
Reimbursement of expenses payable	-	713,619
<b>Faysal Bank Limited (Group company / Associated Company)</b>		
Units in issue 1,818,788 (June 2017: 1,818,788 units)	194,901,322	186,643,922
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b>		
Remuneration payable to the Trustee	1,857,171	1,659,488
Sales tax on trustee fee payable	241,429	215,733
Security deposit	100,000	100,000
<b>Directors and Key Management Personnel of the Management Company</b>		
Units in issue Nil units (June 2017: 1,174 units)	-	120,476
<b>Faysal Balance Growth Fund</b>		
Payable against redemption of units	-	24,994,518
<b>Units holders having 10% or more units</b>		
<b>FBL Staff Provident Fund</b>		
Units in issue 1,985,681 units (June 2017: 1,985,681 units)	212,785,576	203,770,574

## NOTES TO THE FINANCIAL STATEMENTS

### 18. 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 set up 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. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

#### 18.1 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 equity prices, interest rates and foreign exchange rates.

##### (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, 2018, the Fund's exposure to the risk of changes in market profit rates relates primarily to bank balances, TDRs, commercial papers and sukuks. The bank balances, TDRs and commercial papers are subject to interest rates as declared by the respective banks on periodic basis. The sukuks are subject to floating interest rates and valued at MUFAP price. As at June 30, 2018, approximately 98.42% (June 30, 2017: 98.95%) of the Fund's financial assets are subject to interest rates risk.

Management of the Fund estimates that an increase of 100 basis points in the fixed profit rate, with all other factors remaining constant, would decrease the Fund's income and the net assets of the Fund by Rs.4.99 million (2017: Rs. 0.57 million) and a decrease of 100 basis points would result in a increase the Fund's income and the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

Management of the Fund estimates that an increase of 100 basis points in the floating profit rate, with all other factors remaining constant, would increase the Fund's income and the net assets of the Fund by Rs. 5.08 million (June 30, 2017: Rs.12.91 million) and a decrease of 100 basis points would result in a decrease of the Fund's income and net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

##### (ii) Foreign currency risk

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

#### 18.2 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 asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

## 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, 2018			
Upto three month	More than three months and upto one year	More than one year	Total

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

### Financial liabilities

Payable to the Management Company	808,841	-	-	808,841
Remuneration payable to the Trustee	143,061	-	-	143,061
Accrued and other liabilities	856,311	-	-	856,311
	<b>1,808,213</b>	-	-	<b>1,808,213</b>

June 30, 2017			
Upto three month	More than three months and upto one year	More than one year	Total

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

### Financial liabilities

Payable to the Management Company	2,064,792	-	-	2,064,792
Remuneration payable to the Trustee	139,665	-	-	139,665
Accrued and other liabilities	1,427,113	-	-	1,427,113
Payable against redemption of units	24,994,518	-	-	24,994,518
Dividend payable	14,527,632	-	-	14,527,632
	<b>43,153,720</b>	-	-	<b>43,153,720</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 18.3 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:, if any,

	June 30, 2018	June 30, 2017
	----- (Rupees) -----	
Bank balances	499,710,491	603,989,377
Investment	508,226,731	687,216,162
Profit receivable on debt securities	11,606,247	10,093,158
Return receivable on bank balances	3,492,383	2,203,937
Receivable on Certificate of Musharika	-	574,562
	<u>1,023,035,852</u>	<u>1,304,077,196</u>

All deposits with banks and term deposits receipts 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 credit quality of the Fund's exposure:

Rating category	June 30, 2018	June 30, 2017
	----- (%) -----	
AA, AA-, AA+, AAA	44.63	45.44
A, A-, A+	53.89	53.57
Unrated	1.48	0.99
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2018	June 30, 2017
	% of assets exposed to credit risk	
Banks	48.92	50.68
Fertilizer	4.36	4.88
Electricity / energy	7.30	5.87
Oil and Gas	4.85	13.41
Others	34.57	25.16
	<u>100.00</u>	<u>100.00</u>

### 18.4 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 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 date of statement of assets and liabilities. 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;
  - 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).
- As at June 30, 2018, the Fund held the following financial instruments which were measured at fair value:

	Carrying amount				Fair value			
	Investments	Deposits and other receivables	Bank Balances	Total	Level 1	Level 2	Level 3	Total
	(Rupees)				(Rupees)			
<b>Financial assets measured at fair value</b>								
<b>Investments classified as 'At fair value</b>								
Listed sukuk certificates	278,269,121	-	-	278,269,121	-	278,269,121	-	278,269,121
<b>Financial assets not measured at fair value</b>								
Bank balances and term deposit receipt	-	-	499,710,491	499,710,491	-	-	-	-
Deposits and other receivables	-	15,198,630	-	15,198,630	-	-	-	-
Unlisted Sukuk	229,957,610	-	-	229,957,610	-	-	-	-
	508,226,731	15,198,630	499,710,491	1,023,135,852	-	278,269,121	-	278,269,121

## NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2017					
		Carrying amount		Fair value			
		Deposits and other receivables (Rupees)	Bank Balances (Rupees)	Level 1 (Rupees)	Level 2 (Rupees)	Level 3 (Rupees)	Total
Investments	Total	292,216,162	-	-	292,216,162	-	292,216,162
Financial assets measured at fair value							
Investments classified as 'At fair value							
Sukuk certificates		-	-	-	-	-	-
Financial assets not measured at fair value							
Bank balances and term deposit receipt		-	603,989,377	-	-	-	-
Deposits and other receivables		13,073,801	-	-	-	-	-
Certificate of Musharika		110,000,000	-	-	-	-	-
Term deposit receipt		110,000,000	-	-	-	-	-
Unlisted Sukuk		175,000,000	-	-	-	-	-
	Total	687,216,162	13,073,801	603,989,377	1,304,279,340	-	292,216,162

Financial assets measured at fair value

Investments classified as 'At fair value

Sukuk certificates

Financial assets not measured at fair value

Bank balances and term deposit receipt

Deposits and other receivables

Certificate of Musharika

Term deposit receipt

Unlisted Sukuk

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2018			
	Fair value			
Carrying Amount	Level 1	Level 2	Level 3	Total
----- (Rupees) -----				
<b>Financial liabilities not measured at fair value</b>				
Payable to the Management Company	808,841	-	-	-
Remuneration payable to the Trustee	143,061	-	-	-
Accrued and other liabilities	856,311	-	-	-
	<b>1,808,213</b>	-	-	-

	June 30, 2017			
	Fair value			
Carrying Amount	Level 1	Level 2	Level 3	Total
----- (Rupees) -----				
Financial liabilities not measured at fair value				
Payable to the Management Company	2,064,792	-	-	-
Remuneration payable to the Trustee	139,665	-	-	-
Accrued and other liabilities	1,427,113	-	-	-
Payable against redemption of units	24,994,518	-	-	-
Dividend payable	14,527,632	-	-	-
	<b>43,153,720</b>	-	-	-

### 20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holdings', top brokers, summary of actual proxy voted by CIS, 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 the financial statements.

### 21. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of Management Company in their meeting held on July 06, 2018 has announced a distribution of Rs. 4.31 per unit for the year ended June 30, 2018 out of which Rs. 2.02 will be distributed from income for the year in the form of cash dividend and Rs. 2.29 will be distributed from Unit Holder Account as refund of capital. The effect of such dividend shall be accounted for in the financial statements for the year ending June 30, 2019.

### 22. GENERAL

22.1 Figures are rounded off to the nearest Rupee.

#### 22.2 Expense ratio

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP, the total expense ratio of the Fund is 1.87% as on June 30, 2018 which includes 0.34% representing Government Levies, Provision for SWWF and SECP fee.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. DATE OF AUTHORISATION FOR ISSUE

These financial statement were authorized for issue on September 19, 2018 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	1,818,788	19.24
Insurance company	1	43,801	0.46
Retirement funds	18	2,976,904	31.48
Individuals	381	3,287,693	34.78
Banks and DFIs	1	665,909	7.04
NBFCs	-	-	-
Other	12	662,244	7.00
	<u>415</u>	<u>9,455,339</u>	<u>100.00</u>

**(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

Name	June 30, 2018 %
Next Capital Limited	66.80%
BMA Capital	16.14%
KASB Securities Limited	8.53%
JS Global Capital Limited	8.53%

Name	June 30, 2017 %
Next Capital Limited	69.52%
JS Global Capital Limited	16.09%
BMA Capital	14.39%

**(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE**

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

Name	Qualification	Experience
Mr.Razi-ur-Rahman Khan	B.A./ FCA (Institute of Chartered Accountant, England)	Over 31 years
Mr.Ayub Khuhro	B.Sc. Economics, CFA I	Over 9 years
Mr.Mohammad Qasim	B. S. (Acturial Science & Risk Management) & MBA (Fin.	Over 8 years
Mr. Syed Shahid Iqbal	B. Com.	Over 26 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 Income & Growth Fund Faysal Savings Growth Fund Faysal Money Market Fund Faysal Financial Sector Opportunity Fund Faysal MTS Fund

**June 30, 2018      June 30, 2017      June 30, 2016**  
 ----- (Rupees) -----

**(v) PERFORMANCE TABLE**

Net assets	1,013,272,744	1,253,763,233	636,147,051
Net assets value per unit	107.16	102.62	101.92
Offer price per unit	109.31	102.62	101.92
Repurchase price per unit	107.16	102.62	101.92
Highest offer price per unit	109.31	107.19	109.5
Highest repurchase price per unit	107.16	107.19	109.5
Lowest offer price per unit	102.64	101.80	101.53
Lowest repurchase price per unit	102.64	101.80	101.53
 Total return:	 4.42%	 5.30%	 5.50%
- capital growth	0.33%	0.69%	0.10%
- income distribution	4.09%	4.61%	5.40%
 Average annual return: (Launch date: June 14, 2010)			
- one year	4.42%	5.30%	5.50%
- two years	4.86%	5.40%	6.86%
- three years	5.07%	6.34%	7.31%
 Distribution per unit:			
- Interim distribution (% per unit)	-	4.70%	5.50%
- Final distribution (% per unit) *	4.20%	-	-
	<u>4.20%</u>	<u>4.70%</u>	<u>5.50%</u>

\* Announced on 06-July-2018

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, 2017 to June 30, 2018**

Faysal Islamic Savings Growth Fund (FISGF) has total expense ratio (TER) of 1.87%, the TER includes 0.34% 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**

**(vii) 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 27, 2018	Feb 23, 2018	Oct 19, 2017	Sep 22, 2017
Mr. Salman Ahmed Usmani	4	1	1	1	1
Mr. Syed Ibad ur Rehman Chishti	3	0	1	1	1
Mr. Osman Asghar Khan	4	1	1	1	1
Mr. Mohammad Zahid Ahmed	4	1	1	1	1
Mr. Farooq Hassan	4	1	1	1	1
Mr. Razi-ur-Rahman Khan	4	1	1	1	1

**(viii) 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 26, 2018	Feb 23, 2018	Oct 19, 2017	Sep 21, 2017
Mr. Osman Asghar Khan	4	1	1	1	1
Mr. Syed Ibad ur Rehman Chishti	3	0	1	1	1
Mr. Farooq Hassan	4	1	1	1	1

**(ix) MEETINGS OF THE BOARD HR COMMITTEE**

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

Name of Member	Meetings attended	Meeting held on
		Jun 29, 2018
Mr. Osman Asghar Khan	1	1
Mr. Syed Ibad ur Rehman Chishti	1	1
Mr. Razi-ur-Rahman Khan	1	1

**(x) RATING OF THE FUND AND THE MANAGEMENT COMPANY**

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a "A+(f)" stability rating to Faysal Islamic Savings Growth Fund as of November 21, 2017 and JCR - VIS has awarded an "AM3" rating to the Management Company as of March 19, 2018.

## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

یونٹ ہولڈنگ کا طریقہ کار

30 جون 2018ء کو ایف آئی ایس جی ایف کی یونٹ ہولڈنگ کا طریقہ کار سالانہ رپورٹ ہذا کا جزو ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو گئے ہیں اور اہلیت کی بنیاد پر دوبارہ تقرری کے لیے اپنی خدمات پیش کی ہیں بورڈ نے میسرز Deloitte یوسف عادل چارٹرڈ اکاؤنٹنٹس کی 30 جون 2019ء کو مکمل ہونے والے سال کے لیے دوبارہ تقرری کی سفارشات کی توثیق کی ہے۔

اعتراف

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے مینجمنٹ پر اعتماد کے لیے یونٹ ہولڈرز اور مکمل تعاون اور گرانقدر رہنمائی کے لیے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ علاوہ ازیں، بورڈ مینجمنٹ کمپنی کے ملازمین اور اسٹی کا بھی محنت اور بے لوث خدمات پر شکر گزار ہیں۔

برائے اور منجانب بورڈ

کراچی 19 ستمبر 2018ء

رضی الرحمان خان

چیف ایگزیکٹو آفیسر

## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

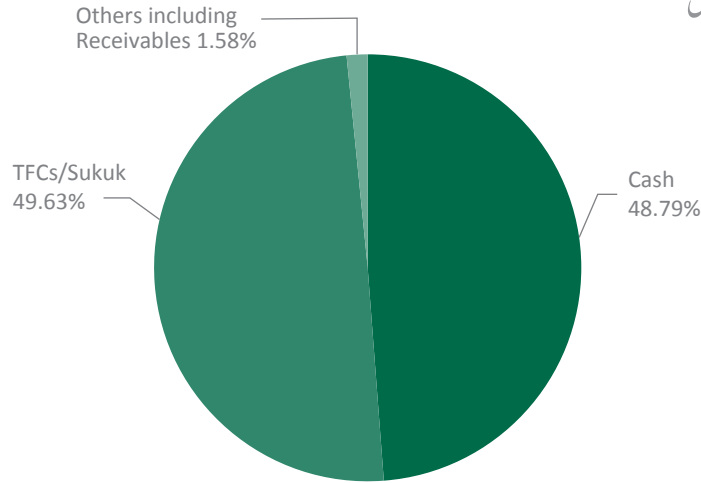
حکومت پاکستان نے دو فلونگ ریٹ بونڈز بھی جاری کیے جس میں مجموعی شرکت 100 بلین کے ہدف کے مقابلے میں 296 بلین رہی تاہم قبول کردہ مجموعی رقم 50 بی بی ایس کے پھیلاؤ پر 34.62 بلین رہی۔

اسٹیٹ بینک آف پاکستان نے چھ مانیٹری پالیسیاں واضح کیں جن میں پہلے تین نیلاموں میں صنعتی پیداوار میں توسیع فرواہم فصلوں کی پیداوار میں مددگار شعبوں میں ترقی نئی شعبہ میں ترقی، موجودہ مالی سال کی پہلی ششماہی کے دوران محصولات کی وصولی میں استحکام اور بڑھانے کے لیے پالیسی ریٹ 5.75 فیصد رکھاتا تاہم اسٹیٹ بینک آف پاکستان نے جنوری کے نیلام میں 25 بی بی ایس تک اور مئی کے نیلام میں 50 بی بی ایس تک نرخ تبدیل کرنے کا فیصلہ کیا ہے اور تمام دستیاب ڈیٹ آلات پر قرضہ میں اضافہ کا بھی فیصلہ کیا ہے ایس بی پی کی اس تحریک سے اسی مدت کے دوران روپیہ کی قدر میں کمی کو 15 فیصد تا 20 فیصد تک مدد حاصل ہوئی۔

### کارکردگی کا جائزہ

ایف آئی ایس جی ایف کو مالی سال 2018ء کے دوران 4.42 فیصد آمدنی ہوئی اور 198 بی بی ایس تک معیار کی کارکردگی عمل میں آئی، مالی سال 2018ء کے اواخر تک آپ کے فنڈ نے سکوک کی صورت میں 49.63 فیصد پر اسلامک کرسٹل سیکورٹیز میں سرمایہ کاری کی اور شرعی بینکوں میں 48.79 فیصد کے قریب نقد جمع ہے مزید برآں آپ کا فنڈ زیادہ آمدنی فراہم کرنے کے لیے اسلامی سرمایہ کاری کے مواقع واضح کرتا رہے گا۔

30 جون 2018ء کو اثاثے کی تخصیص



### آمدنی کی تقسیم

بورڈ آف ڈائریکٹرز نے 30 جون 2018ء کو مکمل ہونے والے سال کے لیے 4.20 فیصد (یعنی 4.31 روپے فی یونٹ کی شرح سے (پورے سال کے لیے) حتمی تقسیم/ ادائیگی کی منظوری دے دی ہے۔

### میوچل فنڈ کی درجہ بندی

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر وی آئی ایس) نے ایف آئی ایس جی ایف کو 21 نومبر 2017ء کو اے+ (ایف) اسٹیبلٹی ریٹنگ تفویض کی ہے۔

## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

2018ء کے دوران 24.77 بلین امریکی ڈالر رہیں یعنی سال بہ سال کی بنیاد پر 12.58 فیصد اضافہ ہو اور آمدات میں اضافہ کے نتیجے میں تجارتی خسارہ میں 16.47 فیصد تک توسیع ہوئی اور زیر جائزہ مدت میں یہ 31.07 بلین امریکی ڈالر پر آ گیا۔

مالی سال 2018ء کے دوران ترسیل زر 19.63 بلین امریکی ڈالر پر برقرار رہا جبکہ گزشتہ سال 19.35 بلین امریکی ڈالر کے مقابلے میں 1.42 فیصد اضافہ سال بہ سال کی بنیاد پر دکھائی دیا، اعلیٰ تجارتی خسارہ میں ترسیل زر کی معاونت نہ ہونے سے کرنٹ اکاؤنٹ خسارہ مالی سال 2017ء میں 12.62 بلین امریکی ڈالر کے مقابلے میں مالی سال 2018ء کے دوران 18.13 بلین امریکی ڈالر کی ریکارڈ سطح پر رہا جس سے سال بہ سال کی بنیاد پر 43.65 فیصد اضافہ ظاہر ہوا، غیر ملکی براہ راست سرمایہ کاری (فارن ڈائریکٹ انویسمنٹ (ایف ڈی آئی) گزشتہ سال کے 2.75 بلین ڈالر کے مقابلے میں مالی سال 2018ء کے دوران 2.77 بلین امریکی ڈالر پر آجس سے 0.76 فیصد اضافہ دیکھا گیا۔ مالی سال 2018ء کے دوران مالیاتی خسارہ اعلیٰ سطح پر رہا اور لیکشن کے سال میں توسیع مالیاتی پالیسیوں کے باعث 2.26 ٹریلین روپے (جی ڈی پی کا 6.60 فیصد) اعلیٰ ترین خسارہ ریکارڈ کیا گیا۔

دواہم خساروں کے ساتھ غیر ملکی سرمایہ کی کمی کے باعث زرمبادلہ کے ذخائر متاثر ہو کر جون 2018ء کے اواخر میں 16.41 بلین امریکی ڈالر کی سطح پر آ گئے جبکہ جون 2017ء کے اختتام پر 21.40 بلین امریکی ڈالر تھے جس سے سال بہ سال کی بنیاد پر 23.34 فیصد کمی دیکھی جاسکتی ہے غیر ملکی زرمبادلہ کے ذخائر پر دباؤ کے باعث کرنسی میں کئی بار تنزلی آئی اور زیر جائزہ مدت کے دوران 15.87 فیصد تک متواتر تنزلی سے گزشتہ سال کے مقابلے میں 121.49 روپے پر آ گئی ہر گاہ کہ کنزیومر پرائس انڈیکس (سی پی آئی) افراط زر مالی سال 2017ء کے لیے 4.16 فیصد کے مقابلے میں مالی سال 2018ء کے دوران کنٹرول میں 3.92 فیصد رہا اقتصادی بد حالی کو روکنے کے لیے سینٹرل بینک نے مالی سال 2018ء کے دوران 75 بیس پوائنٹ (بی پی ایس) تک پالیسی ریٹس میں اضافہ کر دیا ہے۔

مزید برآں علاقائی اور اہم عالمی ممالک سے تعلقات کو بہتر بنانے کے لیے معاشی اور ساختی اصلاحات پر عملدرآمد کر کے حکومت کے عزم سے ملک کی معاشی بھلائی متوقع ہے اور غیر ملکی سرمایہ کے حصول میں مددگار ثابت ہو سکتی ہے مزید ایک اور نیل آؤٹ پیکیج کے لیے آئی ایم ایف سے معاہدہ کے ضمن میں مثبت ترقیات حالیہ واجبات کی ادائیگی کے بحران میں ذخائر کو کم کرنے میں تعاون فراہم کرنے کی ضرورت ہوگی اور مستقبل میں اقتصادی استحکام فراہم ہوگا۔

### منی مارکیٹ کا جائزہ

مالی سال 2018ء کے دوران مارکیٹ میں تحلیل کا فقدان رہا اور اس فقدان کو پورا کرنے کے لیے اسٹیٹ بینک آف پاکستان نے 76 اواہم اونڈر لائن منسٹر کے جس میں مجموعی شرکت 65.59 ٹریلین روپے رہی اور کل قبول کردہ رقم 61.80 ٹریلین روپے تھی تمام اواہم اونڈر لائنز کی اوسط شرح 5.89 فیصد تھی اسٹیٹ بینک نے مالی سال 2018ء کے دوران 10 اواہم او پی یو پی ایس منعقد کے لیے جس میں کل قبول کردہ رقم 1.66 ٹریلین روپے رہی سینٹرل بینک نے مالی سال 2018ء کے دوران 27 ٹی بل نیلام کیے جس میں تفریق کے ساتھ 3 ایم پر 5.9910 فیصد اور 6 ایم پر 6.0109 فیصد مانیٹری پالیسی کے جنوری کے اختتام پر دہرائے جانے تک عملدرآمدنی تفریق 3 ایم پر 6.2144 فیصد پر ہوئی، 2018ء کے سال کے دوران مانیٹری پالیسی پر نظر ثانی کی گئی اور نرخوں میں 175 بی پی ایس تک اضافہ ہوا، اس سے ٹی بل 3 ایم پر 6.7596 فیصد اور 6.8545 فیصد پر جانچنے مجموعی رقم 17,825 بلین روپے کے ٹارگٹ کے مقابلے میں 18.324 بلین روپے حاصل ہوئی۔

مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان نے بارہ نیلام منعقد کیے اسٹیٹ بینک نے آٹھ نیلاموں کے لیے تمام بولیوں کو مسترد کر دیا ماسوائے 17 جولائی 18 اپریل 18 مئی اور 18 جون تاہم شرکت اور قبول کردہ رقم کم تر رہی۔

## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

فیصل ایسٹ مینجمنٹ لمیٹڈ کے ڈائریکٹرز فیصل اسلامک سیوننگز گروتھ فنڈ (ایف آئی ایس جی ایف) کی مینجمنٹ کمپنی ایف آئی ایس جی ایف کی کارکردگی کی سالانہ رپورٹ مع آڈٹ شدہ اکاؤنٹس ٹرسٹی اور آڈیٹرز کی رپورٹس برائے 30 جون 2018ء کو مکمل ہونے والا سال، بخوشی یونٹ ہولڈرز کو پیش کرتے ہیں۔

### یونٹس کی فروخت اور ریڈمشن

زیر جائزہ سال کے دوران 1,082.723 ملین روپے مالیت کے یونٹس جاری کیے گئے اور 1,373.783 ملین روپے مالیت کے یونٹس کی ریڈمشن کی گئی۔

### یونٹ ہولڈرز

30 جون 2018ء کو 1,013.273 ملین روپے مالیت کے 9,455,340 یونٹس قابل ذکر تھے (30 جون 2017ء کو 1,253.763 ملین روپے کے 12,217,867 یونٹس تھے۔

### یونٹ کی قیمتیں

مروجہ پورٹ فولیو کے این اے وی (NAV) کی بنیاد پر یونٹ کے نرخ کا اعلان روزانہ کیا جاتا ہے۔ سال مذکورہ کے دوران زیادہ سے زیادہ اور کم از کم پیشکش / ریڈمشن کے نرخ اور 30 جون 2018ء کو نرخ حسب ذیل تھے۔

یونٹس نرخ	پیش کردہ نرخ	
107.16	109.31	زیادہ سے زیادہ
102.64	102.64	کم از کم
107.16	109.31	30 جون 2018ء کو

### اقتصادی جائزہ

مالی سال 2018ء کے دوران پاکستان معیشت شدہ مہاسلہ تیرہ سال کی اعلیٰ ترین 5.79 فیصد شرح پر آگئی سروس، صنعت اور زراعت سمیت تینوں اہم شعبہ جات نے معاشی ترقی میں حصہ لیا۔ مالی سال 2018ء کے دوران گزشتہ سال کی توانائی کی بہترین فراہمی مع گنجائش میں توسیع سے بڑے پیمانے پر مینوفیکچرنگ (ایل ایس ایم) یونٹس کو 5.38 فیصد تک ترقی میں تعاون حاصل ہوا جس سے اعلیٰ اقتصادی ترقی میں مدد فراہم ہوئی تاہم ادا نیگیوں کا بحران رہا چونکہ فنانشنگ ہائر کرنٹ اور مالی اکاؤنٹ کے خساروں کو پورا کرنے میں ناکام رہی جس سے سال بھر زر مبادلہ پر سخت دباؤ رہا مالی سال 2018ء کے دوران کرنسی میں کئی بار اتار چڑھاؤ آیا جبکہ سینٹرل بینک نے بھی نقدی کو دبا کر رکھنے کا طریقہ اپنایا۔








اعلیٰ اقتصادی سرگرمیوں کو فروغ دینے کے لیے مالی سال 2018ء کے دوران درآمدات اعلیٰ درجہ پر فائز رہیں اور گزشتہ سال کے 48.68 بلین امریکی ڈالر کے مقابلے میں 55.85 بلین امریکی ڈالر پر رہیں جس سے سال بہ سال (وائی او وائی) کی بنیاد پر 14.71 فیصد ترقی ظاہر ہوتی ہے برآمدات میں ترقی اور حوصلہ افزائی کے لیے مختلف النوع ترقیات کے باعث سال کے اواخر برآمدات میں تیزی آئی اور مالی سال 2017ء میں 22.00 بلین امریکی ڈالر کے مقابلے میں مالی سال










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