



# CONTENTS

Mission & Vision Statement	01
Fund Information	02
Report of the Director of the Management Company (English)	03
Report of the Director of the Management Company (Urdu)	08
Report to the Fund Manager of the Management Company	09
Report of the Trustee	12
Independent Auditor's Review Report to the Unitholders	13
Statement of Compliance	15
Independent Auditor's Report	18
Statement of Assets and Liabilities	23
Income Statement	24
Statement of Comprehensive Income	25
Statement of Movement in Unit Holder's Fund	26
Cash Flow Statement	27
Notes to the Financial Statements	28



## Our Mission

"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."

## Our Vision

"PAK OMAN ADVANTAGE ASSET ALLOCATION FUND aims to provide diversified portfolio and return that is risk-adjusted to our investors at large, on a consistent basis."



**FUND INFORMATION**

**Management Company**

Pak Oman Asset Management Company Limited  
 HORN House 83-C, 42nd Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web site : www.pakomanfund.com

**Board of Directors of The Management Company**

H.E Yaqub Bin Saif Bin Abdullah Al-Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Huseyn Murad	Director
Mr. Jehangir Shah	Director
Mr. Rashid Ali Ibrahim Al Bahadi	Director
Ms. Saifia Karim	CEO

**Audit Committee**

Mr. Huseyn Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Ibrahim Al Bahadi	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hina Mir

**Asset Manager Rating**

A++ (+ Stable Outlook)

**Trustee**

MCB Financial Services Limited  
 4th Floor, Premier House, 21, E. Y-16,  
 Old Queens Road, Karachi.

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beasant Road,  
 Karachi-75530

**Bankers to The Fund**

Bank AlMalah Limited  
 BankIslami Pakistan Limited  
 IS Bank Limited  
 Khabbah Bank Limited  
 NRSF Microfinance Bank Limited  
 The First MicroFinanceBank Limited

**Legal Advisor**

Mohsin Taryab Ali  
 Corporate & Commercial Law Firm  
 D-21, Block - 4,  
 KDA Scheme 5, Clifton, Karachi.

**Transfer Agent**

HEMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Station - Faisal, Karachi-74000, Pakistan  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 34326040  
 Web site : www.heminds.biz



**DIRECTORS REPORT TO THE UNIT HOLDERS**

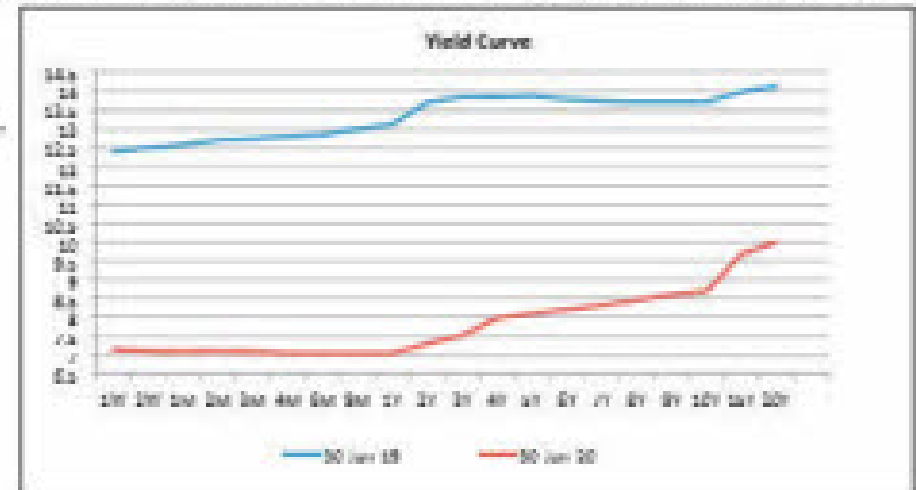
The Board of Directors of Pak Oman Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Pak Oman Advantage Asset Allocation Fund (POAAAF) for the Year ended 30th June 2020.

**Fixed Income Review FY20**

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 160bps, 50bps and 60bps and stood at 7.09%, 7.03% and 7.05% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields stood by 632bps, 577bps and 503bps and stood at 7.33%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdown. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 15bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,797 billion against the target of PKR 14,540 billion and maturity of PKR 11,292 billion. The last cut-off yields stood at 8.13%, 7.99% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY 20, participation was skewed towards 3M and 6M paper, however, during second half of FY 20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rated bonds, SBP raised PKR 1,982 billion. Cut-off yields stood at 7.97%, 8.42%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.





**Economic Review FY20**

After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic during large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major hiccups with substantial decline in exports specially textiles (constituting approximately 96% of total yearly exports). Though government and Ministry of Finance announced various relief measures to incentivize export-oriented sectors in the form of reducing borrowing rates (62bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 6.80% in same period last year. While SPI and WPI averaged at 13.74% and 10.74% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jun-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 62bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deterioration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e. 1.1% of GDP as compared to deficit of \$13.40 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

**Pak Oman Advantage Asset Allocation Fund**

In FY20, POAAAF posted a return of 1.48% against the benchmark return of 0.58%. Net assets stood at PKR 94.97mn by end FY20 against PKR 100.03mn in FY19. As of 30th June-20 equity exposure stood at 16.42% as compared to 36.01% on 30th June -19.

Major equity allocation were in Banks, Fertilizer, Oil & gas Exploration and Power & Distribution 1.44%, 3.02%, 2.47% and 1.22% respectively.



At the end of FY20, exposure in TFC's was reduced to 27.09% compared to 37.43% on 30th June -19. Exposure against PIBs stood at 25.72%. Cash held at 19.16% of the fund size.

**Acknowledgment**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Director of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company.

For and on behalf of the Board  
Sadaf Ismail  
Chief Executive Officer

26th August 2020  
Karachi - Pakistan.





### پیشرفت ہونے والے ذریعہ انگریزیکٹران کی رپورٹ

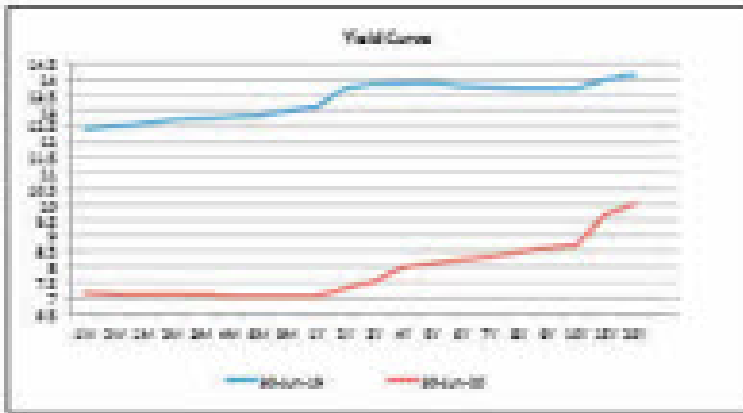
پاکستان کی تین سب سے بڑی کمپنیاں یعنی پیپلز سٹیٹ بینک، پیپلز گیس کمپنی اور پیپلز پاور کمپنی کی رپورٹوں کی بنیاد پر (PACAMAF) کی رپورٹ پیش کرنے کے لیے اس رپورٹ کو تیار کیا گیا ہے۔

#### تعمیراتی کاروبار کی سالانہ رپورٹ 2020

سالانہ رپورٹ 2020 میں تعمیراتی کاروبار کی کارکردگی کا جائزہ لینے کے لیے 2019 اور 2020 کے اعداد و شمار کا موازنہ کیا گیا ہے۔ 2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔ 2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔ 2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔

2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔ 2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔ 2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔

2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔ 2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔ 2020 میں تعمیراتی کاروبار کی کارکردگی 2019 کے مقابلے میں مثبت طور پر بدلتی نظر آئی ہے۔



### PAK OMAN Advantage Asset Allocation Fund June 2020



NAV	1.00
Assets	1.00

	PKA	PKS	PKM	PKP	PKQ	PKR
Assets	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%
Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NAV	1.00
Assets	1.00

Maturity	# of Distributions
1-12M	4
13-24M	3
25-36M	3
37-48M	0
49-60M	1

Code	Description
PKA	Local Equity
PKS	Market Bond
PKM	Money Market

Type of Scheme	Open End
Investment Objective	Asset Allocation
Asset Class	Asset Allocation
Risk Profile	Medium to High
Minimum Investment	PKR 5,000
Exit Fee	0.00%
Management Fee	0.00%
Trading	Not Allowed
Auditor	PKS Auditors
Registrar	PKS Registrar
Listing	Not Listed



After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mis developments. Till HMF120, there were reasonable improvements on economic front however after the outbreak of corona virus pandemic denting large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major burnt with substantial decline in exports, usually better (contributing approximately 50% of total yearly exports). Though government and Ministry of finance announced various relief measures to incentivize export oriented sectors in the form of reducing borrowing rates (425bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 4.80% in same period last year. While SPI and WPI averaged at 13.74% and 10.24% respectively. On 10Y basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, Yr inflation started to ease-off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deterioration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lockdown situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$1.96 billion (ie 1.1% of GDP) as compared to deficit of \$13.43 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 4.5% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.



In financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 500bps, 500bps and 600bps and stood at 7.00%, 7.05% and 7.05% respectively by end of June-20. On the other hand, yield on longer tenor bonds saw sharp decline. Yields shed by 632bps, 577bps and 500bps and stood at 7.51%, 8.11% and 8.48% for 3yr, 5yr and 10yr band respectively. During the quarter, greater activity was witnessed in longer tenor instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deterioration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lockdown situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 15,290 billion. The last cut-off yields stood at 8.13%, 7.98% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3M and 6M paper. However, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rate bonds, SBP raised PKR 1,982 billion. Cut-off yields settled at 7.57%, 8.44%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



The KSE-100 Index had an upward move over the year, closed at 34,422 by end of June 2020 against index of 33,503.58 in start of FY20, registering a mere growth of 1.54%. During the year, index touched a peak of 41,468, and a low of 27,047.

Fertilizer, Cement, Pharmaceutical were the main gainers during FY20 based on strong demand of fertilizer despite COVID-19 pandemic along with high dividend yield, making this sector a safe investment for investors. Cement sector gained momentum on the back of reduction in policy rate and subsequent impact on their finance costs, and incentives given under post covid-19 relief package.

Commercial Banks were major laggards as market was witnessing pressure on banking spreads post cut in policy rates. Furthermore, with the change to IFRS-9 from IAS-39 will make the banking industry more resilience against unforeseen risks. Followed by banks, Oil & Gas Exploration sector suffered the most due to fall in oil prices as the demand fell across the globe, after the suspension of all travelling and lockdowns imposed worldwide.

During the year, foreigners were the net seller of USD 184.86mn. The major selling was observed in Oil & Gas exploration (USD-194.75mn), Banks (USD-75.78mn) and Cements (USD-65.67mn) while fertilizer sector had net buying (USD9.62mn). On the local side, Individual (USD213.23mn) and Insurance (USD127.64mn) were the major buyers, where as Banks /DFIs were net seller (USD-55.88mn).

3<sup>rd</sup> September 2020  
Baqari - Pakistan

Mustafa Kamal  
CFO



## MCB FINANCIAL SERVICES LIMITED

### REPORT OF THE TRUSTEE TO THE UNITHOLDERS

#### PAK OMAN ADVANTAGE ASSET ALLOCATION FUND

Report of the Trustee Pursuant to Regulation 10(b) of the Non-Banking Finance Companies and Mercantile Debt Instruments Regulations, 2008

Pak Oman Advantage Asset Allocation Fund, an open end scheme established under a Trust Deed dated May 21, 2008 executed between Pak Oman Asset Management Company Limited, as the Management Company and Custodial Depository Company of Pakistan Limited, as the Trustee.

MCB Financial Services Limited was appointed as a new trustee in place of CDC under third supplemental Trust Deed dated 15 May 2011. Accordingly the Trust Deed was approved by SEC on 17 January 2012 under the Rules. However, the control of the Fund was transferred on June 13, 2012.

1. Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Asset Allocation Fund has, in all material respects, managed Pak Oman Advantage Asset Allocation Fund during the year ended 30<sup>th</sup> June 2020 in accordance with the provisions of the following:
  - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other appropriate laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement.

For the purpose of information the attention of unit holder is drawn towards the assets which fall below the minimum fund size requirement of \$5 million since Feb 26, 2020 till the year end June 30 2020.

  
Kamran Arshad Hameed  
Chief Executive Officer  
MCB Financial Services Limited

Karachi, September 2, 2020



PAK OMAN ADVANTAGE ASSET ALLOCATION FUND  
 Chartered Accountants  
 11th Floor, Al Faisaliah Tower  
 P.O. Box 12045, Doha, Qatar  
 T: +974 4400 1111  
 F: +974 4400 1112  
 W: www.rsm.com.qa

Independent Auditor's Review Report to the unit holders of Pak Oman Advantage Asset Allocation Fund

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Asset Allocation Fund (the fund) for the year ended June 30, 2020 in accordance with the requirements of regulation 16 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the fund's compliance with the requirements of the Regulations, and report if it does not and/or highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have obtained compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the fund's compliance, in all material respects, with the requirement(s) contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirement(s) of the Regulations as reflected in the paragraph reference where there are deviations in the Statement of Compliance.



Sl.	Paragraph reference	Description
1.	15	The position of the Head of Internal Audit of the fund is vacant since August 2019.
1.	15	The position of the Chief Financial Officer of the fund is vacant since January 2020.

*Ali Hussain Siddiqui*  
 Chartered Accountant  
 Karachi  
 Date: 03 SEP 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Oman Asset Management Company Limited

Report ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors is six as per the following:

- i. Male: five
- ii. Female: one

2. The composition of the Board is as follows:

Independent directors	i. Mr. Harameen Murali
	ii. Mr. Rashid (H) Ibrahim A/ Sabari
Non-executive directors	i. H.E. Yaqub bin Saif bin Abdullah Al Jaber
	ii. Mr. Harameen Khan
	iii. Mr. Harameen Murali
	iv. Mr. Rashid (H) Ibrahim A/ Sabari
	v. Mr. Ashraf Mulla
Executive directors	i. Mr. Nadeem Saad
Female directors	i. Mr. Nadeem Saad

3. The directors have confirmed that none of them is serving as a director in other listed seven listed companies, including this company.
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a remuneration system, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the board shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and management procedure for resignation of directors in accordance with the Act and these Regulations.



Mr. Nadeem Saad  
 The Oman Asset Management Company Limited  
 Windows, 11/2, 12th Commercial Street, Phase 1, Muscat, OMA, P.O. Box 111111  
 Telephone: +968 2333 1111 Fax: +968 2333 1111

9. The Board has arranged Directors' Training program for the following:

H.E. Yaqub bin Saif bin Abdullah Al Jaber	Completed
Mr. Harameen Khan	Certified

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief financial officer and chief executive officer duly advised the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Harameen Murali	Chairman
Mr. Harameen Khan	Member
Mr. Rashid (H) Ibrahim A/ Sabari	Member

b) HR and Remuneration Committee:

Mr. Harameen Khan	Chairman
Mr. Harameen Murali	Member

c) Board Investment Committee:

Mr. Harameen Khan	Chairman
Mr. Ashraf Mulla	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee was as per following:

a) Audit Committee: Quarterly

b) HR and Remuneration Committee: Annually

c) Board Investment Committee: Quarterly

15. The Board has set up an effective internal audit function or has outsourced the internal audit function to an independent suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



Mr. Nadeem Saad  
 The Oman Asset Management Company Limited  
 Windows, 11/2, 12th Commercial Street, Phase 1, Muscat, OMA, P.O. Box 111111  
 Telephone: +968 2333 1111 Fax: +968 2333 1111



Practise and registered with Audit Oversight Board of Pakistan, their fees and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

- 17. The statements contained in the reports associated with them have not been prepared as general offer services except in accordance with the Act, Rules, Regulations or any other regulatory requirements and the auditors have confirmed that they have observed OAG guidelines in this regard.
- 18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 34 of the Regulations have been complied with and
- 19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 34 are below:

In August 2019, the Board of Internal Audit left Pak Oman Asset Management Company Limited. Right when the left we marked the process of appointing people for this position and a few candidates were also identified, but as this position directly reports to the Board Audit Committee, the candidates were reviewed by the Chairman Audit Committee and were rejected. We have consistently been recruiting people since then and have observed a low. The candidate will be recruited/reappointed by the Chairman Audit Committee in upcoming Board of Directors meeting and as soon as he gets a go ahead the position will be filled.

The Chief Financial Officer of PAK O.A.L. - Mr. Muhammad Faruqi has resigned on January 06, 2020 and currently the acting charge has been given to Mr. Akhbar Rehman. The management appreciates the desire to provide working information for key positions and also keeps on monitoring their performance. Management also assess whether it is required to hire some other resource for the key positions. The decision to finalize the permanent Chief Financial Officer position will be made by the Board of Directors in their upcoming Board of Directors meeting.

  
Chairman  
Board of Directors



PAK OMAN ADVANTAGE ASSET ALLOCATION FUND  
10th Floor, 10/1, 10/2, Commercial Street, Block 7, Commercial City, Karachi  
13247, Pakistan



INDEPENDENT AUDITORS REPORT

To the Honorable holders of Pak Oman Advantage Asset Allocation Fund

Report of the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pak Oman Advantage Asset Allocation Fund (the Fund) which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in net liability fund and cash flow statement for the year then ended, and notes to the financial statements, including explanatory of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance, its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

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 period. 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.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Net Asset Value (NAV)</b> (Refer note 4 and note 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investment of the Fund as at June 30, 2020 amounted to Rs. 58.41 million and balances with banks aggregated to Rs. 20.64 million.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We tested the design and operating effectiveness of the key controls for acquisition, disposal, and valuation of investments;</li> <li>We obtained independent corroborative evidence for verifying the existence of the investment portfolio and balances with</li> </ul>

RSM  
10th Floor, 10/1, 10/2, Commercial Street, Block 7, Commercial City, Karachi  
13247, Pakistan  
www.rsm.com.pk

	<p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered high risk area and therefore we considered this as a key audit matter.</p>	<p>banks as at June 30, 2020 and reconciled them with the books and records of the Fund. Where such confirmations were not available, alternative audit procedures were performed.</p> <ul style="list-style-type: none"> <li>- We re-performed valuation to ensure that investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>- We obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> <li>- We also evaluated the adequacy of the overall disclosure in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulators and whether the fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting standards.</li> </ul>
--	--	--

#### Other matter

The financial statements of Pak Oman Advantage Asset Allocation Fund for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on these financial statements on December 27, 2019.

#### Information other than the financial statements and auditor's report thereon

Management 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 conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, if 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and for such internal control as

management deem it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance 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 as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 an 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 period and 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 Requirement

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Modified Entities Regulations, 2008.

The engagement partner in the audit resulting in this independent auditor's report is Ashraf Zaman.

  
 Chartered Accountant  
 Karachi  
 Date: 01 SEP 2020



## STATEMENT OF ASSETS AND LIABILITIES


AS AT 30 JUNE 2020

		2020	2019
Note		(Rupees in '000)	
<b>ASSETS</b>			
Balance with bank	4	20,861	21,462
Investments	5	88,415	78,215
Mark up accrued and dividend receivable	6	2,986	4,492
Deposits, prepayment and other receivables	7	9,141	2,880
<b>Total assets</b>		<b>121,403</b>	<b>107,059</b>
<b>LIABILITIES</b>			
Payable to Pak Oman Asset Management Company Limited Management Company	8	1,265	1,240
Payable to MCI Financial Services Limited - trustee	9	25	28
Payable to the Securities and Exchange Commission of Pakistan	10	28	108
Payable against redemptions of units		-	-
Dividend payable		19	19
Accrued expenses and other liabilities	12	4,829	3,999
<b>Total liabilities</b>		<b>6,166</b>	<b>5,494</b>
<b>NET ASSETS</b>		<b>115,237</b>	<b>101,565</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>115,237</b>	<b>101,565</b>
Contingencies and commitments	14		
		(Number of units)	
Number of units in issue	15	<b>1,121,894</b>	<b>1,120,120</b>
		(Rupees)	
Net asset value per unit	16	<b>102,692</b>	<b>90,676</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
Note	(Rupees in '000)	
<b>INCOME</b>		
Net (loss) / income on:		
- Fixed Income	3,694	1,174
- FPCV equity securities	4,283	4,242
- government securities	488	-
Net loss on sale of investments	(2,487)	(8,718)
Dividend income	2,282	2,227
Other income / (Loss)	95	(895)
Net unrealized (loss) / or measurement of investments - at fair value through profit or loss - held for trading	(2,242)	(9,287)
<b>Total income / (Loss)</b>	<b>3,325</b>	<b>(7,232)</b>
<b>EXPENSES</b>		
Remuneration of the Other Asset Management Company Limited - Management Company	0.1	2,288
Bank Fees - fee on remuneration of the Management Company	0.2	288
Reimbursement of operational expenses to the Management Company	0.4	35
Remuneration of AUCI Financial Services Limited - trustee	0.3	118
Bank Fees - fee on remuneration of the trustee	0.2	18
Annual fee to the Securities and Exchange Commission of Pakistan	10	118
Auditor's remuneration	11	427
Fees and subscription		133
Legal and professional charges		151
Securities transaction cost		718
Printing and marketing charges		212
Provision for Goodwill	0.2	-
Printing and postage charges		21
Bank, settlement and other charges		442
<b>Total expenses</b>	<b>4,287</b>	<b>5,493</b>
<b>Net income / (Loss) for the year before taxation</b>	<b>1,038</b>	<b>(12,224)</b>
taxation	11	-
<b>Net income / (Loss) for the year after taxation</b>	<b>1,059</b>	<b>(12,224)</b>
<b>Dividend per unit</b>	<b>18</b>	
<b>Allocation of net income for the year</b>		
- Net income for the year after taxation	1,059	
- income already paid to units redeemed	(487)	
<b>Net income for the year after taxation</b>	<b>1,059</b>	
<b>Accounting income available for distribution</b>		
- Holding in capital gains	-	
- Including capital gains	1,059	
	<b>1,059</b>	

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in '000)	
Net (loss) / income for the year after taxation	1,059	(12,224)
Other comprehensive income for the year		
Items that may be reclassified subsequently to Income statement		
- Unrealized gain on re measurement of investments classified as 'available for sale'	-	-
Reclassification to Income statement of gain on sale of investments classified as 'available for sale - net'	-	-
<b>Total comprehensive income for the year</b>	<b>1,059</b>	<b>(12,224)</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	18,31	(3,64)	14,67	11,87	6,18	18,05
Issue of 22,852 (2019: 147,925) units	1,88	-	1,88	7,43	-	7,43
- Capital value	1,88	-	1,88	7,43	-	7,43
- Shareholder income	-	-	-	-	-	-
Total amount received on issuance of units	1,88	-	1,88	7,43	-	7,43
Redemption of 175,485 (2019: 294,371) units	(3,24)	-	(3,24)	(7,74)	-	(7,74)
- Capital value	(3,24)	-	(3,24)	(7,74)	-	(7,74)
- Distribution of income for the year after taxation	-	88	88	84	84	168
Total amount paid on redemption of units	(3,24)	88	(2,36)	(7,90)	84	(7,06)
Total amount payable to investors for the year	-	1,88	1,88	-	(2,84)	(2,84)
Net assets at end of the year	16,95	(1,96)	14,99	11,97	3,34	15,31
Undistributed Income (except Forward Compounding of)						
- Realized Gain		1,97			1,98	
- Unrealized Gain		(3,93)			(1,16)	
		<u>(1,96)</u>			<u>(1,18)</u>	
Accrued Income available for Distribution						
- Payable to Capital Gain		-			-	
- Payable to Capital Gain		-			-	
Net Loss for the year after taxation		1,88			(1,34)	
Income tax on units sold/realized		88				
Accrued Loss carried forward		<u>(8,83)</u>			<u>(7,98)</u>	
Accrued Loss carried forward comprising of						
- Realized		1,88			1,97	
- Unrealized		(2,94)			(8,95)	
		<u>(8,83)</u>			<u>(6,98)</u>	
		<u>1,88</u>			<u>(1,34)</u>	
Net asset value at the beginning of the year			<u>14,67</u>			<u>18,05</u>
Net asset value at the end of the year			<u>14,99</u>			<u>15,31</u>

The annexed notes form 1 to 31 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	2020		2019	
	Notes	(Rupees in '000)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income / (loss) for the year before taxation		1,88		(12,504)
Adjustments:				
Net unrealized loss / on re measurement of investments at fair value through profit or loss / held for trading		1,34		8,991
Capital loss on sale of investments / net		2,497		9,728
		6,728		3,185
(Increase) / decrease in assets				
Investments / net		1,341		14,145
Deposits, prepayment and other receivables		(4,248)		18,494
		(7,886)		33,539
Increase / (decrease) in liabilities				
Payable to the Management Company		(86)		(322)
Payable to the Trustee		(7)		(4)
Payable to the Securities and Exchange Commission of Pakistan		(88)		(75)
Accrued expenses and other liabilities		1,875		(8,832)
		1,704		(7,233)
Net cash generated from operating activities		7,548		29,571
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Amounts received on issuance of units		1,88		7,000
Amounts paid on redemption of units		(8,248)		(17,085)
Net cash used in financing activities		(7,248)		(10,085)
Net (decrease) / increase in cash and cash equivalents during the year		30		19,486
Cash and cash equivalents at the beginning of the year		20,462		89
Cash and cash equivalents at the end of the year	4	<u>20,892</u>		<u>29,475</u>
Cash and cash equivalents at the beginning of the period				

The annexed notes form 1 to 31 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

"Pak Oman Advantage Asset Allocation Fund (the Fund) was established under a Trust Deed executed between Pak Oman Asset Management Company Limited, as the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Trust Deed was executed on June 2, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 27, 2008 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2005 (the NSFC Rules). The Trust Deed was amended through first supplemental trust deed executed for the change of name and categorization of the Fund as an "asset allocation scheme".

Subsequently, CDC retired as the Trustee of the Fund and MCB Financial Services Limited (MCBFSL) was appointed as the new Trustee with effect from January 17, 2012. The SECP approved the appointment of MCBFSL as the Trustee in place of the CDC on October 26, 2011. Accordingly, the Trust Deed of the Fund was revised through a Supplemental Deed executed between the Management Company, CDC and MCBFSL."

The Management Company is registered with the SECP as a Non-Banking Finance Company under the NSFC Rules. The registered office of the Management Company is situated at: Iron House, 83-C, 12th Commercial Street, Phase-8 Extension, DHA, Karachi.

The Fund is an open-ended mutual fund classified as an asset allocation by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of 'AM0+' dated Aug 28, 2020 to the Management Company and a performance ranking of '3 star' for long term & '3 star' for short term to the Fund as at Sep 01, 2020.

Title to the assets of the Fund is held in the name of MCBFSL as the trustee of the Fund.

## 2. BASIS OF PREPARATION

## 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) 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 VIII of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2005 (the NSFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NSFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII of the repealed Companies Ordinance, 1984, the NSFC Rules, the NSFC Regulations and requirements



of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIII of the repealed Companies Ordinance, 1984, the NSFC Rules, the NSFC Regulations and requirements of the Trust Deed have been followed."

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Fund.

## 2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment.

Amendments	Effective date (accounting periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

## 2.5 IFRS 9 'Financial Instruments' Impact Assessment

IFRS 9 'Financial Instruments' was issued on July 24, 2014. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

## 2.5.1 Key requirements of IFRS 9 are as follows:

Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value.
- 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 "FVTOCI"
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 5, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

**Classification and measurement of financial liabilities**

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- 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.

**Impairment of financial assets**

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.

SECP through its SCD/AMC/IRS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

**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 has assessed the impact of IFRS 9 on the financial statements as follows:

- Listed equity securities classified as financial assets at fair value through profit or loss - held for trading will be classified at fair value through profit or loss upon application of IFRS 9 with value changes continue to recognized in profit or loss.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards



- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

**2.6 Critical accounting estimates and judgements**

The preparation of financial statements in conformity with approved accounting and reporting standards requires management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 3.2 and 5); and
- (ii) impairment of financial assets (note 3.2.5)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements stated are set out below and have been consistently applied in all the years presented unless otherwise stated.

**3.1 Cash and cash equivalents**

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**3.2 Financial assets**

**3.2.1 Classification**

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss - held-for-trading, loans and receivables or available-for-sale.

**a) Investments at fair value through profit or loss - held for trading**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available-for-sale financial assets are those non-derivative financial assets that are designated



as available for sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

### 3.2.2 Regular way contracts

All regular purchases / sales of investments are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the stock exchange regulations.

### 3.2.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss - held for trading. Financial assets carried at fair value through profit or loss - held for trading are initially recognized at fair value and transaction costs are recognized in the income statement.

### 3.2.4 Subsequent measurement

#### a) Financial assets 'at fair value through profit or loss - held for trading'

##### 1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of the rates MUFAP takes into account the holding pattern of those securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### 2) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

##### 3) Equity securities

The investment of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

Investments of the Fund in unquoted equity securities are carried at lower of investment price or their break-up value as per the latest audited financial statements.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss - held for trading' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

##### b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also



recognized in the 'income statement' when financial assets carried at amortized cost are derecognized or impaired, and through the amortisation process.

### 3.2.5 Impairment of financial assets

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

#### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

#### b) Equity securities

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired, if any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in 'income statement', is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

#### c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

### 3.2.6 Derecognition

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

### 3.2.7 Offsetting of financial assets and financial liabilities

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

**3.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

**3.4 Issuance and redemption of units**

Units issued are allocated at the offer price, prevalent on the day on which the applications for purchase of units are received, however, units are issued on the receipt of cash / realisation of cheques. The offer price represents the net asset value per unit as at the close of the business day plus the allowable front-end sales load and provision of any duties and charges, if applicable. The sales load is payable to the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during the business hours of that day. The redemption price represents the net asset value per unit as at the close of the business day less any back-end load and an amount that the management company may consider to be an appropriate provision of duties and charges. Redemption of units is recorded on acceptance of application for redemption.

**3.5 Element of income / (loss) included in prices of units issued less those in units redeemed**

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. 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.

**Change in accounting policy - Element of income / (loss)**

"Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period was recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities was included in distribution statement.

Securities & Exchange Commission of Pakistan (SECP) through its SRO 759(I)/2017 dated 03 August 2017 has made certain amendments in NSFCs and Notified Entities Regulations, 2009. The SRO changed the definition of accounting income in regulation (63) sub-regulation (b) which excludes the element of income from "accounting income". As per 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. It also specifies 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 asset 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."

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with



respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in reserves or unit holders' fund instead of income statement. Further, SRO requires an additional disclosure should be stated below income statement for allocation of net income for the year comprising of (a) income already paid on units redeemed; and (b) accounting income available for distribution.

Mutual Funds Association of Pakistan (MUFAP) with the consultation of SECP has clarified that income already paid on redemption of units (element of income paid out) is determined on following basis:

- Income already paid on redemption of units (element of income) made during the year shall be on gross basis instead of element of income / loss on net basis.
- In situations where funds have remained profitable for part of the year and ended up in net profit, the income already paid on redemption of units (element of income) has been calculated from the date at which the fund was first broken-even.
- Income already paid on redemption of units (element of income) shall be calculated on FIFO method on redemption of units for identifying units redeemed with units issued."

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 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Further the basis of estimation of income already paid on redemption has been established in line with the guidelines provided by MUFAP as stated above and accordingly the same has been disclosed in the additional disclosure. Since the Fund has incurred net loss during the year, therefore, element of income paid on redemption is 'Nil'. Had the change in accounting policy applied retrospectively, the income of the Fund for the year ended June 30, 2017 would have been lower by Rs. 11,401 million.

"Had the element of income been recognized as per the previous accounting policy, the income of the Fund would have been higher by Rs. 28,868 million. However, the change in accounting policy does not have any impact on the 'statement of Cash flows', the 'net assets attributable to the units holders' and 'net assets value per unit' as shown in the statements of 'assets and liabilities' and 'statement of movement of unit holders' fund'. 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."

**1.8 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.

3.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the sale transaction takes place.
- Unrealised gains / (losses) arising on evaluation of investments classified as financial assets 'at fair value - through profit or loss - held for trading' are included in the 'income statement' in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Markup / return on government securities, term finance certificate, sukuka, commercial papers, clean placements, bank balances and term deposits are recognized on a time proportionate basis using the effective interest method.

3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders (excluding distribution made by issuance of bonus units).

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

3.9 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognized in the financial statements of the period in which such distributions are declared.

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
<b>4. BALANCE WITH BANKS</b>			
Saving accounts	4.1	<u>26,663</u>	<u>20,842</u>

4.1 The rate of return on these accounts ranges between 10.50% to 11.25% (2019: 3.75% and 6.20%) per annum.

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
<b>5. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Sukuka certificates	5.1	<u>10,630</u>	<u>14,693</u>
Pakistan Investment Bonds	5.3	<u>25,412</u>	-
Listed equity securities	5.5	<u>14,221</u>	<u>37,420</u>
Term finance certificates	5.2	<u>14,152</u>	<u>24,202</u>
		<u><b>64,415</b></u>	<u><b>76,315</b></u>

5.1 Sukuka certificates

Name of the issuer company	Number of certificate				Market value as at June 30, 2020	Investment as a percentage of		
	As at July 1, 2019	Purchased during the year	Sold/ redeemed during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
Government bonds limited (S.117) (Face value of Rs 10,000)	00	-	-	00	0.00	1.9	11.96	6.0
Carrying value as at June 30, 2020					<u>10,000</u>			

5.1.1 Other particulars of sukuka certificates outstanding as at June 30, 2020 are as follows:

Name of the issuer company	Face value	Mark-up rate per annum	Rating	Issue date	Maturity date
Government bonds limited	10,000	On-year (S.01 + 1.0%)	AA (Not Rated)	15-Nov-17	15-Nov-21

5.1.2 These sukuka certificates are secured by hypothecation charge over the assets of the issuer and pledge of shares of the issuer.

5.2 Term finance certificates

Name of the issuer company	Number of certificate				Market value as at June 30, 2020	Investment as a percentage of		
	As at July 1, 2019	Purchased during the year	Sold/ redeemed during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
Alfara Finance certificate have a face value of Rs 1,000 each unless stated otherwise:								
PA Corporate Limited (15-Dec-17)	00	-	00	-	-	0.00	-	-
Bank of Punjab (21-Apr-2018)	00	65	00	65	6,529	11.7	12.17%	6.0
IC Bank Limited (26-Dec-2017)	65	-	-	65	7,620	13.4	11.42%	6.0
Carrying value as at June 30, 2020					<u>14,152</u>			

5.2.1 "Other particulars of term finance certificates outstanding as at June 30, 2020 are as follows:"

Name of the issuer company	Face value	Mark-up rate per annum	Rating	Issue date	Maturity date
Alfara Finance Limited II	2,100	6 months (S.02) offshore + 1.25%	Not rated	4-Dec-07	4-Dec-14
Alfara Finance Limited IV	5,000	-	Not rated	21-Mar-12	21-Mar-17
The Bank of Punjab (2nd issue)	10,000	6 months (S.02) offshore + 1.25%	AA-	13-Apr-18	13-Apr-20

5.2.2 The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 8, 2009, required all asset management companies to categorize funds under their management on the basis of criteria laid down in the circular.

The SECP vide circular no. 16 of 2010 dated July 07, 2010, prescribed specific disclosures for the scheme holding investments that are non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with investment requirements of their constitutive documents.

Following is the detail of non-compliant investments:

Name of non-compliant investment	Non-compliance of class	Type of investment	Value of investment at before provision	Provision held, PAK	Value of investment at after provision	% of net assets	% of gross assets
Agart Rice Limited II	Rating is class A (Annual as prescribed in case (i) of order T of 200)	Term finance certificate		0.43	0.43		
Agart Rice Limited I	Rating is class A (Annual as prescribed in case (i) of order T of 200)	Term finance certificate					

5.3 Pakistan Investment Bonds

Issue Date	Term	Face Value			Rupee		Investment as a percentage of Net assets	Market value of total investments	
		As at 31 July 2019	Purchase during the year	Sale / matured during the year	As at 30 June 2020	Carrying value as at 30 June 2020			Market value as at 30 June 2020
04/01/19	01 Year	-	2	2	-	-	-	-	
02/01/19	01 Year	-	2	-	2	2,58	2,40	2.85%	2.1%
			2	2	2	2,58	2,40	2.85%	2.1%

5.4 Treasury Bills

Issue Date	Term	Face Value			Rupee		Investment as a percentage of Net assets	Market value of total investments	
		As at 31 July 2019	Purchase during the year	Sale / matured during the year	As at 30 June 2020	Carrying value as at 30 June 2020			Market value as at 30 June 2020
01/01/20	03 Months	-	2	2	-	-	-	0.8%	0.8%
			2	2	-	-	-	0.8%	0.8%

5.5 Listed equity securities

All fair value through profit or loss - equity securities

Shares of listed companies - fully paid ordinary shares with a face value of Rs. 10 each unless stated otherwise

Name of the Company	Number of Shares				Rupee		Percentage	
	As at 31 July 2019	Purchase during the year	Sale / Rights exercise during the year	As at 30 June 2020	Carrying value as at 30 June 2020	Market value as at 30 June 2020	Market Value as a percentage of Net Investment	Market Value as a percentage of Total Assets
<b>INDUSTRIAL BANK</b>								
Bank Islami Limited	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
Bank Alfalah Limited	1,000	1,000	-	2,000	20,000	20,000	0.2%	0.2%
Bank Azadi Limited	4,000	1,000	-	5,000	50,000	50,000	0.2%	0.2%
Bank Barak Limited	9,000	-	-	9,000	90,000	90,000	0.2%	0.2%
Bank Bin Qasim Limited	1,000	2,000	-	3,000	30,000	30,000	0.2%	0.2%
Bank Chittagong Limited	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
Bank Faysal Limited	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
Bank of Punjab	11,000	-	-	11,000	110,000	110,000	0.2%	0.2%
Bank of Sohar	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
Bank of Oman	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
Bank of India	11,000	10,400	-	21,400	214,000	214,000	0.2%	0.2%
<b>ISLAMIC COMPANIES</b>								
Islamic Bank Limited	1,000	2,000	-	3,000	30,000	30,000	0.2%	0.2%
Islamic Development Bank Limited	2,000	1,000	-	3,000	30,000	30,000	0.2%	0.2%
Islamic Finance Bank Limited	1,000	1,000	-	2,000	20,000	20,000	0.2%	0.2%
Islamic Bank of Oman	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
Islamic Bank of Pakistan	2,000	2,000	-	4,000	40,000	40,000	0.2%	0.2%
<b>CONCRETE</b>								
Concrete Cement Company Limited	1,000	2,000	-	3,000	30,000	30,000	0.2%	0.2%
Omega Cement Company Limited	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
O H Steel Cement Company Limited	1,000	5,000	-	6,000	60,000	60,000	0.2%	0.2%
Taj Cement Company Limited	2,000	-	-	2,000	20,000	20,000	0.2%	0.2%
United Cement Company Limited	-	1,000	-	1,000	10,000	10,000	0.2%	0.2%
Wagay Cement Limited	1,000	1,000	-	2,000	20,000	20,000	0.2%	0.2%
Wagay Cement Factory	1,000	10,000	-	11,000	110,000	110,000	0.2%	0.2%
Power Cement Limited	-	1,000	-	1,000	10,000	10,000	0.2%	0.2%
Power Cement Limited	1,000	2,000	-	3,000	30,000	30,000	0.2%	0.2%
<b>POWER GENERATION AND DISTRIBUTION</b>								
<b>Electricity Generation</b>								
Electricity Generation Company Limited	14,000	20,000	-	34,000	340,000	340,000	0.2%	0.2%
Gen Power Limited	1,000	1,000	-	2,000	20,000	20,000	0.2%	0.2%
Hydro Power Limited	2,000	-	-	2,000	20,000	20,000	0.2%	0.2%
Hydro Power Company Limited	1,000	1,000	-	2,000	20,000	20,000	0.2%	0.2%
Tarapur Power Company Limited	1,000	2,000	-	3,000	30,000	30,000	0.2%	0.2%
Electricity Generation Company Limited	11,000	17,000	-	28,000	280,000	280,000	0.2%	0.2%
<b>ISLAMIC FINANCIAL INSTITUTIONS</b>								
Islamic Bank of Oman Company Limited	1,000	2,000	-	3,000	30,000	30,000	0.2%	0.2%
Islamic Bank of Pakistan Limited	1,000	-	-	1,000	10,000	10,000	0.2%	0.2%
Islamic Bank of Sohar	1,000	2,000	-	3,000	30,000	30,000	0.2%	0.2%
Islamic Bank of India	1,000	1,000	-	2,000	20,000	20,000	0.2%	0.2%

Name of Issuer Company	Bonds / Debts				Equity		Financing		Total value of assets
	Rs. (M)	Percentage of total	Face Value (Rs. Lakhs)	Face Value (Rs. Lakhs)	Company shares (Rs. Lakhs)	Government shares (Rs. Lakhs)	Debt as a percentage of investment	Market value as a percentage of face value	
<b>BLANKET SUPPLY CONTRACTS</b>									
ISI Pakistan Company Limited	82	100	8	40	33	134	134	175	100%
D & F Investment Company Limited	20,00	4000	700	400	47	47	100	100	100%
Nasir Group Limited	1,70	200	100	100	30	40	170	140	100%
Nasir Finance Limited	18,00	80,00	100	10,00	100	37	38	100	100%
<b>RENTALS</b>									
Equity Fund Investment Limited		7,00	7,00				100	100	100%
Investment Finance Co. Limited		9,00	9,00	9,00	40	40	100	100	100%
<b>PROPERTY AND CONSTRUCTION</b>									
Nasir Investment Term Limited	7,00		7,00				100	100	100%
<b>DEBT SECURITIES</b>									
Nasir Finance Limited		9,00	9,00				100	100	100%
<b>RETAIL</b>									
Investment Finance Limited	1,80		80				100	100	100%
Equity Finance Limited	1,70	7,00	7,00	5,00	140	34	64	140	100%
Equity Finance Limited	2,00	9,00	7,40	9,00	37	30	100	100	100%
Nasir Finance Group Limited	5,00	9,00	6,00	9,00	90	30	100	100	100%
Nasir Finance Company Limited	5,00	9,00	9,00				100	100	100%
<b>RETAILER</b>									
IFP Limited		9,00	9,00				100	100	100%
Investment Finance Limited		9,00	9,00				100	100	100%
Nasir Finance Company Limited	20		20	20	3	4	100	100	100%
<b>RETAIL</b>									
Equity Finance Investment Limited	1,00	9,00	9,00				100	100	100%
Equity Finance Limited	1,00		100				100	100	100%
Equity Finance Investment Limited		9,00	9,00				100	100	100%
<b>RETAIL AND FINANCE AND PROPERTY</b>									
ISI Finance Limited		9,00	9,00	9,00	8	7	100	100	100%
Nasir Finance Limited	18,00		9,00				100	100	100%
<b>RETAIL</b>									
Nasir Finance Limited		4,00	4,00				100	100	100%
<b>REAL ESTATE INVESTMENT TRUST</b>									
Deer City REIT	9,00		9,00				100	100	100%
<b>RETAIL LIMITED</b>									
Equity Finance Investment Limited	1,00		20	1,00			100	100	100%
Equity Finance Investment Limited	1,00		100				100	100	100%
<b>TOTAL ASSETS</b>					<u>1,190</u>	<u>1,190</u>			
<b>TOTAL LIABILITIES</b>					<u>498</u>	<u>742</u>			

5.5.1 Investments include shares with market value of Rs. 4,4680 million (30 June 2019: Rs. 5,526 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trade in accordance with circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

5.5.2 This represents gross bonus shares as per Fund's entitlement declared by the investee company. The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of five percent is to be applied on value of bonus shares determined on the basis of day and price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to five percent of bonus announcement and not yet deposited in CDC account of department of Income Tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis. However, through Finance Act, 2018, the tax on bonus shares is withdrawn.

5.4.1 On April 12, 2012, a Share Transfer and Debt Swap Agreement was entered into between the Financial Institutions and Aggard Nine Limited (the issuer), whereby the issuer agreed to transfer its entire holding in Agritech Limited to the existing lenders / creditors, including the Term Finance Certificate (TFC) holders at the agreed settlement price of Rs. 35 per share, in partial settlement of the outstanding principal / redemption obligations. As part of the said arrangement, the Fund settled its investment in TFC of Aggard Nine Limited in consideration of 202,004 ordinary shares at the value of Rs. 35 per share of Agritech Limited against the partial settlement of its outstanding exposure. The fair value of an ordinary share was Rs. 12.30 at transaction date i.e. October 31, 2012.

As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited shares shall be held by the respective trustees for the TFC issues in their name for and on behalf of the TFC holders who shall be the beneficial owners of the subject shares in proportion to their holdings. Accordingly, the trustees for the TFC issue pursuant to shareholders investors agreement hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer.

	2020	2019
	(Rupees in '000)	
<b>5. MARK-UP ACCRUED AND DIVIDEND RECEIVABLE</b>		
Dividend receivable	998	3,073
Mark-up accrued on balance with banks	78	71
Mark-up accrued on balance with PSBs	1,628	-
Mark-up accrued on sukuk certificates	1,332	1,338
	<u>2,998</u>	<u>4,482</u>

	Note	2020 ----- (Rupees in '000)	2019 ----- (Rupees in '000)
<b>7. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES</b>			
Security deposits with:			
- Central Depository Company of Pakistan Limited		100	100
- National Clearing Company of Pakistan Limited		2,500	2,500
- Prepayments and Other Receivables		1,561	65
		<u>4,161</u>	<u>2,665</u>
<b>8. PAYABLE TO PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY</b>			
Remuneration of the Management Company	8.1	131	145
Sindh Sales Tax on remuneration of the Management Company	8.2	119	120
Federal Excise Duty on remuneration of the Management Company	8.3	738	738
Reimbursement of operational expenses to the Management Company	8.4	48	112
Selling and marketing expenses payable	8.5	205	205
Sales tax payable on Management Company Fee Payable		27	27
		<u>1,258</u>	<u>1,347</u>

8.1 The Management Company has charged its remuneration at the rate of 2% (2019: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on Management Company's remuneration through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.

8.3 As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED since June 13, 2013.

\*On 30 June 2016, the Honorable Sindh High Court of Pakistan 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 01 July 2011 is ultra vires to the Constitution of Pakistan. On 23 September 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 0.74 million until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Rs. 0.35 (June 30, 2019: Rs. 0.33) per unit.

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFI) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, in the current year, provision for FED has not been recorded.\*

8.4 As per regulation 50(3)(c) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.

8.5 SECP vide Circular No. 11 of 2019 dated July 05, 2019 has super seded circular 40 of 2016, 05 of 2017 and 05 of 2018 and has prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. Selling and Marketing expenses has been allowed on all categories of Open and mutual funds except fund of funds at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of daily net assets of the Fund, being the lower amount.

	Note	2020 ----- (Rupees in '000)	2019 ----- (Rupees in '000)
--	------	-----------------------------------	-----------------------------------

**9. PAYABLE TO MCS FINANCIAL SERVICES LIMITED - TRUSTEE**

Remuneration of the Trustee	9.1	22	23
Sindh Sales Tax on remuneration of the Trustee	9.2	1	1
		<u>23</u>	<u>24</u>

9.1 During the period trustee fee has been reduced from 0.12% to 0.065% effective from 1st May 2020. The trustee is entitled to a yearly remuneration at the rate of 0.065% (2019: 0.12%) from 1st May 2020 of the average annual net assets of the Fund for services rendered under the provisions of the Trust Deed.

9.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

**10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorized as asset allocation is required to pay an annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2020 ----- (Rupees in '000)	2019 ----- (Rupees in '000)
<b>11. AUDITORS' REMUNERATION</b>			
Annual audit fee		250	250
Half yearly review fee		75	150
		<u>325</u>	<u>400</u>
Out of pocket expenses including government levies		162	62
		<u>487</u>	<u>462</u>



12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
		—————(Rupees in '000)—————	
Provision for Sindh Workers' Welfare Fund	13	1,887	1,539
Auditors' remuneration		348	288
Brokerage payable		174	61
Others		2,738	68
		<u>4,859</u>	<u>1,954</u>

### 13. WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 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 / Mutual Funds (CISs) whose income exceeded Rs. 500,000 in a tax year were brought within the scope of the WWF Ordinance, that rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SC). On 16 November 2016 the SC passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SC against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income deducted to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

\*In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SC judgement are very limited), MUFAP has recommended to all its members to reverse the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded of provision of Rs. 0.0388 (June 2019: Rs. 1.568 million).

Had the provision not been made, it would have resulted in an increase in the net assets value per unit by Rs. 0.0163 per unit (30 June 2019: Rs. 0.650 per unit).\*



### 14. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2020 and June 30, 2019.

15. NUMBER OF UNITS IN ISSUE	2020	2019
	—————(Number of Units)—————	
Total units in issue at the beginning of the year	2,288,703	2,462,853
Add: units issued during the year	22,856	147,968
Less: units redeemed during the year	(178,458)	(354,318)
Total units in issue at the end of the year	<u>2,161,898</u>	<u>2,258,703</u>

### 16. NET ASSET VALUE PER UNIT

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

### 17. TAXATION

According to Regulation 63 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, Management Company is required to distribute, by way of dividend, more than 90 percent of accounting income received or derived from sources other than capital gains (both realized and unrealized) during the year. Since the Fund has incurred profit during the year ended June 30, 2020, and intended to distribute at least 90% of income therefore, no provision for taxation has been made in these financial statements as the management believes that the Fund will qualify for exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

### 18. EARNINGS PER UNIT

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

### 19. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for year ended June 30, 2020 is 4.12% which excludes 0.48% representing government levy i.e. Sindh Sales Tax, SECP fee and provision for Sindh Worker's Welfare Fund.

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

20.1 Connected persons and related parties include Pak Oman Asset Management Company Limited being the Management Company, MCB Financial Services Limited being the Trustee, Pak Oman Investment Company Limited being the Parent of the Management Company. It also includes associated companies of Management Company due to common directorship, subsidiaries and associated companies of the Parent of the Management Company, other collective investment schemes managed by the Management Company, directors, key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

20.2 The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.



**PAK OMAN ADVANTAGE ASSET ALLOCATION FUND**

- 20.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 20.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.
- 20.5 Details of the transactions with connected persons and related parties are as follows:-

	2020	2019
	(Figures in '000)	
<b>PAK OMAN ASSET MANAGEMENT COMPANY LIMITED (Management Company)</b>		
Remuneration of the Management Company	1,385	2,255
Smith Sales Tax on remuneration of the Management Company	359	291
Reimbursement of operational expenses to the Management Company	99	112
Selling and marketing expenses	-	205
<b>MCS Financial Services Limited (Trustee)</b>		
Remuneration of the Trustee	115	138
Smith Sales Tax on remuneration of the Trustee	15	18
<b>Employees of the Management Company</b>		
Units issued: 141 units (2019: 141) units	-	75
Units redeemed: 141 units (2019: 141) units	-	645

20.6 Amounts outstanding as at year end are as follows:

<b>PAK OMAN ASSET MANAGEMENT COMPANY LIMITED (Management Company)</b>		
Remuneration of the Management Company	121	145
Smith Sales Tax on remuneration of the Management Company	118	100
Federal Excise Duty on remuneration of the Management Company	138	738
Reimbursement of operational expenses to the Management Company	48	112
Selling and marketing expenses	295	295
Sales lead	27	27
<b>MCS Financial Services Limited (Trustee)</b>		
Remuneration of the Trustee	22	23
Smith Sales Tax on remuneration of the Trustee	3	3
<b>PAK OMAN INVESTMENT COMPANY LIMITED (Parent of the Management Company)</b>		
Investment held in the Fund: 2,000,000 units (2019: 2,000,000 units)	16,173	81,052
<b>PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - Employees Provident Fund Trust (Provident Fund of the Management Company)</b>		
Investment held in the Fund: 141 units (2019: 10,898 units)	-	485
Dividend payable	-	-



**PAK OMAN ADVANTAGE ASSET ALLOCATION FUND**

21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience
1	Mr. Sadaf Kazmi	Chief Executive Officer	MPA	19 years
2	Mr. Abdul Rehman	Chief Financial Officer	ACCA, CPA (Finalist)	4 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	18 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumaira Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer:

- Askari High Yield Scheme
- PakOman Advantage Islamic Income Fund

22. TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year June 30, 2020.

S.No	Particulars	Percentage
1	BMA Capital Management Ltd.	13.47%
2	Summit Capital (Private) Limited	13.45%
3	Al Habbib Capital Markets (Private) Limited	11.95%
4	Pearl Securities Limited	9.71%
5	Vector Securities (Pvt) Ltd.	9.16%
6	Arif Habbib Limited	8.97%
7	Multiline Securities (Pvt) Limited	5.96%
8	Taurus Securities Limited	5.87%
9	AKD Securities Limited	5.98%
10	Adem Securities Limited	4.75%

List of top 10 brokers by percentage of commission charged during the year June 30, 2019.

S.No	Particulars	Percentage
1	Multiline Securities (Pvt) Limited	13.90%
2	BMA Capital Management Ltd.	12.30%
3	Al Habbib Capital Markets (Private) Limited	8.90%
4	Arif Habbib Limited	7.90%
5	Intamil Iqbal securities	6.10%
6	Elvir Securities	6.00%
7	Summit Capital Private Ltd.	5.90%
8	IGI Finex	4.70%
9	Abbas Securities	4.60%
10	Adem Securities	4.30%

As at June 30, 2020

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	7	1,751	1.99%
Retirement funds	1	853	95.15%
Other	1	99,373	99.86%
		<u>101,977</u>	<u>100%</u>

As at June 30, 2019

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Individuals	10	6,343	6.22%
Associated companies	1	89,052	89.66%
Retirement funds	2	5,142	5.12%
		<u>100,537</u>	<u>100%</u>

24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th & 75th Board meetings were held on August 11, 2019, October 24, 2019, February 12, 2020 and April 16, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. E. Yajya Bin Said Bin Adnan Al-Jabri	4	4	-	-
2	Mr. Farooq Al-Jabri A. Al-Jabri	2	2	-	-
3	Mr. Babaudin Khan	4	4	-	-
4	Mr. Hassan Muzil	4	4	-	-
5	Mr. Sulaiman Hammed Al-Hadi	2	2	-	-
6	Mr. Saif Saif Saif A. Yaqub	2	1	1	72nd
7	Mr. Jitendra Shah	4	4	-	-
8	Ms. Safal Kauri	4	4	-	-

25. FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2020

	At fair value through profit or loss - held for trading	Available for Sale	Total
(Rupees in '000)			
Financial assets			
Balance with banks	20,602	-	20,602
Investments	-	84,028	84,028
Mark-Up Accrued and Dividend Receivable	1,416	-	1,416
Deposits and other receivables	2,890	-	2,890
	<u>24,908</u>	<u>84,028</u>	<u>108,936</u>

As at June 30, 2019

	At fair value through profit or loss	Other financial liabilities	Total
(Rupees in '000)			
Financial liabilities			
Payable to the Management Company	-	1,265	1,265
Payable to the Trustee	-	25	25
Dividend payable	-	19	19
Payable against redemptions of units	-	-	-
Accrued expenses and other liabilities	-	644	644
Net assets attributable to redeemable units	-	<u>84,977</u>	<u>84,977</u>
	-	<u>87,921</u>	<u>87,921</u>

As at June 30, 2018

	At fair value through profit or loss - held for trading	Available for Sale	Total
(Rupees in '000)			
Financial assets			
Balance with banks	20,482	-	20,482
Investments	-	79,375	79,375
Mark-up accrued	4,482	-	4,482
Deposits and other receivables	2,890	-	2,890
	<u>27,854</u>	<u>79,375</u>	<u>107,229</u>



As at June 30, 2019

	At fair value through profit or loss	Other financial liabilities	Total
	Rupees in '000		
Financial liabilities			
Payable to the Management Company	-	1,345	1,345
Payable to the Trustee	-	26	26
Dividend payable	-	19	19
Accrued expenses and other liabilities	-	419	419
Net assets attributable to investment units	-	199,437	199,437
	-	199,242	199,242

## 26. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risks to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

Monitoring and controlling risks are primarily set up to be performed based on the limits established by the internal controls set on different activities of the Fund by the Board of Directors. These controls and limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities.

The Fund primarily invests in a portfolio of equity securities of listed companies. The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

### 26.1 Market risk

"Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the SGP.

Market risk comprises three types of risks: currency risk, interest rate risk and other price risk."

#### 26.1.1 Currency risk

"Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.



The Fund has no exposure to foreign exchange risk as at June 30, 2020 as there are no financial assets or financial liabilities denominated in foreign currencies."

#### 26.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

##### a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing term finance certificates, sukuk certificates and balances with banks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these treasury bills, term finance certificates and balances with banks, with all other variables held constant, the net income and net assets would have been higher / lower by Rs. 0.89 million (2019: Rs.0.80 million)

##### b) Fair value interest rate risk

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

#### 26.1.3 Price risk

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

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as 'financial assets at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NSFC Regulations also limit investment in individual equity securities to not more than 10% of its net assets, or 15% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities at fair value through profit or loss on June 30, 2020, net income for the year would increase / decrease by Rs. 0.8110 million (2019: Rs. 1.871 million) and net assets of the Fund would increase / decrease by the same amount.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the PSX 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of PSX 100 Index."

Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

As at June 30, 2020

Yield / interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
%	Rupee in '000				
<b>On balance sheet financial instruments</b>					
<b>Financial assets</b>					
Securities with terms:	1.75% - 1.25%	2,400	2,400	-	-
Investments:					
- held for trading (interest equity securities)		18,291	-	-	18,291
- held for trading (IFC certificates)		-	-	18,102	-
- held for trading (Sukuk certificates)	7 Year Kibor +0%	18,000	-	18,000	-
Mark-up accrued and dividend receivable		1,490	-	-	1,490
Deposits and other receivable		2,800	-	-	2,800
		<b>31,981</b>	<b>24,400</b>	<b>36,102</b>	<b>-</b>
<b>Financial liabilities</b>					
Payable to the Management Company		1,285	-	-	1,285
Payable to the Trustee		28	-	-	28
Dividend payable		19	-	-	19
Accrued expenses and other liabilities		844	-	-	844
Net assets attributable to intermediate units		<b>14,817</b>	<b>-</b>	<b>-</b>	<b>14,817</b>
		<b>31,981</b>	<b>-</b>	<b>-</b>	<b>31,981</b>
<b>On balance sheet gap</b>		<b>31,980</b>	<b>24,400</b>	<b>36,102</b>	<b>-</b>
<b>Off balance sheet financial instruments</b>		-	-	-	-
<b>Off balance sheet gap</b>		-	-	-	-

As at June 30, 2019

Yield / interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
%	Rupee in '000				
<b>On balance sheet financial instruments</b>					
<b>Financial assets</b>					
Securities with terms:	1.75% - 1.25%	2,400	2,400	-	-
Investments:					
- held for trading (interest equity securities)		2,400	-	-	2,400
- IFC Certificates	12.5 NARPS	24,302	180	25,270	-
- Sukuk certificates	7.05%	14,600	-	14,600	-

As at June 30, 2019

Yield / interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
%	Rupee in '000				
<b>Mark-up accrued and dividend receivable</b>	440	-	-	-	440
<b>Deposits and other receivable</b>	2,800	-	-	-	2,800
	<b>10,200</b>	<b>24,404</b>	<b>24,902</b>	<b>-</b>	<b>44,102</b>
<b>Financial liabilities</b>					
Payable to the Management Company	1,285	-	-	-	1,285
Payable to the Trustee	28	-	-	-	28
Dividend payable	19	-	-	-	19
Accrued expenses and other liabilities	415	-	-	-	415
Net assets attributable to intermediate units	<b>10,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,207</b>
	<b>10,202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,202</b>
<b>On balance sheet gap</b>	<b>1,617</b>	<b>24,404</b>	<b>24,902</b>	<b>-</b>	<b>51,740</b>
<b>Off balance sheet financial instruments</b>	-	-	-	-	-
<b>Off balance sheet gap</b>	-	-	-	-	-

26.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable (if any) on equity securities.

Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed financial institutions with reasonably high credit ratings. Credit risk on account of dividend receivable is minimal due to the statutory protection. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with banks with which the Fund has kept such balances as at June 30, 2019:

Bank balances by rating category

	Rating agency	2020	
		(Rs. in '000)	(%)
A	JCR-VIS, PACRA	474	0.02%
AAA	JCR-VIS, PACRA	12	0.00%
A+	JCR-VIS, PACRA	1,998	9.87%
AA-	JCR-VIS, PACRA	33	0.16%
AA+	JCR-VIS, PACRA	18,615	90.00%
		<u>20,832</u>	<u>100%</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
	Rupees in '000			
Balances with banks	20,863	20,863	20,462	20,462
Investments	68,415	68,415	76,375	76,375
Make-Up Accrued and Dividend Receivable	2,948	2,948	4,482	4,482
Deposits and other receivables	9,141	9,141	2,800	2,800
	<u>101,367</u>	<u>101,367</u>	<u>103,859</u>	<u>103,859</u>

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund mainly deals in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balances is held with one bank. Management believes that such bank is a reputed institution.

28.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from

its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to the daily settlement of equity securities and to daily cash redemption requests on a regular basis. Units are redeemable at the 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 document and guidelines laid down by the SECP.

Management of liquidity risk

The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realized.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. Further, the Fund also has the ability to suspend redemptions of units with the approval of the Board of Directors of the Management Company in extraordinary circumstances. The Fund can also borrow, with prior approval of the Trustees, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 10% of total net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

The following table analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	As at June 30, 2020			
	Total	Up to three months	Over three months and up to one year	Over one year
	Rupees in '000			
Financial liabilities				
Payable to the Management Company	1,265	1,265	-	-
Payable to the Trustees	25	25	-	-
Dividend payable	19	19	-	-
Accrued expenses and other liabilities	412	412	-	-
Net assets attributable to redeemable units	<u>94,877</u>	<u>94,877</u>	-	-
	<u>96,791</u>	<u>96,791</u>	-	-

As at June 30, 2019

Total	Over three months	Over three months and up to one year	Over one year
Rupees in '000			
Financial liabilities			
Payable to the Management Company	1,345	1,345	-
Payable to the Trustee	26	26	-
Payable against purchase of investments	19	19	-
Accrued expenses and other liabilities	415	415	-
Net assets attributable to redeemable unit	100,437	100,437	-
	102,342	102,342	-

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy:

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

The following table presents the Fund's financial assets which are carried at fair value:

As at June 30, 2020				
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
<b>ASSETS</b>				
<b>At fair value through profit or loss</b>				
<b>- held for trading</b>				
Listed equity securities	16,221	-	-	16,221
Sukuk and TFC certificates	-	68,415	-	68,415
As at June 30, 2019				
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
<b>ASSETS</b>				
<b>At fair value through profit or loss</b>				
<b>- held for trading</b>				
Listed equity securities	37,420	-	-	37,420
Sukuk certificates	-	38,895	-	38,895

There were no transfers between above levels during the year.

Underlying the definition of fair value is the presumption that the fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The Fund has not disclosed the fair values for other financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

28. UNIT HOLDERS' FUND RISK MANAGEMENT

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The fund size depends on the issuance and redemption of units. As per the NSFC regulations the Fund is required to maintain minimum fund size of 100 million at all times.

29. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 26 August, 2020 by the board of directors of the Management Company.

31. GENERAL

31.1 Figures have been rounded off to the nearest thousand rupees.

For Pak Oman Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



## CONTENTS

Mission & Vision Statement	01
Fund Information	02
Report of the Director of the Management Company (English)	03
Report of the Director of the Management Company (Urdu)	08
Report to the Fund Manager of the Management Company	09
Report of the Trustee	12
Report of the Shariah Advisor	13
Independent Auditor's Review Report to the Unitholders	14
Statement of Compliance	16
Independent Auditor's Report	19
Statement of Assets and Liabilities	23
Income Statement	24
Statement of Comprehensive Income	25
Statement of Movement in Unit Holder's Fund	26
Cash Flow Statement	27
Notes to the Financial Statement	28



## Our Mission

"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."

## Our Vision

PAK OMAN ADVANTAGE ISLAMIC INCOME FUND aims to provide diversified portfolio and returns that is risk-adjusted to meet investors at large, on a consistent basis."



## FUND INFORMATION

**Management Company**

Pak Oman Asset Management Company Limited  
 KORN House 83-C, 426 Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web site : www.pakomanfund.com

**Board of Directors of The Management Company**

H.E. Yaqub Bin Saïd Bin Abdullah Al-Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Husayn Murad	Director
Mr. Jehangir Shah	Director
Mr. Rashid Ali Ibrahim Al-Balushi	Director
Ms. Saïd Karim	CEO

**Audit Committee**

Mr. Husayn Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Ibrahim Al-Balushi	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hira Mir

**Asset Manager Rating**

Aa1+ (Stable Outlook)

**Trustee**

MCB Financial Services Limited  
 4th Floor, Premier House, 21, E. Y-16,  
 Old Queens Road, Karachi.

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beasant Road,  
 Karachi-75530

**Bankers to The Fund**

BankIslami Pakistan Limited  
 Bank Alfalah Limited  
 Debal Islamic Bank Pakistan Limited  
 Habib Bank Limited  
 NRSF Microfinance Bank Limited  
 Sindhbank Limited  
 Sumeri Bank Limited  
 Ziraat Tameer Bank

**Legal Advisor**

Muhsin Taysab Ali  
 Corporate & Commercial Law Firm  
 D-21, Block - 4,  
 KDA Scheme 5, Clifton, Karachi.

**Transfer Agent**

HEMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Shaïrah-e-Faisal, Karachi-74400, Pakistan.  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 34320040  
 Web site : www.heminds.biz



## DIRECTORS REPORT TO THE UNIT HOLDERS

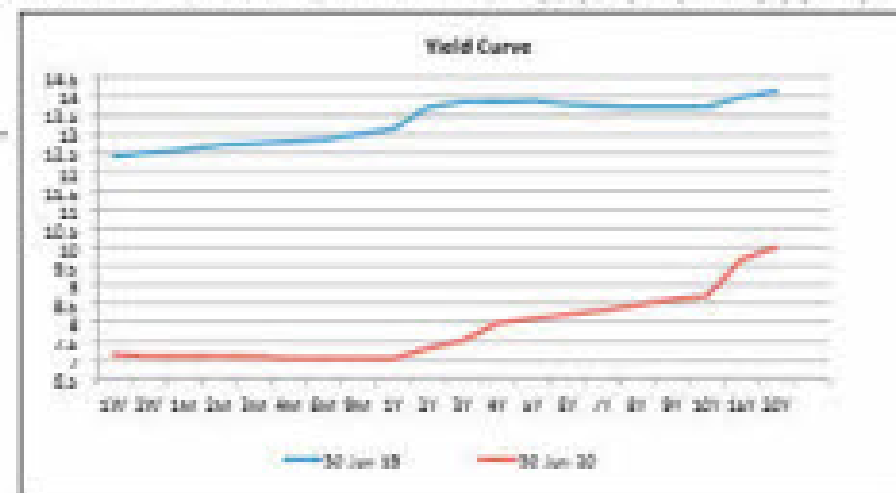
The Board of Directors of Pak Oman Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Pak Oman Advantage Islamic Income (POAIIF) for the Year ended 30th June 2020.

**Fixed Income Review FY20**

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 160bps, 50bps and 60bps and stood at 7.09%, 7.03% and 7.05% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields stood by 632bps, 577bps and 503bps and stood at 7.35%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdown. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 15bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,797 billion against the target of PKR 14,540 billion and maturity of PKR 11,292 billion. The last cut-off yields stood at 8.13%, 7.99% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY 20, participation was skewed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rated bonds, SBP raised PKR 1,982 billion. Cut-off yields stood at 7.97%, 8.42%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



**Economic Review FY20**

After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic during large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major hiccups with substantial decline in exports specially textiles (contributing approximately 9% of total yearly exports). Though government and Ministry of Finance announced various relief measures to incentivize export-oriented sectors in the form of reducing borrowing rates (62bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 6.89% in same period last year. While SPI and WPI averaged at 13.74% and 10.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 62bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deterioration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e. 1.1% of GDP as compared to deficit of \$13.40 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

**FOAIF**

In FY20 the unit price of FOAIF appreciated by 8.79% against its benchmark of 6.31%, an outperformance of 247bps. The assets under management of fund saw significant improvement during the period and AUMs settled at PKR 1,012 million as compared to PKR 231 million at the start of the financial year. By end of June, Exposure against corporate valuations stood at 11.02%. Fresh exposure was taken against Government of Pakistan (Sukuk Sukaka) and exposure against this asset class settled at 4.79% by end June-2020. Remaining funds were invested as cash with A and above rated Islamic banks/Islamic windows of commercial banks. Cash exposure of the fund by end June-2020 stood at 84.18% of the fund size.

**Acknowledgement**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustees of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company.

For and on behalf of the Board  
Saif-ud-Din Karami  
Chief Executive Officer


26th August 2020  
Karachi - Pakistan.



قبل سال 2020 کے دوران میں بنکار کے عمل کو سہولت دینے کے لیے 34.93% سے 21.47% تک کم آمدنی محصولات پر ٹیکس لگایا گیا۔  
18.18% سے 21.28% تک درآمد ٹیکس لگایا گیا۔

**نوٹ**

اس سال میں بنکار کے عمل کو سہولت دینے کے لیے 34.93% سے 21.47% تک کم آمدنی محصولات پر ٹیکس لگایا گیا۔  
18.18% سے 21.28% تک درآمد ٹیکس لگایا گیا۔

  
محمد علی احمد  
28 اگست 2020  
کراچی



**تعمیراتی کام**

قبل سال 2020 کے دوران میں بنکار کے عمل کو سہولت دینے کے لیے 34.93% سے 21.47% تک کم آمدنی محصولات پر ٹیکس لگایا گیا۔  
18.18% سے 21.28% تک درآمد ٹیکس لگایا گیا۔

قبل سال 2020 میں سی پی ایل کے ساتھ 18.74% سے 19.24% تک درآمد ٹیکس لگایا گیا۔  
19.24% سے 20.24% تک درآمد ٹیکس لگایا گیا۔

اس سال کے دوران میں بنکار کے عمل کو سہولت دینے کے لیے 34.93% سے 21.47% تک کم آمدنی محصولات پر ٹیکس لگایا گیا۔  
18.18% سے 21.28% تک درآمد ٹیکس لگایا گیا۔

قبل سال 2020 میں سی پی ایل کے ساتھ 18.74% سے 19.24% تک درآمد ٹیکس لگایا گیا۔  
19.24% سے 20.24% تک درآمد ٹیکس لگایا گیا۔

اس سال کے دوران میں بنکار کے عمل کو سہولت دینے کے لیے 34.93% سے 21.47% تک کم آمدنی محصولات پر ٹیکس لگایا گیا۔  
18.18% سے 21.28% تک درآمد ٹیکس لگایا گیا۔

**FOIAF**

قبل سال 2020 میں سی پی ایل کے ساتھ 18.74% سے 19.24% تک درآمد ٹیکس لگایا گیا۔  
19.24% سے 20.24% تک درآمد ٹیکس لگایا گیا۔

اس سال کے دوران میں بنکار کے عمل کو سہولت دینے کے لیے 34.93% سے 21.47% تک کم آمدنی محصولات پر ٹیکس لگایا گیا۔  
18.18% سے 21.28% تک درآمد ٹیکس لگایا گیا۔



### پیش گوئیوں کو انٹر ایکٹو ان کی رپورٹ

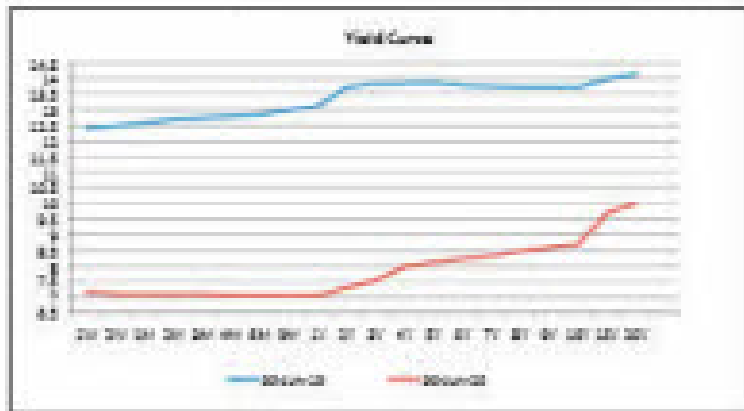
پاک اومین ایڈوانٹیج اسلامک انکم فونڈ (PACIMCI) کو 2020 کے سالانہ رپورٹ میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے  
مئی 2020 سے جون 2020 تک کے سالانہ رپورٹ میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے

### معیاری مالی پیمانوں میں سال 2020

سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے  
سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے  
سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے

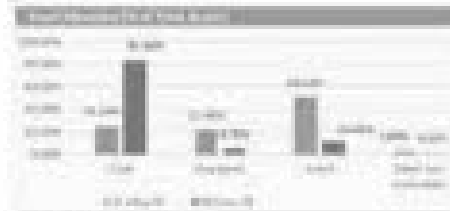
سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے  
سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے  
سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے

سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے  
سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے  
سال 2020 میں مجموعی طور پر مالی پیمانوں میں ایک ایسی سالانہ رپورٹ کی وضاحت کی ہے جس نے



### REPORT TO THE FUND MANAGER OF THE MANAGEMENT COMPANY

#### PAK OMAN Advantage Islamic Income Fund June 2020



Metric	Value
Total Return	0.035
Benchmark	0.025

Month	2019	2020	2019	2020	2019	2020
Total Return	0.035	0.025	0.035	0.025	0.035	0.025
Benchmark	0.025	0.015	0.025	0.015	0.025	0.015

Asset Class	Value
Equity	10.000
Fixed Income	2.000

Asset Class	Value
Equity	10.000
Fixed Income	2.000

Asset Class	Value
Equity	10.000
Fixed Income	2.000

Asset Class	Value
Equity	10.000
Fixed Income	2.000

The primary objective of the portfolio management is to generate consistent returns and long term capital growth primarily by investing in a diversified portfolio of Shariah compliant securities available for investment under the Shariah compliance guidelines.

**Investment Objective:** To generate consistent returns and long term capital growth primarily by investing in a diversified portfolio of Shariah compliant securities available for investment under the Shariah compliance guidelines.

**Investment Strategy:** The portfolio manager will invest in a diversified portfolio of Shariah compliant securities available for investment under the Shariah compliance guidelines.

**Asset Allocation:** The portfolio manager will invest in a diversified portfolio of Shariah compliant securities available for investment under the Shariah compliance guidelines.

**Investment Process:** The portfolio manager will invest in a diversified portfolio of Shariah compliant securities available for investment under the Shariah compliance guidelines.

**Investment Risk:** The portfolio manager will invest in a diversified portfolio of Shariah compliant securities available for investment under the Shariah compliance guidelines.



After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic denting large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major slump with substantial decline in exports specially textiles (constituting approximately 34% of total yearly exports). Though government and Ministry of Finance announced various relief measures to incentivize export oriented sectors in the form of reducing borrowing rates (425bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan re-scheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 6.80% in same period last year while SPI and WPI averaged at 13.74% and 10.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post-Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e. 1.3% of GDP as compared to deficit of \$13.43 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.5% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.



In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 504bps, 580bps and 608bps and stood at 7.00%, 7.05% and 7.25% respectively by end of June-20. On the other hand, yield on longer tenor bonds saw sharp decline. Yields shed by 632bps, 577bps and 505bps and stood at 7.53%, 8.13% and 8.49% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer tenor instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 15,763 billion. The last cut-off yields stood at 8.13%, 7.98% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3m and 6m paper, however, during second half of FY20, major participation was witnessed in 5M and 12M tenors, considering monetary easing. In the PIB auction for fixed rated bonds, SBP raised PKR 1,962 billion. Cut-off yields settled at 7.27%, 8.44%, 8.09%, 8.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.

1<sup>st</sup> September 2020  
Karachi - Pakistan

Saimra Shaukat  
Fund Manager



**MCB FINANCIAL SERVICES LIMITED**

**REPORT OF THE TRUSTEE TO THE UNIT HOLDERS**

**PAK OMAN ADVANTAGE ISLAMIC INCOME FUND**

**Report of the Trustee Pursuant to Regulation 4(3)(b) of the Non-Banking Finance Companies and Trusts (Regulation) Ordinance, 2000**

Pak Oman Advantage Islamic Income Fund, an open end scheme established under a Trust Deed dated May 27, 2004 executed between Pak Oman Asset Management Company Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

MCB Financial Services Limited was appointed as a new trustee in place of CDC under third supplemental Trust Deed dated 15 May 2012. Accordingly the Trust Deed was approved by SECP on 17 January 2012 under the Rules. However, the assets of the Fund were transferred on June 13, 2012.

I, Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Income Fund has, in all material respects, managed Pak Oman Advantage Islamic Income Fund during the year ended 30<sup>th</sup> June 2020 in accordance with the provisions of the following:

- (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
- (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
- (iii) the creation and cancellation of units are carried out in accordance with the deed;
- (iv) and any regulatory requirement.

Khuraja Anwar Hashmi  
Chief Executive Officer  
MCB Financial Services Limited

Karachi, September 1, 2020



**Al-Hilal**  
Shariah Advisory



**SHARIAH ADVISOR REPORT 2020**

August 26, 2020

The purpose of this report is to provide an opinion on the Shariah compliance of the Fund's investment and operational activities with respect to Shariah guidelines/principles.

It is the sole responsibility of the Management Company to conduct the Fund and invest the amount of money in such a manner which fulfills compliance with the Shariah principles laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in ensuring Shariah guidelines and ensuring compliance with the same by review of activities of the Fund. We express our opinion based on the review of the information provided by the management company, in as much as our compliance with the Shariah guidelines can be objectively verified.

My review of Fund's activities is limited to accuracy of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above, I certify that:

I have reviewed all the investment and operational activities of the Fund including distributions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the Fund for the year ended June 30, 2020 comply with the provided Shariah guidelines. Therefore, it is concluded that investments in Pak Oman Advantage Islamic Income Fund (POMIF) managed by Pak Oman Asset Management Company Ltd are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of our shared noble mission in service from Allah and

والله اعلم بالصواب

Dr. Farid Ahmad  
Chief Shariah Officer

Dr. Farid Ahmad  
Chief Shariah Officer

Approved Shariah Statement of this opinion  
Reviewed by: Dr. Farid Ahmad, Chief Shariah Officer  
Date: 26 August 2020  
By: [Signature]



RSM Azad Hadeed (Legal Services)  
Chartered Accountants  
107, Regd. Office, Bahawal Road,  
Karachi, P.O. Box 1000  
Tel: 021-35850000  
E: info@rsm.com.pk  
W: www.rsm.com.pk

**Independent Auditor's Review Report to the Unit Holders of Pak Oman Advantage Islamic Income Fund**

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Advantage Islamic Income Fund (the Fund) for the year ended June 30, 2020 in accordance with the requirements of regulation 26 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inspection of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference wherever these are stated in the Statement of Compliance.



Slr	Paragraph reference	Description
1	19	The position of the Head of Internal Audit of the fund is vacant since August 2019.
2	19	The position of the Chief Financial Officer of the fund is vacant since January 2020.

Chartered Accountant  
Date: 03 SEP 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Oman Asset Management Company Limited

Year ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors is six as per the following:

- i. Male: five
- ii. Female: one

2. The composition of the Board is as follows:

Independent directors	i. Mr. Harameen Meral
	ii. Mr. Rashid (H) Ibrahim A. Ibrahim
Non-executive directors	i. H.E. Yaqub Bin Saud bin Abdullah Al Jaber
	ii. Mr. Basmal bin Khan
	iii. Mr. Harameen Meral
	iv. Mr. Rashid (H) Ibrahim A. Ibrahim
	v. Mr. Ashraf Saif
Executive directors	i. Mr. Nadeem Saad
Female directors	i. Mr. Nadeem Saad

3. The directors have confirmed that none of them is serving as a director in other listed seven listed companies, including this company.
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a remuneration system, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the board shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and transparent procedure for nomination of directors in accordance with the Act and these Regulations.



Mr. Nadeem Saad  
 Director, PAK OMAN ADVANTAGE ISLAMIC INCOME FUND, PAK OMAN ASSET MANAGEMENT COMPANY LIMITED  
 10th Floor, P.O. Box 123456, Muscat, Sultanate of Oman

9. The Board has arranged Directors' Training program for the following:

H.E. Yaqub Bin Saud bin Abdullah Al Jaber	Exempted
Mr. Basmal bin Khan	Complied

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

a) Audit Committee

Mr. Harameen Meral	Chairman
Mr. Basmal bin Khan	Member
Mr. Rashid (H) Ibrahim A. Ibrahim	Member

b) HR and Remuneration Committee

Mr. Basmal bin Khan	Chairman
Mr. Harameen Meral	Member

c) Board Investment Committee

Mr. Basmal bin Khan	Chairman
Mr. Ashraf Saif	Member

13. The terms of reference of the statutory committees have been formal, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees was as per following:
  - a) Audit Committee: Quarterly
  - b) HR and Remuneration Committee: Annually
  - c) Board Investment Committee: Quarterly
15. The Board has set up an effective internal audit function or has outsourced the internal audit function to other an considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



Mr. Nadeem Saad  
 Director, PAK OMAN ADVANTAGE ISLAMIC INCOME FUND, PAK OMAN ASSET MANAGEMENT COMPANY LIMITED  
 10th Floor, P.O. Box 123456, Muscat, Sultanate of Oman



Financial and reported with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines in code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

- 17. The internal controls of the periods mentioned herein have not been considered as primary value services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 33, 34 and 36 of the Regulations have been complied with and.
- 19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 33, 34 and 36 are below:

In August 2019, the Head of Internal Audit left Pak Oman Asset Management Company Limited. Right after she left we started the process of reviewing people for this position and a few candidates were also identified, but as this position directly reports to the Head Audit Committee, the candidates were retained by the Chairman Audit Committee and were rejected. We have consistently been reviewing people since then and have identified a few. The candidates will be reviewed / interviewed by the Chairman Audit Committee in upcoming Board of Directors meeting and as soon as the process about the position will be finalized.

The Chief Financial Officer of PAKML - Mr. Muhammad Farooq has resigned in January 09, 2020 and currently the acting charge has been given to Mr. Abdul Rehman. The management appreciates the need to consider existing resources for key positions and also keeps on monitoring their performance. Management also assess whether it is required to hire some other resource for the key positions. The decision to finalize the permanent Chief Financial Officer position will be made by the Board of Directors in their upcoming Board of Directors meeting.

  
 Chairman  
 Board of Directors



PAK OMAN ADVANTAGE ISLAMIC INCOME FUND  
 10th Floor, 81-C, 12th Commercial Street, Phase 1 Compound, DHA, Karachi



**INDEPENDENT AUDITORS' REPORT**

To the unit holders of Pak Oman Advantage Islamic Income Fund

Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of Pak Oman Advantage Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' Fund and cash flow statement for the year terminating on June 30, 2020, and its financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and its financial performance, its cash flows for the year therein in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**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 period. 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.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Net Asset Value (NAV)</b>                      (Note 10.1 and note 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investment of the Fund as at June 30, 2020 amounted to Rs. 62,304 million and balances with banks aggregated to Rs. 86,047 million.</p>	<ul style="list-style-type: none"> <li>- We tested the design and operating effectiveness of the key controls for investment deposits and valuation of investments.</li> <li>- We obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30.</li> </ul>

REPORT OF RSM, ISLAMABAD  
 RSM/19/01/2020/4766



<p>The absence and proper valuation of investments and existence of believe's subsidiaries for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore was considered a high risk area and therefore was considered a high risk area and therefore was considered a high risk area and therefore was considered a high risk area.</p>	<p>QAIS and conducted them with the funds professional staff of the Fund, whose such information were not available, alternative audit procedures were performed.</p> <ul style="list-style-type: none"> <li>- We re-performed valuation of assets that investments are carried at per the valuation methodology specified in the accounting policies and</li> <li>- We obtained bank reconciliation statements and tested reconciling items and completeness.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the regulators and whether the fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
--	---

**Other matter**

The financial statements of PAK Oman Advantage Islamic Income Fund for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on September 25, 2019.

**Other information**

Management 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 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 this work, we have no formed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as



Management internally, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors 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 as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to 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 conform to underlying financial standards 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 or most significant to the audit of the financial statements of the current period 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 Requirement

Other than our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Act, 2003 and Non-Banking Finance Companies and Modified Listed Regulations 2002.

The management partner on the audit resulting in this independent auditor's report is Karim Zaman.

  
Karim Zaman  
Chartered Accountant  
FCA(AC)



## STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2020

Note	2020	2019	
	(Rupees in '000)		
<b>Assets</b>			
Bank balances	4	860,371	99,611
Investments	5	162,204	129,614
Accrued return on bank balances and investments	6	5,965	5,775
Deposits, prepayments and other receivable	7	3,102	502
<b>Total assets</b>		<b>1,031,642</b>	<b>235,497</b>
<b>Liabilities</b>			
Payable to Pak Oman Asset Management Company Limited - Management Company	8	1,234	1,690
Payable to the MCB Financial Services Limited - Trustee	9	42	27
Payable to the Securities and Exchange Commission of Pakistan	10	68	193
Cash distribution payable to unit holders		15,005	438
Accrued expenses and other liabilities	11	2,534	1,791
<b>Total liabilities</b>		<b>18,883</b>	<b>4,139</b>
<b>Net assets</b>		<b>1,012,759</b>	<b>231,358</b>
<b>Unit holders' fund (as per the statement attached)</b>		<b>1,012,759</b>	<b>231,358</b>
		(Number of units)	
<b>Number of units in issue</b>	12	<b>19,293,844</b>	<b>4,425,981</b>
		(Rupees)	
<b>Net assets value per unit (face value per unit Rs 50)</b>		<b>52.4848</b>	<b>52.2821</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in '000)	
<b>Income</b>			
Markup income on bank balances		12,440	8,404
Markup income on marketable securities		18,883	13,828
Profit on Mudarabah placement		-	2,238
Other income		30	-
Loss on disposal of marketable securities		(182)	(73)
		<u>29,071</u>	<u>24,298</u>
Unrealised loss on revaluation of marketable securities (at fair value through profit or loss - upon initial recognition)	6	<u>(2,228)</u>	<u>(301)</u>
		<u>26,843</u>	<u>24,004</u>
<b>Expenses</b>			
Remuneration of the Management Company	8.1	3,382	3,879
Sinch Sales Tax on the Management Company's remuneration	8.2	388	804
Remuneration to the Trustee	9.1	252	310
Sinch Sales Tax on the Trustee's remuneration	9.2	33	40
Annual fee to the Securities and Exchange Commission of Pakistan	10	49	198
Other Receivable Written Off		-	1,719
Auditors' remuneration	13	730	678
Shariah advisory fee		388	80
Accounting and operational charges	8.4	244	258
Legal and professional charges		84	80
Fees and subscription		258	89
Provision for Sindh Workers' Welfare Fund	15.1	429	324
Bank, settlement, brokerage and other charges		58	72
Total expenses		<u>6,824</u>	<u>8,198</u>
		<u>21,021</u>	<u>15,806</u>
Net Income for the year before taxation			
Taxation	14	-	-
Net Income for the year after taxation		<u>21,021</u>	<u>15,806</u>
<b>Earnings per unit</b>	3.11		
<b>Allocation of net income for the year:</b>			
- Net income for the year after taxation		21,021	15,806
- Income already paid on units redeemed		<u>(3,382)</u>	<u>(3,382)</u>
		<u>17,739</u>	<u>12,424</u>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		<u>17,739</u>	<u>12,424</u>
		<u>17,739</u>	<u>12,424</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in '000)	
Net income for the year after taxation	21,021	15,806
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>21,021</u>	<u>15,806</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019		
	(Rupees in '000)					
	Capital value	Undistributed income	Released	Capital value	Undistributed income / (loss)	Released
Net assets at the beginning of the year Units outstanding: 4,020,001 (2019: 4,704,021)	205,740	6,781	21,741	205,000	11,438	214,737
Issue of 22,890,216 units (2019: 1,007,894 units) - Capital value (at net asset value per unit at the beginning of the year) - Deficit of income Total proceeds on issuance of units	1,001,000 120,727 1,089,473	- - 1,089,473	- - -	140,742 - 140,742	- - -	140,742 - -
Redemption of 18,022,438 units (2019: 4,270,948 units) - Capital value (at net asset value per unit at the beginning of the year) - Deficit of loss Total payments on redemption of units	(780,374) (21,282) (846,007)	- (2,380) (848,889)	(780,374) (21,282) (848,889)	(221,282) (2,380) (223,662)	- (2,380) (2,380)	(221,282) (2,380) (223,662)
Interim Cash distribution of Rs. 4.884 per unit for year ended June 30, 2020	(93,800)	(19,800)	(79,100)	-	(19,872)	(19,872)
Total comprehensive income for the year	-	21,221	21,221	-	19,890	19,890
Net assets at end of the year Units outstanding: 16,290,844 (2019: 4,430,897)	1,001,781	19,890	1,021,671	223,000	8,196	231,196
Undistributed income brought forward - Realized income - Unrealized income		10,401 12,000 6,782		10,402 12,000 11,228		10,402 11,228
Accounting income expense for distribution - Relating to capital gains - Relating to income gains		17,726 17,726		10,000 10,000		10,000 10,000
Distributions made during the year		(19,800)		(19,872)		
Undistributed income carried forward		19,890		8,196		
Undistributed income carried forward - Realized income - Unrealized (loss) / income		10,204 12,000 19,890		8,196 6,011 8,196		8,196 6,011 8,196
Net assets value per unit at beginning of the year		51.661		51.000		51.000
Net assets value per unit at end of the year		62.064		62.000		62.000

The annexed notes 1 to 20 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	21,221	19,890
Adjustments for non-cash and other items: Unrealized loss on revaluation of marketable securities Net capital loss on sale of investments Provision for Sindh Workers' Welfare Fund	2,328 192 429	301 15 324
	23,850	19,307
Increase in assets Investments - Net Accrued return on bank balances and investments Deposits, prepayments and other receivable	(24,899) (215) (2,600)	58,878 2,254 (1,727)
	(27,814)	59,383
Increase / (decrease) in liabilities Payable to Pak Oman Asset Management Company Limited Management Company Payable to the MCB Financial Services Limited - Trustee Payable to the Securities and Exchange Commission of Pakistan Accrued expenses and other liabilities	(408) 15 (140) 14,813	(101) (8) (43) 13
	14,317	(188)
Net cash flows from operating activities	362	79,621
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units Amount paid on redemption of units Cash distribution paid to the unit holders Net cash generated from / (used in) financing activities	1,089,478 (848,889) (79,128) 760,300	105,024 (228,348) (24,812) (38,127)
Net increase / (decrease) in cash and cash equivalents during the year Cash and cash equivalents at the beginning of the year	780,781 88,811	(23,078) 122,127
Cash and cash equivalents at the end of the year	960,372	99,049

The annexed notes 1 to 20 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pak Oman Advantage Islamic Income Fund (the Fund) was established as an open-end scheme under a trust deed (the Trust Deed) executed between Pak Oman Asset Management Company Limited (the Management Company) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and MCB Financial Services Limited (the Trustee) as a trustee under the trust deed (the Trust Deed) that was executed on May 15, 2012. The Fund is registered as a notified entity under the Non Banking Finance Companies and Notified Entities Regulations, 2008.

1.2 The registered office of the Management Company is situated at Icon House, 83-C, 12th Commercial Street, Phase-II Extension, DHA, Karachi.

1.3 The Fund is a Shariah compliant open-end mutual fund and is listed on the Pakistan Stock Exchange. Its units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

1.4 The Fund is categorized as an income fund in accordance with the requirements of the Securities and Exchange Commission of Pakistan's (SECP's) circular No. 7 dated March 5, 2009 and, accordingly, its investments comprise of Shariah compliant securities, so as to ensure risk-free return on investments. All investments of the Fund are as per the guidelines of the shariah principles provided by the Shariah Advisor of the Fund and comprise the investments permissible as "Authorized Investments" under the Trust Deed.

1.5 In accordance with the criteria specified by the rating agency, the ranking of the Fund is 'A+(\*)' as assigned by Pakistani Credit Rating Agency Limited (PACRA) on Sep 15, 2020. PACRA has assigned an 'AMC+' rating to the Management Company on August 28, 2020.

1.6 Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the trustee of the Fund.

## 2. BASIS OF PREPARATION

## 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) 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 VIII of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the



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

2.2 The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor are accounted for on substance rather than the form. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

2.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

2.4 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards requires the Management Company to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgment in applying accounting policies that have significant effect on the amounts recognized in these financial statements are as follows:

- (a) Classification and valuation of financial instruments (note 3.2 and 5)
- (b) Recognition of provision for current and deferred taxation (note 3.7)
- (c) Provision for Sindh Workers' Welfare Fund (note 11.1)
- (d) Provision for Federal Excise Duty on the Management Company's remuneration (note 8.3)

**2.5 Accounting convention**

These financial statements have been prepared under historical cost convention except that investments have been carried at fair value.

**2.6 Functional and presentation currency**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years except for the changes in accounting policies as explained in note 3.4 below.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances including term deposits with banks with maturity period of three months or less that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**3.2 Financial instruments****3.2.1 Classification**

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

**(a) Investments 'at fair value through profit or loss'**

## - Financial assets categorised as 'held for trading'

These include financial assets acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

## - Financial assets designated 'at fair value through profit or loss upon initial recognition'

These include financial assets that upon initial recognition are designated as 'financial assets at fair value through profit or loss' except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

**(b) Held to maturity**

These are non-derivative financial assets with fixed or determinable payments and fixed maturity and the Fund has the positive intent and ability to hold them upto maturity.

**(c) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

**(d) Available for sale**

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

**1.2.2 Regular way contracts**

All regular way purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset. Regular purchases and sales of financial assets require delivery of securities within the time frame established by the stock exchange regulations.

**1.2.3 Recognition**

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

**1.2.4 Initial and subsequent measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial asset or financial liability 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the income statement for the year. Changes in the fair value of instruments classified as 'available for sale' are recognised as 'other comprehensive income' until they are derecognised or impaired. Once these are derecognised or impaired the cumulative gain or loss previously recognised as 'other comprehensive income' are taken to income statement for the year.

Financial assets classified as loans and receivables and held-to-maturity are carried at amortized cost using the effective yield method, less impairment losses, if any.

Financial liabilities are initially recognised at fair value and subsequently stated at amortized cost using the effective yield method which is also estimated to approximate to its fair value.

**1.2.5 Impairment**

Financial assets not carried 'at fair value through profit or loss' are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement for the year as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective yield rate.



If, in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the impairment is reversed through the income statement.

Provision for diminution in the value of debt securities is made as per the requirements of Circular No. 33 of 2012 dated October 24, 2012 and based on the Management Company's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

### 3.2.6 Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

The Fund uses weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on derecognition of financial assets and financial liabilities is taken to the Income Statement.

### 3.2.7 Offsetting of financial instruments

A financial asset and financial liability is offset and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.2.8 Valuation

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

### 3.3 Issue and redemption of units

Units issued are allocated at the offer price prevalent on the day on which applications for purchase of units are received, however, units are issued on realisation of cheques. The offer price represents the net asset value of units at the close of the business day plus the allowable sales load (if any).

Units are redeemed at the redemption price prevalent on the day on which the applications for the redemption of units are received. The redemption price represents the net assets value at the close of the business day.



### 3.4 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 3, 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 notification, 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 revised 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 asset 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. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation 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 unrealised appreciation / (diminution) held in the Unit Holders' 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 unit holders. 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 recognised 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 disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. 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 element of income / (loss) been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 0.246 million net of charge for SSWF with immaterial effect on the 'net assets attributable to the unit holders' and NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. 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.

**3.5 Provisions**

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

**3.6 Net assets value per unit**

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

**3.7 Taxation****Current**

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the period at the enacted rates.

**Deferred**

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set-off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The income of the Fund is exempt from income tax under clause 59 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

**3.8 Revenue recognition**

(a) Gains / (losses) arising on disposal of investments are recognised on the date at which the transaction takes place.

(b) Unrealised gains / (losses) arising on revaluation of investments classified as 'Financial assets at fair value through profit or loss' are included in the income statement for the period in which they arise.



(c) Income on debt securities, placements and bank balances is recognised in the income statement at rate of return implicit in the instrument balance on a time proportionate basis.

(d) Profit on saving accounts with bank is recorded on an accrual basis.

**3.9 Expense**

"All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis."

**3.10 Distributions to unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

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

**3.11 Earnings per unit**

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

	Notes	2020	2019
(Rupees in '000)			
<b>4. BANK BALANCES</b>			
Balances with deposit accounts	4.1	860,371	99,611
4.1 These savings accounts carry mark-up at the rates ranging from 8.00% to 13.00% (30 June 2019: 4.50% to 10.0%) per annum.			
	Notes	2020	2019
(Rupees in '000)			
<b>5. INVESTMENTS</b>			
At fair value through profit or loss			
- upon initial recognition			
Listed Sukuk certificates	5.1	17,128	30,220
Unlisted Sukuk certificates	5.2	98,576	99,364
CoP Ijarah		48,500	-
Mutarabah placement	5.3	-	-
		164,204	129,614

5.1 Listed Sukuk certificates

Name of the issuer (company)	Rating	Term	Maturity Date	Redemption rate	Holding as at July 1, 2020	Purchased during the year	Disposed/Redeemed during the year	Holding as at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealized appreciation/ depreciation	Market value as percentage of net assets	Market value as percentage of total assets	Face value percentage in respect of the issue
---Number of certificates---					---Rupees in '000---									
Uye Finance (Pvt) Limited (U-F)	AAA (S&P)	1 year	January 15, 2021	100%	20	-	-	20	9,500	11,100	20	100%	100%	100%
Face value of Rs (100,000)														
Total as at June 30, 2020										11,100	20			
Total as at June 30, 2019										9,500	(20)			

5.1.1 These represent secured Sukuk Certificates issued as an instrument of redeemable capital under Section 50 of the Companies Act, 2017 and are redeemable in six equal semi-annual installments of Rs 1.7 million each commencing from May 2020 and two equal semi-annual installments of Rs 3.4 million each commencing from May 2022.

5.2 Unlisted Sukuk certificates

Name of the issuer (company)	Rating	Term	Maturity Date	Redemption rate	Holding as at July 1, 2019	Purchased during the year	Disposed/Redeemed during the year	Holding as at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealized appreciation/ depreciation	Market value as percentage of net assets	Market value as percentage of total assets	Face value percentage in respect of the issue
---Number of certificates---					---Rupees in '000---									
Uye Finance (Pvt) Limited (U-F)	AA	1 year	April 15, 2021	100%	0	-	-	0	0.00	0.00	0.00	0.0%	0.0%	100%
Face value of Rs (100,000)														
Total as at June 30, 2020										0.00	0.00			
Total as at June 30, 2019										0.00	0.00			
Hamdani (Pvt) Limited (H)	AA	1 year	November 15, 2021	100%	40	-	-	40	2,000	2,000	40	10.0%	10.0%	100%
Face value of Rs (100,000)														
Total as at June 30, 2020										2,000	40			
Total as at June 30, 2019										2,000	40			
Uye Finance (Pvt) Limited (U-F)	AA	1 year	January 15, 2021	100%	50	-	-	50	2,500	2,500	50	10.0%	10.0%	100%
Face value of Rs (100,000)														
Total as at June 30, 2020										2,500	50			
Total as at June 30, 2019										2,500	50			
Uye Finance (Pvt) Limited (U-F)	AA	1 year	January 15, 2021	100%	50	-	-	50	2,500	2,500	50	10.0%	10.0%	100%
Face value of Rs (100,000)														
Total as at June 30, 2020										2,500	50			
Total as at June 30, 2019										2,500	50			

5.2.1 The principal amount is redeemable in four equal semi-annual installments of Rs 6.75 million each commencing from October 2019.

5.2.2 The principal amount is redeemable in a single installment of Rs 40 million in November 2021.

5.2.3 The principal amount is redeemable in twelve equal quarterly installments of Rs 2.125 million each commencing from April 2019.

5.2.4 The principal amount is redeemable in six equal semi-annual installments of Rs 2 million each commencing from September 2019 and two equal semi-annual installments of Rs 4 million each commencing from September 2022.

5.3 GoP (Jarah)

Name of the issuer (company)	Holding as at July 1, 2019	Purchased during the year	Disposed/Redeemed during the year	Holding as at June 30, 2020	Carrying Cost as at June 30, 2020	Market value as at June 30, 2020	Unrealized appreciation/ depreciation	Market value as percentage of net assets	Market value as percentage of total assets
---Number of certificates---					---Rupees in '000---				
OPF (PAK OMAN ADVANTAGE ISLAMIC INCOME FUND)	-	-	-	0.00	4.00	(5.00)	(1.00)	2.0%	0.7%
Total as at June 30, 2020					4.00	(5.00)			
Total as at June 30, 2019					-	-			

6. ACCRUED RETURN ON BANK BALANCES AND INVESTMENTS

On bank balances	1,146	911
On investments - Sukuk certificates	2,273	4,059
On investments - GoP (Jarah)	583	-
	<u>1,982</u>	<u>5,770</u>

7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

Security deposit with the Central Depository Company of Pakistan Limited	100	100
Prepaid expense	-	-
Receivable against sale of units	500	-
Advance tax	2.1	402
Other receivable	1,038	-
	<u>1,639</u>	<u>502</u>

- 3.1 As per clause 47(2B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 152. However, during the year ended June 30, 2018, withholding tax on profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 156(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholding.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends and profit on debt has been shown as other receivables as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

8. PAYABLE TO THE PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY	Note	2020	2019
		(Rupees in '000)	
Management remuneration payable	8.1	274	301
Sindh Sales Tax payable on the Management Company's remuneration	8.2	158	134
Federal Excise Duty on the Management Company's remuneration	8.3	661	661
Sales Load Payable		16	1
Payable against Shariah advisory fee		13	335
Payable against allocated expenses	8.4	142	338
		<u>1,264</u>	<u>1,690</u>

- 8.1 The Management Company has changed its remuneration at the rate of 0.35% (30 June 2019: 1.5%) per annum of the average annual net assets of the Fund with effect from 11 June 2020. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 8.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 8.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a constitutional petition was filed in the High Court of Sindh (HCS) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the HCS passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Federal Board of Revenue has filed a civil petition for leave to appeal in the Supreme Court of Pakistan (SCP) which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 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 01 July 2016. However, as a matter of abundant caution the provision for FED made as at 30 June 2016 amounting to Rs. 0.0661 million (30 June 2019: 0.0661 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been maintained, the net asset value of the Fund as at 30 June 2020 would have been higher by Rs. 0.0343 (30 June 2019: Rs. 0.1403) per unit.

- 8.4 In accordance with the provisions of the NBFC Regulations (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund up to a maximum of 0.1% of the average annual net assets of the Fund or actual, whichever is less. Accordingly, with effect from July 1, 2017 the Management Company has charged such expenses at the rate of 0.1% of the average annual net assets of the Fund being lower than actual expenses.

9. PAYABLE TO THE MCB FINANCIAL SERVICES LIMITED - TRUSTEE	Note	2020	2019
		(Rupees in '000)	
Trustee remuneration payable	9.1	27	24
Sindh Sales Tax payable on trustee remuneration	9.2	5	1
		<u>32</u>	<u>25</u>

- 9.1 During the period trustee fee has been reduced from 0.12% to 0.065% effective from 1st May 2020. The trustee is entitled to a yearly remuneration at the rate of 0.065% (2019: 0.12%) from 1st May 2020 of the average annual net assets of the Fund for services rendered under the provisions of the Trust Deed.
- 9.2 The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/85564 dated June 13, 2015, has amended the definition of service of shares, securities and derivatives to include the custodianship services as well. Accordingly, Sindh Sales Tax of 13% (2019: 13%) on such services is charged on Trustee's remuneration.
10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The representative annual fee to the SECP in accordance with regulation 62 of the NBFC Regulations whereby the Fund is required to pay an annual fee at the rate of 0.02% of the average daily net assets of the Fund.

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
(Rupees in '000)			
Auditors' remuneration		400	267
Provision for Sindh Workers' Welfare Fund	11.1	1,854	1,125
Others		580	369
		<u>2,834</u>	<u>1,761</u>

11.1 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, was 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 and their CEOs whereby it was contended 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 had taken up the matter with the Sindh Finance Ministry to have CEOs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CIB/mutual funds, MUFAP recommended that as a matter of abundant caution, 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).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

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, 2020 would have been higher by Rs 0.0606 per unit (2019: Rs 0.2542 per unit).

12. NUMBER OF UNITS IN ISSUE	2020	2019
(Number of Units)		
Total units in issue at beginning of the year	4,425,951	5,799,221
Issued during the year	29,690,219	2,697,694
Redemptions during the year	(15,092,695)	(8,270,164)
Total units in issue at the end of the year	<u>19,023,475</u>	<u>4,425,951</u>

13. AUDITORS' REMUNERATION	2020	2019
Annual audit fee	300	300
Fee for review of half yearly financial statements	75	154
Fee for review of statement of compliance with the best practices of the Code of Corporate Governance	40	100
	<u>415</u>	<u>554</u>
Sindh Sales tax	95	50
Out of pocket expenses	38	74
	<u>548</u>	<u>678</u>

## 14. TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the year ended June 30, 2020 is 2.21% which includes 0.20% representing government levies such as federal excise duty and sales taxes, Sindh Workers' Welfare Fund, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an "Income" scheme.

## 15. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 53 of the NBFC Regulations, requires the Fund to distribute not less than 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been in these financial statements. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds as per Section 48 of the Income Tax Ordinance, 2001.

## 16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

16.1 Connected persons / related parties include Pak Oman Asset Management Company Limited being the Management Company, MCB Financial Services Limited being the Trustee, Pak Oman Investment Company Limited, which is the holding company of the Management Company, Pak Oman Microfinance Bank Limited being the associated entity of the Fund, entities having common directorship with the Management Company, retirement fund of the Management Company, other funds being managed by the Management Company, Key Management Personnel of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

16.2 The transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

16.3 Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

Transactions and balances with related parties / connected persons are stated in notes 16.4 and 16.5 below:

16.4 Transactions during the year	Note	2020	2019
(Rupees in '000)			
Pak Oman Asset Management Company Limited - the Management Company			
Remuneration of the Management Company		1,090	1,875
Sindh Sales Tax on remuneration of the Management Company	16.5.1	389	554
Issue of 16 units (2019: 1,500,409 units)		-	-
Redemption of 16 units (2019: 1,500,409 units)		-	-
Bank advisory fee		265	52
Accounting and operational charges		248	238

	Note	2020 (Rupees in '000)	2019
<b>MCB Financial Services Limited - the Trustee</b>			
Remuneration of the Trustee		350	310
Sindh Sales Tax on the Trustee's remuneration	16.5.2	31	42
<b>Pak Oman Investment Company Limited - holding company of the Management Company</b>			
Cash Dividend		14,324	11,807
<b>Pak Qatar Individual Family Participant Investment Fund</b>			
Issue of 25,769,125 units (2019: 19 units)		1,496,377	-
Redemption of 12,365,027 units (2019: 19 units)		(702,176)	-
<b>TPL Insurance Limited</b>			
Issued of 191 units (2019: 494,738 units)		-	25,538
<b>16.5 Balances as at year end:</b>			
<b>Pak Oman Asset Management Company Limited - the Management Company</b>			
Remuneration payable to the Management Company		374	301
Sindh Sales Tax payable on remuneration of the Management Company	16.5.1	119	134
FTD payable on the remuneration of the Management Company	16.5.1	65	97
Payable against Shariah advisory fee		11	336
Sales Load Payable		16	1
Payable against allocated expenses		142	259
<b>MCB Financial Services Limited - the Trustee</b>			
Remuneration payable to the Trustee		32	24
Sindh Sales Tax on the Trustee's remuneration	16.5.2	1	2
<b>Pak Oman Investment Company Limited - holding company of the Management Company</b>			
Units outstanding 1,269,170 Units (2019: 1,269,170 units)		171,912	170,913
Cash distribution payable		14,324	11,807
<b>TPL Insurance Limited</b>			
Units outstanding --- Units (2019: 494,738 units)		-	25,542

16.5.1 Paid / payable to the Management Company for onward payment to the Government.

16.5.2 Paid / payable to the Trustee for onward payment to the Government.

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	2020		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	692,371	-	692,371
Investments	-	192,204	192,204
Accrued return on bank balances and investments	5,995	-	5,995
Deposits and other receivables	1,828	-	1,828
	<u>697,994</u>	<u>192,204</u>	<u>1,390,192</u>

Particulars	2020		
	Liabilities 'at fair value through profit or loss'	Other financial liabilities at amortized	Total
	(Rupees in '000)		
<b>Financial liabilities</b>			
Payable to Pak Oman Asset Management Company Limited - Management Company	-	1,224	1,224
Payable to the MCB Financial Services Limited - Trustee	-	42	42
Cash distribution payable to unit holders	-	15,925	15,925
Accrued expenses and other liabilities	-	15,984	15,984
		<u>33,275</u>	<u>33,275</u>

Particulars	2019		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	99,811	-	99,811
Investments	-	129,814	129,814
Accrued return on bank balances and investments	5,779	-	5,779
Deposits	102	-	102
	<u>105,692</u>	<u>129,814</u>	<u>235,506</u>

Particulars	2020		Total
	Liabilities at fair value through profit or loss	Other financial liabilities at amortised	
	(Rupees in '000)		
<b>Financial liabilities</b>			
Payable to Pak Oman Asset Management Company Limited - Management Company	-	1,690	1,690
Payable to the MCB Financial Services Limited - Trustee	-	27	27
Cash distribution payable to unit holders	-	436	436
Accrued expenses and other liabilities	-	636	636
		<u>2,789</u>	<u>2,789</u>

## 18. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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 based on limits established by the Management Company, the 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 the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The management of these risks is carried out by the Investment Committee under the policies and procedures approved by the Board. Investment Committee is constituted by the Board of Directors of the Management Company. Investment Committee is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Regulations, the NBFC Rules and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

The Fund invests primarily in a portfolio of shariah compliant income securities as per Shariah Advisor's approval. Such investments are subject to varying degrees of risk.

### 18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of the changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by SECP.

Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

#### 18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

### 18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The interest rate profile of the Fund's interest bearing financial instruments is as follows:

Note	2020	2019
(Rupees in '000)		
<b>Variable rate instrument (financial assets)</b>		
Bank balance	4	99,811
Listed Sukuk certificates	5.1	30,230
Unlisted Sukuk certificates	5.2	99,294
	<u>1,022,575</u>	<u>229,235</u>
<b>Fixed rate instrument (financial asset)</b>		
Mudharabah placement	5.3	-

#### a) Sensitivity analysis for variable rate instrument

"A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the income and comprehensive income by Rs 0.0280 million (2019: Rs 1.148 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant."

#### b) Sensitivity analysis for fixed rate instruments

"A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs Nil million (2019: Rs Nil Million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant."

The composition of the Fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

### 18.1.3 Price risk

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

As at the reporting date, the Fund is not exposed to price risk.

### 18.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investments, accrued return on bank balances and investments, deposit and other receivable.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee and Shariah Advisor, its Trust Deed, the requirements

of the NBFC rules and regulations and guidelines given by SECP from time to time. Before making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision with the approval of Shariah compliance, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.

**18.2.1 Exposure to credit risk**

The maximum exposure to credit risk as of June 30, 2018 was as follows:

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
(Rupees in '000)				
Bank balances	99,371	99,371	99,911	99,911
Investments	162,208	162,208	129,014	129,014
Accrued return on bank balances and investments	5,985	5,985	5,770	5,770
Deposit and other receivable	1,638	1,638	130	130
	<u>1,169,196</u>	<u>1,169,196</u>	<u>236,825</u>	<u>236,825</u>

**18.2.2 Credit Rating**

As at June 30, 2020, the Fund hold balances with banks and profit receivable having the following credit ratings:

Rating	2020	2019
	%	%
AAA	0.01	11.81
AA	63.44	63.94
A+	0.01	24.44
A-	0.02	-
AA-	0.01	-
A	6.51	0.01
	<u>100.00</u>	<u>100.00</u>

The Fund has made investment in sukuk and mudarabah placement as disclosed in note 5 to these financial statements. Ratings of sukuk and mudarabah placements have been disclosed in related notes.

Above ratings are on the basis of available ratings assigned by PACRA and JCR-VIS as of June 30, 2020.

**18.2.3 Concentration of credit risk**

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. Details of the Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Commercial Banks (including Mudarabah placement)	604,063		375,375	36.65%
Corporate sukuk (including accrued return interest)	715,977		32,157	9.24%
Security-based (Central Depository Company of Pakistan Limited)	100		100	0.02%
Other Receivable	1,638		300.35	1.08%
	<u>911,778</u>	<u>0.02%</u>	<u>348,072</u>	<u>100.00%</u>

None of the financial assets of the Fund were past due or impaired as at June 30, 2020. Except for the investment in sukuk, none of the other financial assets of the Fund are secured.

**18.3 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the year.

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

The table below indicates the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Upto three months	Over three months and upto one year	Over one year	Total
	(Rupees '000)			
<b>2020</b>				
<b>Financial liabilities</b>				
Payable to Pak Oman Asset Management Company Limited - Management Company	1,224	-	-	1,224
Payable to the MCB Financial Services Limited - Trustee	42	-	-	42
Cash distribution payable to unit holders	15,895	-	-	15,895
Accrued expenses and other liabilities	15,984	-	-	15,984
	<u>33,145</u>	<u>-</u>	<u>-</u>	<u>33,145</u>
	Upto three months	Over three months and upto one year	Over one year	Total
	(Rupees '000)			
<b>2019</b>				
<b>Financial liabilities</b>				
Payable to Pak Oman Asset Management Company Limited - Management Company	1,890	-	-	1,890
Payable to the MCB Financial Services Limited - Trustee	27	-	-	27
Cash distribution payable to unit holders	438	-	-	438
Accrued expenses and other liabilities	836	-	-	836
	<u>3,231</u>	<u>-</u>	<u>-</u>	<u>3,231</u>

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as per the policy disclosed in note 3.2.8 to these financial statements.

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	2020			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>At fair value through profit or loss - upon initial recognition</b>				
Listed Sukuk certificates	17,128	-	-	17,128
Unlisted Sukuk certificates	-	99,578	-	99,578
Mudharabah placement	-	-	-	-
	<u>17,128</u>	<u>99,578</u>	<u>-</u>	<u>113,704</u>
	2019			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>At fair value through profit or loss - upon initial recognition</b>				
Listed Sukuk certificates	30,220	-	-	30,220
Unlisted Sukuk certificates	-	99,394	-	99,394
Mudharabah placement	-	45,000	-	45,000
	<u>30,220</u>	<u>144,394</u>	<u>-</u>	<u>174,614</u>

## 20. UNIT HOLDERS' FUND RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to the unit holders of the Fund. The amount of net assets attributable to the unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of the unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the year.

In accordance with the risk management policies as stated in note 18, the Fund endeavours 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.

21. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

## 22. TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission charged during the year June 30, 2020 and June 30, 2019:

S.No	Names	2020	2019
1	BMA Capital Management Limited	0.00%	0.00%
2	JS Global Capital Limited	0.00%	58.60%
3	Neel Capital Limited	0.00%	5.65%
4	Paramount Capital (Pvt.) Ltd.	0.00%	37.74%
		0.00%	100.00%

## 23. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience
1	Ms. Sadaf Kazmi	Chief Executive Officer	MBA	19 years
2	Mr. Abdul Rehman	Chief Financial Officer	ACCA, CPA (Finalist)	6 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	19 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumaira Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer:

- Askari High Yield Scheme
- PakOman Advantage Islamic Income Fund

## 24. PATTERN OF UNIT HOLDING

Category	2020			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
				(Rupees in '000)
Individuals	85	282,560	14,632	1.46%
Associated company	8	19,080,447	997,696	98.49%
Bank/DFIs	1	7,348	412	4.05%
	94	19,270,344	1,012,640	104.00%

Category	2019			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
				(Rupees in '000)
Individuals	84	150,209	8,001	2.42%
Associated company	1	3,289,170	171,307	51.64%
Banks	1	1,546,546	81,054	24.43%
Retirement funds	4	798,930	41,243	12.40%
Other corporate	5	574,388	30,103	9.08%
	95	5,300,272	331,708	100.00%

## 25. ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 72nd, 73rd, 74th & 75th Board meetings were held on August 31, 2019, October 24, 2019, February 12, 2020 and April 16, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Tariq Bin Saad Bin Jodhan Al-Jabri	4	4	-	-
2	Mr. Raed Al-Imran Al-Saleh	2	2	-	-
3	Mr. Saleh bin Khamis	4	4	-	-
4	Mr. Hussain Muzil	4	4	-	-
5	Mr. Saad bin Raed Al-Hadi	2	2	-	-
6	Mr. Saif Saif Saif Al-Yaqub	2	1	1	72nd
7	Mr. Jawad Saif	4	4	-	-
8	Mr. Saleh Khamis	4	4	-	-

## 26. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangement or reclassifications were made in these financial statements.

## 27. GENERAL

Figures have been rounded off to the nearest thousand rupees.

## 28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 August, 2020 by the Board of Directors of the Management Company.

For Pak Oman Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



# CONTENTS

Mission & Vision Statement .....	41
Fund Information .....	42
Report of the Director of the Management Company (English) .....	48
Report of the Director of the Management Company (Urdu) .....	48
Report to the Fund Manager of the Management Company .....	49
Report of the Trustee .....	12
Independent Auditor's Review Report to the Unitholders .....	13
Statement of Compliance .....	15
Independent Auditor's Report .....	18
Statement of Assets and Liabilities .....	22
Income Statement .....	23
Statement of Comprehensive Income .....	24
Statement of Movement in Unit Holder's Fund .....	25
Cash Flow Statement .....	26
Notes to the Financial Statements .....	27



# Our Mission

"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."

# Our Vision

"PAK OMAN GOVERNMENT SECURITIES FUND aims to provide diversified portfolio and return that is risk-adjusted to meet investors at large, on a consistent basis."



## FUND INFORMATION

**Management Company**

Pak Oman Asset Management Company Limited  
 KORN House 83-C, 426 Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web site : www.pakomanfund.com

**Board of Directors of The Management Company**

H.E. Yaqub Bin Saïd Bin Abdallah Al- Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Huseyn Murad	Director
Mr. Jehangir Shah	Director
Mr. Rashid Ali Ibrahim Al Bahadi	Director
Ms. Saïd Karim	CEO

**Audit Committee**

Mr. Huseyn Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Ibrahim Al Bahadi	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hira Mir

**Asset Manager Rating**

A++ (+ Stable Outlook)

**Trustee**

MCB Financial Services Limited  
 4th Floor, Premier House, 21, R.V.R,  
 Old Queens Road, Karachi.

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beaumont Road,  
 Karachi-75530

**Bankers to The Fund**

Bank Alfalah Limited  
 Rafiqiemi Pakistan Limited  
 Habib Bank Limited  
 JS Bank Limited  
 Khushali Bank Limited  
 NISP Microfinance Bank Limited  
 The First Micro-Finance Bank Limited  
 Zamil Taseerat Bank Limited

**Legal Advisor**

Muhsin Taysab Ali  
 Corporate & Commercial Law Firm  
 D-21, Floor - 4,  
 KDA Scheme 5, Clifton, Karachi.

**Transfer Agent**

ITMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Shaheen-e-Païsal, Karachi-74400, Pakistan  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 34320040  
 Web site : www.itmindz.biz



## DIRECTORS REPORT TO THE UNIT HOLDERS

The Board of Directors of Pak Oman Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Pak Oman Government Security Fund (POGSF) for the Year ended 30th June 2020.

**Economic Review 9M-FY20**

After two years of fiscal consolidation and a period of monetary tightening, 9M FY20 turned out to be a period of mix developments. In 1H-Fy20, economy returned to scorable growth and inflationary pressures started to ease off, however, economic recession on the global front, led by corona virus pandemic turned out to be a real dot for Pakistan's economy. Globally, the impacts of this pandemic has severely dented large economies and has caused major disruptions to economic activity. IMF has also significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments have also led to a sharp fall in international trade. On the domestic front, since the the number of COVID-19 cases has been increasing considerably, prompting social distancing and curtailment of activity. This is expected to lead to noticeable slowdown in domestic demand.

In 9MFY20, CPI averaged at 11.52% as compared to 6.91% in same period last year. While SPI and WPI averaged at 14.87% and 12.99% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with CPI recorded at 12.40% in the month of Feb-2020 and 10.20% in Mar-2020.

In the Monetary Policy announced during the period, SBP cumulatively slashed policy rate by 225bps and brought discount rate to 11.00% by end of March-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced called emergency MPC meeting in the month of March and decided to reduce policy rate by further 150bps to 11.00%.

On the external front, in 9MFY20, Current Account deficit settled at \$ 2,768 million as compared to \$ 10,284 million in same period last year. CAD has shown significant improvement of 73% due to reduction in trade deficit. During the period, imports have declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive. Major decline is witnessed oil import bill due to easing demand and decline in global oil prices and decline in import of machinery.

In 9M FY20, balance of payment position has improved significant and PKR has remained stable over a quarter. SBP Foreign Currency reserves have increased by \$ 3.5 billion while ministry has retired short swaps amounting to \$ 1.95 billion since the start of FY20. This has partially helped in stabilization of PKR/USD parity. However, the economy has again gone in consolidation phase and sustainable Balance of Payment position and sustainable fiscal account would be a major challenge for the government.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

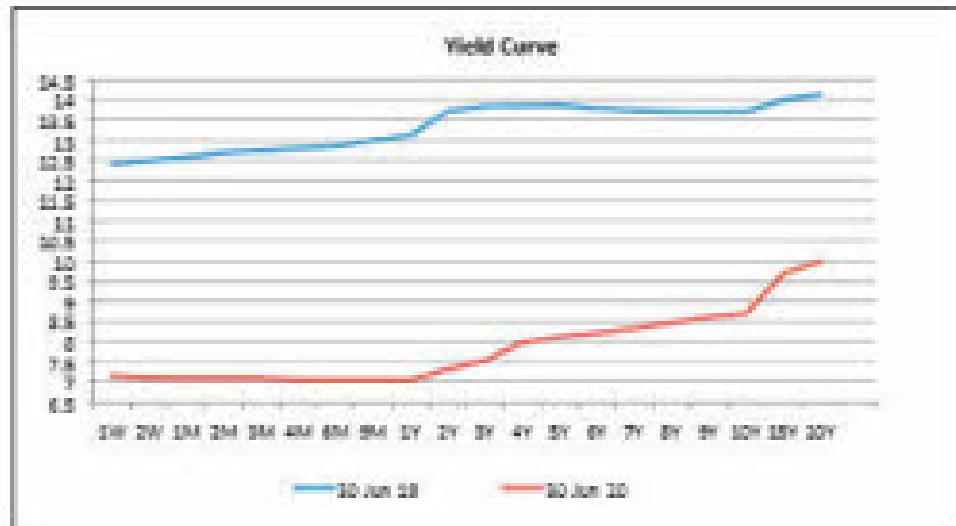


Fixed Income Review 9M-FY20

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 568bps, 590bps and 608bps and stood at 7.09%, 7.03% and 7.85% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields shed by 632bps, 573bps and 563bps and stood at 7.33%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 cut break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 13,292 billion. The last cut-off yields stood at 8.13%, 7.98% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rate bonds, SBP raised PKR 1,926 billion. Cut-off yields settled at 7.97%, 8.44%, 8.99%, 9.90% and 10.33%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



POKSF

In FY20, unit price of POKSF appreciated by 16.92% as compared to the benchmark return of 12.07%. The fund outperformed its benchmark by 485bps during the year due to realized and un-realized valuation gains on government securities. The assets under management of fund stood at PKR 237 million as against PKR 215 million at the start of the financial year.

During the period, exposure against Treasury Bills averaged 37.49% of the fund size against 41.59% in same period last year. During the 2 Half of FY20, fresh exposure was taken against PIBs, anticipating a cut in the policy rate. Exposure against this asset class closed at 25.16% by end June 2020, while average exposure against this asset class stood at 18.87% as compared to 25.30% in FY19. Average exposure against corporate debt was maintained at 26.39% as compared to 26.30% in FY19. Exposure against this asset class was swapped with high credit worthiness corporate debt instruments reducing the risk profile of the fund. Remaining funds were invested in cash with A and above rated banks. Average cash exposure stood at 11.51% in FY 20 as compared to 4.99% in FY19.

Acknowledgment

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company.

26th August 2020  
Karachi - Pakistan.

For and on behalf of the Board  
Saad Usmani  
Chief Executive Officer



POGSF

قبل سال 2020 میں، POGSOF کی پوزیشن آئیے 12.07 اسیٹوں کے ساتھ ہے جس میں 18.80 اسیٹوں کی مجموعی رقموں اور اس کے ساتھ ساتھ 10.24% سے 13.74% تک اسیٹوں کے ساتھ ہے۔

اس سال کے دوران، اس نے اپنے پورٹ فولیو میں 48,500,000 کی مجموعی رقموں اور اس کے ساتھ ساتھ 14.74% سے 18.80% تک اسیٹوں کے ساتھ ہے۔ اس کے ساتھ ساتھ اس نے اپنے پورٹ فولیو میں 28,718 اسیٹوں کے ساتھ ہے جس میں 28.20% سے 31.81% تک اسیٹوں کے ساتھ ہے۔

میراثہ

میراثہ کے تحت، اس نے اپنے پورٹ فولیو میں 18.80 اسیٹوں کے ساتھ ہے جس میں 18.80% سے 31.81% تک اسیٹوں کے ساتھ ہے۔ اس کے ساتھ ساتھ اس نے اپنے پورٹ فولیو میں 28,718 اسیٹوں کے ساتھ ہے جس میں 28.20% سے 31.81% تک اسیٹوں کے ساتھ ہے۔

*(Handwritten signature and stamp)*  
28 Jun 2020

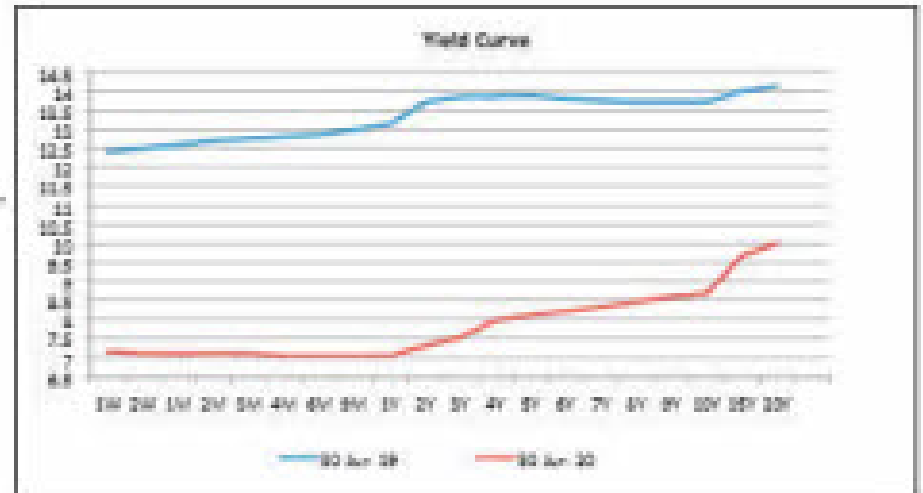


قبل سال 2020 میں، اس نے اپنے پورٹ فولیو میں 18.74 اسیٹوں کے ساتھ ہے جس میں 18.80 اسیٹوں کی مجموعی رقموں اور اس کے ساتھ ساتھ 10.24% سے 13.74% تک اسیٹوں کے ساتھ ہے۔ اس کے ساتھ ساتھ اس نے اپنے پورٹ فولیو میں 28,718 اسیٹوں کے ساتھ ہے جس میں 28.20% سے 31.81% تک اسیٹوں کے ساتھ ہے۔

اس سال کے دوران، اس نے اپنے پورٹ فولیو میں 48,500,000 کی مجموعی رقموں اور اس کے ساتھ ساتھ 14.74% سے 18.80% تک اسیٹوں کے ساتھ ہے۔ اس کے ساتھ ساتھ اس نے اپنے پورٹ فولیو میں 28,718 اسیٹوں کے ساتھ ہے جس میں 28.20% سے 31.81% تک اسیٹوں کے ساتھ ہے۔

اس سال کے دوران، اس نے اپنے پورٹ فولیو میں 48,500,000 کی مجموعی رقموں اور اس کے ساتھ ساتھ 14.74% سے 18.80% تک اسیٹوں کے ساتھ ہے۔ اس کے ساتھ ساتھ اس نے اپنے پورٹ فولیو میں 28,718 اسیٹوں کے ساتھ ہے جس میں 28.20% سے 31.81% تک اسیٹوں کے ساتھ ہے۔

اس سال کے دوران، اس نے اپنے پورٹ فولیو میں 48,500,000 کی مجموعی رقموں اور اس کے ساتھ ساتھ 14.74% سے 18.80% تک اسیٹوں کے ساتھ ہے۔ اس کے ساتھ ساتھ اس نے اپنے پورٹ فولیو میں 28,718 اسیٹوں کے ساتھ ہے جس میں 28.20% سے 31.81% تک اسیٹوں کے ساتھ ہے۔





### پینٹ ہولڈرز کو ڈائریکٹرز کی رپورٹ

پاک عمان حکومت کیٹیجیوریڈ "POMANCL" کی کل 12 لاکھ 10 ہزار 000 شیئرز پاکستان گورنمنٹ سیکورٹیز (POGSEF) کی جانب سے پینٹ ہولڈرز کو 30 جون 2020 کو فراہم کیے گئے۔

### موسمیاتی پیمانے سال 2020

سال 2020 میں گھرنی جی ڈی پی میں تیزی سے کمی کی وجہ سے پاکستانی معیشت کو شدید نقصان پہنچا۔ سال 2020 میں 12 لاکھ 10 ہزار 000 شیئرز کی ایک ہی جگہ سے پینٹ ہولڈرز کو 30 جون 2020 کو فراہم کیے گئے۔ سال 2020 میں 12 لاکھ 10 ہزار 000 شیئرز کی ایک ہی جگہ سے پینٹ ہولڈرز کو 30 جون 2020 کو فراہم کیے گئے۔ سال 2020 میں 12 لاکھ 10 ہزار 000 شیئرز کی ایک ہی جگہ سے پینٹ ہولڈرز کو 30 جون 2020 کو فراہم کیے گئے۔

اس سال کے دوران حکومت نے پاکستان میں اقتصادی ترقی کے لیے کئی اقدامات کیے ہیں۔ سال 2020 کے آغاز میں حکومت نے 14 لاکھ 50 ہزار 000 روپے کی بجٹ منظور کی تھی۔ حکومت نے سال 2020 کے دوران 12 لاکھ 10 ہزار 000 روپے کی بجٹ منظور کی تھی۔ حکومت نے سال 2020 کے دوران 12 لاکھ 10 ہزار 000 روپے کی بجٹ منظور کی تھی۔

اس سال کے دوران حکومت نے پاکستان میں اقتصادی ترقی کے لیے کئی اقدامات کیے ہیں۔ سال 2020 کے آغاز میں حکومت نے 14 لاکھ 50 ہزار 000 روپے کی بجٹ منظور کی تھی۔ حکومت نے سال 2020 کے دوران 12 لاکھ 10 ہزار 000 روپے کی بجٹ منظور کی تھی۔ حکومت نے سال 2020 کے دوران 12 لاکھ 10 ہزار 000 روپے کی بجٹ منظور کی تھی۔

### اقتصادی جائزہ

سال 2020 کے دوران حکومت نے پاکستان میں اقتصادی ترقی کے لیے کئی اقدامات کیے ہیں۔ سال 2020 کے آغاز میں حکومت نے 14 لاکھ 50 ہزار 000 روپے کی بجٹ منظور کی تھی۔ حکومت نے سال 2020 کے دوران 12 لاکھ 10 ہزار 000 روپے کی بجٹ منظور کی تھی۔ حکومت نے سال 2020 کے دوران 12 لاکھ 10 ہزار 000 روپے کی بجٹ منظور کی تھی۔



### PAK OMAN Government Securities Fund June-2020



Assets	10.25%
Liabilities	10.25%
Net Assets	10.25%
NAV	10.25%
NAV Change	10.25%

NAV (PKR)	10.25
NAV Change (PKR)	10.25

Investment Objective	10.25%
Investment Strategy	10.25%
Investment Risk	10.25%

Code	# of Units (Million)
00000	25
100000000	5
1000000000	2
10000000000	1
100000000000	1

CEO	Said Nadeem
COO	Muhammad Usman
CEO	Asad Mahmood
Manager - Fund House	General Manager

The primary objective of the PAK OMAN Government Securities Fund (POGSEF) is to provide its unit holders with a regular and predictable income stream and to provide a long-term capital appreciation of assets by investing in government securities.

Asset Allocation	10.25%
Top 10 Assets	10.25%
Return Performance	10.25%
Investment Date	10.25%
Benchmark	10.25%

Trustee/Board of Directors	10.25%
Strongly Recommended	10.25%
Minimum Investment	10.25%
Investment Period	10.25%
Exit Strategy	10.25%
Management Fee	10.25%
Rating & Morning Star	10.25%
Trustee	10.25%
Auditor	10.25%
Registrar	10.25%
Listing	10.25%

10.25%	10.25%
10.25%	10.25%
10.25%	10.25%
10.25%	10.25%



After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic denting large economies; IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major boom with substantial decline in exports specially textiles (constituting approximately 56% of total yearly exports). Though government and Ministry of Finance announced various relief measures to motivate export oriented sectors in the form of reducing borrowing rates (625bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan re-scheduling, and relief in taxations.

In FY20, CPI averaged at 10.74% as compared to 6.80% in same period last year. While SPI and WPI averaged at 13.74% and 13.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e 1.3% of GDP as compared to deficit of \$11.43 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and service's deficit while overseas worker's remittances registered 6.1% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.



In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 160bps, 580bps and 608bps and stood at 7.05%, 7.05% and 7.05% respectively by end of June-20. On the other hand, yield on longer term bonds saw sharp decline. Yields shed by 657bps, 477bps and 503bps and stood at 7.53%, 8.11% and 8.62% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all terms adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 15,292 billion. The last cut-off yields stood at 6.13%, 7.96% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PKR auction for fixed rate bonds, SBP raised PKR 1,982 billion. Cut-off yields settled at 7.37%, 8.44%, 8.93%, 9.36% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.

31<sup>st</sup> September 2020  
Karachi - Pakistan

Sameera Shaukat  
Fund Manager



REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

PAK OMAN GOVERNMENT SECURITIES FUND

Report of the Trustee Pursuant to Regulation 4(1)(i) of the Non-Banking Finance Companies and Modified Entities Regulations, 2000

Pak Oman Government Securities Fund, an open end scheme established under a Trust Deed dated March 14, 2011 (operated between Pak Oman Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Trust commenced its operations on July 28, 2011.

1. Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Government Securities Fund has, in all material aspects, managed Pak Oman Government Securities Fund during the year ended 30<sup>th</sup> June 2020 in accordance with the provisions of the following:

- (i) the obligations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
- (ii) the interests or profits it carried out in accordance with the deed and any regulatory requirement;
- (iii) the creation and cancellation of units are carried out in accordance with the deed;
- (iv) and any regulatory requirement.

Karachi, September 1, 2020

  
 Khawaja Asma Khawaja  
 Chief Executive Officer  
 MCB Financial Services Limited



RSM Chartered Accountants  
 Chartered Accountants  
 107, Feroz Road, Feroz Road  
 Karachi - 74000, Pakistan  
 T: +92 21 35832000  
 F: +92 21 35832001  
 W: www.rsm.com.pk

Independent Auditor's Review Report to the Unit holders of Pak Oman Government Securities Fund

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2015

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2015 (the Regulations) prepared by the Board of Directors (the Board) of Pak Oman Asset Management Company Limited (the Management Company of Pak Oman Government Securities Fund (the Fund)) for the year ended June 30, 2020 in accordance with the requirements of regulation 26 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal control on the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions. We are only required and have ensured compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:



Sl.	Paragraph reference	Description
1.	10	The position of the Head of Internal Audit of the fund is vacant since August 2019.
2.	10	The position of the Chief Financial Officer of the fund is vacant since January 2020.

*Abdul Wahid Khan*  
 Chairman  
 Board

### Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Oman Asset Management Company Limited

Year ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors is six as per the following:

- a. Male: Five
- b. Female: one

2. The composition of the Board is as follows:

Independent directors	1. Mr. Muhammad Shafiq
	2. Mr. Rashid Ali Bhattarai Al Bhattari
Non-executive directors	1. H.E. Yaqub Bin Naim bin Abdullah Al Jishi
	2. Mr. Ghulam Nabi Khan
	3. Mr. Muhammad Shafiq
	4. Mr. Rashid Ali Bhattarai Al Bhattari
	5. Mr. Jahangir Shah
Executive directors	1. Mr. Nadeem Saad
Female directors	1. Ms. Naveed Saad

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- 4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its governing policies and procedures.
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that contracts (except of particular of the significant policies along with their date of approval or updating or maintained by the company).
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board, shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 7. The meetings of the Board have been held as per by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- 8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.



Nadeem Saad  
 Chairman  
 Board



9. The Board has arranged Directors' Training program for the following:

Mr. Yaqub Khan (Mr. Yaqub Anwar Khan)	Completed
Mr. Haseebullah Khan	Completed

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit including their remuneration and terms and conditions of appointment and complied with relevant requirements of the Regulations.

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member
Mr. Haseebullah Khan	Member

b) HR and Remuneration Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member

c) Board Investment Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the concerned for compliance.

14. The frequency of meetings quarterly/half yearly/ yearly of the committees was as per following:

a) Audit Committee: Quarterly

b) HR and Remuneration Committee: Annually

c) Board Investment Committee: Quarterly

15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are competent, suitably qualified and experienced for the purpose and are conversant with the affairs and processes of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



Mr. Haseebullah Khan, Chairman  
 Haseebullah Khan & Partners Chartered Accountants, Dhaka, Bangladesh



Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm matched in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors of the persons associated with them have not been requested to provide other services except as consistent with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 34 of the Regulations have been complied with and

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 34 are below:

In August 2019 the Board of Internal Audit left Pak Oman Asset Management Company Limited. Right after she left we started the process of reviewing people for this position and a few candidates were also identified, but as this position directly reports to the Board Audit Committee, the candidates were reviewed by the Chairman Audit Committee and were rejected. We have constantly been reviewing people since then and have shortlisted a few. The candidate will be reviewed/ interviewed by the Chairman Audit Committee or governing Board of Directors meeting and as soon as he gets a go ahead the position will be filled.

The Chief Financial Officer of PLMMSL - Mr. Muhammad Faruk has resigned on January 06, 2020 and currently the acting charge has been given to Mr. Abdul Rehman. The management appreciates the stance to consider working situations for job positions and also keeps on monitoring their performance. Management also assess whether it is required to hire some other person for the key positions. The decision to finalize the permanent Chief Financial Officer position will be made by the Board of Directors or their governing Board of Directors meeting.

Chairman  
 Board of Directors



Mr. Haseebullah Khan, Chairman  
 Haseebullah Khan & Partners Chartered Accountants, Dhaka, Bangladesh

**INDEPENDENT AUDITOR'S REPORT**

To the unit holders of Pak Oman Government Securities Fund

**Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Pak Oman Government Securities Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and 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 financial position of the Fund as at June 30, 2020, and of its financial performance, its cash flows for the year then ended in accordance with the accounting and reporting standards 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 these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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 period. 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.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Net Asset Value (NAV)</b> (Refer note 4 and note 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Tested the design and operating effectiveness of key controls for valuation of investments.</li> </ul>

2020 Audit Order Number: 12000/2020  
 407, Feroz Khan, Islamabad Road  
 Karachi, 75200 - Pakistan  
 T: +92 (0)21 333 1111  
 F: +92 (0)21 333 1111  
 W: www.rsm.com.pk



<p>component of the net asset value. The investment of the Fund as at June 30, 2020 amounted to PKR 254.52 million and balances with banks aggregated to PKR 104.05 million.</p> <p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and reconciled them with the books and records of the Fund. Where such confirmations were not available, alternative audit procedures were performed.</li> <li>Performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies and</li> <li>Obtained bank reconciliation statements and tested recording there on a sample basis.</li> </ul>
---	---

**Other matter**

The financial statements of Pak Oman Government Securities Fund for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on these financial statements on December 23, 2019.

**Information other than the financial statements and auditor's report thereon**

Management 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 conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, depending on the circumstances, 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and for such other



control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 appropriate, 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 period and are therefore likely to be of most interest to our users. We describe these matters in our auditor's report unless law or regulation prohibits 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 Requirement**

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2002 and Non-Banking Finance Companies and Licensed Entities Regulation, 2008.

The engagement partner of the audit resulting in this independent auditor's report is Ahsan Tariq.

*Ahsan Tariq*  
Chartered Accountant  
RSM  
1000 11 SEP 2020



## STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2020

	Note	2020	2019
		(Rupees in '000)	
<b>ASSETS</b>			
Balance with banks	4	38,849	6,072
Investments	5	266,018	266,281
Mark to market	6	5,000	7,880
Deposit, prepayments and other receivable		422	324
<b>Total assets</b>		<b>310,289</b>	<b>279,257</b>
<b>LIABILITIES</b>			
Payable to Pak Oman Asset Management Company Limited Management Company	7	1,488	2,249
Payable to MCB Financial Services Limited - Trustee	8	18	39
Payable to the Securities and Exchange Commission of Pakistan	9	54	187
Undivided payable		46,888	19,824
Accrued expenses and other liabilities	10	3,587	2,121
<b>Total liabilities</b>		<b>49,402</b>	<b>24,121</b>
<b>NET ASSETS</b>		<b>260,887</b>	<b>255,136</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>260,887</b>	<b>255,136</b>
Contingencies and commitments	12	(Number of units)	
Number of units in issue	13	<b>23,824,333</b>	<b>23,824,481</b>
<b>Net asset value per unit</b>	14	<b>10.7781</b>	<b>10.6752</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020		2019	
		(Rupees in '000)			
<b>INCOME</b>					
Return/markup on:					
- government securities		2,077		18,034	
- bank deposits		2,122		714	
- bank finance certificate		5,822		7,327	
- other securities		1,879		-	
- other of government		-		128	
Other income		30		-	
Net gain / (loss) on sale of investments		(7,682)		(7,134)	
Net unrealized loss on measurement of investment which flows through profit or loss - held for trading	6.3	(4,274)		(2,178)	
<b>Total Income</b>		<b>12,422</b>		<b>21,969</b>	
<b>EXPENSES</b>					
Remuneration of the Management Company	7.1	1,888		1,888	
South Korea Tax on remuneration of the Management Company	7.2	580		572	
Remuneration of operational expenses to the Management Company being and marketing charges	7.4 & 7.5	273		222	
		1,888		1,944	
Remuneration of HOD Finance Services Limited - Trustee	8.1	500		315	
South Korea Tax on remuneration of the Trustee	8.2	28		47	
Annual fee to the Securities and Exchange Commission of Pakistan	8.3	22		120	
Auditor's remuneration	9	411		324	
Bank and subscription		557		313	
Printing & postage expenses		15		-	
Legal and professional charges		128		80	
Securities transaction cost		100		22	
Contribution of premium on FID		80		-	
Bank, collateral and other charges		12		100	
<b>Total expenses</b>		<b>4,923</b>		<b>4,148</b>	
Net income from operating activities		<b>7,499</b>		<b>17,821</b>	
Net payment of tax and capital losses included in price of units issued and those in units redeemed		-		-	
Reversal of provision of Nonbank Finance Fund Provision for South Korea Tax Finance Fund	11	-		287	
		(277)		(88)	
<b>Net income for the year before taxation</b>		<b>7,222</b>		<b>17,933</b>	
Taxation		-		-	
<b>Net income for the year after taxation</b>		<b>7,222</b>		<b>17,933</b>	
Earnings per unit	12				
Attribution of net income for the year					
Net income for the period after taxation		4,248		12,422	
Income already paid on redemption of units		(1,122)		(28)	
		<b>3,126</b>		<b>12,394</b>	
<b>Accounting income available for distribution</b>					
- Earning in capital gains		(2,211)		-	
- Earning in equity gains		24,228		12,374	
		<b>22,017</b>		<b>12,374</b>	

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended June 30,	
	2020	2019
	(Rupees in '000)	
Net income for the year after taxation	42,948	16,602
Other comprehensive income for the year		
Items that may be reclassified subsequently to income statement	-	-
Items that will not be reclassified subsequently to income statement	-	-
<b>Total comprehensive income for the year</b>	<b>42,948</b>	<b>16,602</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020			June 30, 2019		
	Capital Value	Investment Income	Total	Capital Value	Investment Income	Total
Net assets at beginning of the year	24,874	21,462	46,336	25,494	16,874	42,368
Issue of 1,261,020 units (2019: 1,228,142 units)						
- Capital issue (at net asset value per unit) at beginning of the year	21,462	-	21,462	19	-	19
- Amount paid out of investment of income	(1,138)	-	(1,138)	-	-	-
Total movement on issue of units	20,324	-	20,324	19	-	19
Redemption of 1,261,020 units (2019: 1,228,142 units)						
- Capital issue (at net asset value per unit) at beginning of the year	(21,462)	-	(21,462)	(19)	-	(19)
- Amount paid out of investment of income	(1,138)	(12)	(1,150)	-	(22)	(22)
- Refund of net income for the year after taxation	(2,132)	(12)	(2,144)	(19)	(22)	(41)
Total movement on redemption of units	(24,732)	(24)	(24,756)	(38)	(44)	(82)
Total comprehensive income for the year	-	4,294	4,294	-	(6,622)	(6,622)
Open distribution for the year ended June 30, 2020 (open distribution @ 1/4% of net asset value on June 30, 2020)	-	(6,622)	(6,622)	-	(15,894)	(15,894)
Net income for the year less distribution	-	(2,328)	(2,328)	-	64	64
Net assets and unit value at the year end	<u>24,874</u>	<u>19,134</u>	<u>44,008</u>	<u>25,494</u>	<u>10,252</u>	<u>35,746</u>
Unrealized income brought forward						
- Realized		22,871			19,822	
- Unrealized		(22,871)			(19,822)	
Accounting income available for distribution						
Reserve in cash and cash equivalents		(1,071)			(1)	
Reserve in cash and cash equivalents		4,294			(6,622)	
Distribution during the year		(6,622)			(15,894)	
Undistributed income carried forward		<u>2,199</u>			<u>(2,199)</u>	
Representative by						
- Realized		21,462			22,871	
- Unrealized		(21,462)			(22,871)	
Net assets value per unit at beginning of the year			<u>36.726</u>			<u>36.726</u>
Net assets value per unit at end of the year			<u>35.176</u>			<u>35.176</u>

The amount does not include net change in other financial assets.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	202019		2019	
	Note	(Rupee in '000)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the year before taxation		45,544		16,402
Adjustments:				
Net unrealized gain on re-measurement of investments at fair value through profit or loss - held for trading		(1,070)		2,176
Net realized (gain) / loss on sale of investment		(17,680)		1,129
Provision for Sindh Workers Welfare Fund		677		327
		<u>26,569</u>		<u>20,034</u>
Decrease / (increase) in assets				
Investments - net		11,488		3,428
Bank balances		2,859		(6,287)
Deposit, prepayments and other receivables		(1,521)		330
		<u>14,826</u>		<u>(2,529)</u>
Increase / (decrease) in liabilities				
Payable to the Management Company		(712)		(42)
Payable to the Trustee		(12)		(2)
Payable to the Securities and Exchange Commission of Pakistan		(1,430)		(17)
Accrued expenses and other liabilities		26,632		(884)
		<u>24,464</u>		<u>(945)</u>
Net cash generated from operating activities		<u>61,395</u>		<u>16,337</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Amounts received on issuance of units		20,592		101
Amounts paid on redemption of units		(24,294)		(949)
Distributions paid		(148,211)		(10,663)
Net cash used in financing activities		<u>(151,913)</u>		<u>(11,171)</u>
Net increase in cash and cash equivalents during the year		<u>29,482</u>		<u>5,166</u>
Cash and cash equivalents at the beginning of the year		1,072		2,361
Cash and cash equivalents at the end of the year	4	<u>30,554</u>		<u>7,527</u>
Cash and cash equivalents at the beginning of the year				

The amount value from 1 to 20 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## NOTES TO THE FINANCIAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Pak Oman Government Securities Fund ("the Fund") was established under a Trust Deed executed between Pak Oman Asset Management Company Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was approved on March 3, 2011 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and was executed on March 18, 2011.

The Management Company is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules. The registered office of the Management Company is situated at Icon House, 83-C, 12th Commercial Street, Phase-II Extension, DHA, Karachi.

The Fund is an open-ended mutual fund classified as an "sovereign income scheme" by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.

The investment objective of the Fund is to provide its unit holders competitive returns from a portfolio of low credit risk with maximum possible preservation of capital via investing primarily in Government Securities.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of 'AM3+' to the Management Company as at August 28, 2020 and a stability rating of AA-(F) to the Fund as at Sep 08, 2020.

Title to the assets of the Fund are held in the name of MCBFSL as a trustee of the Fund.

## 3. BASIS OF PREPARATION

## 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VBIA 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 VBIA 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 VBIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.



## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

## 2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

## 2.4.3 IFRS 9 'Financial Instruments' Impact Assessment

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

## 2.4.3.1 Key requirements of IFRS 9 are as follows:

## Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised 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 ("FVOCI").



- 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) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### Classification and measurement of financial liabilities

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- 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.

#### Impairment of financial assets

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.

SECP through its SCOMC/WRSA/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### 3.4.3.2 Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2020 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:

Government securities and term finance certificates 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.

Financial liabilities classified as amortized cost will continue to be subsequently measured at amortized cost upon application of IFRS 9.

#### 2.5 Estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year



of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (a) classification and valuation of financial assets (Note 3.2.1 & 5)
- (c) impairment of financial assets (Note 3.2.5)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the years presented unless otherwise stated.

##### 3.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, and subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

##### 3.2 Financial assets

###### 3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

###### a) Investments at fair value through profit or loss - held-for-trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

###### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

###### c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

##### 3.2.2 Regular way contracts

"Regular purchases and sales of financial assets are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the assets."

##### 3.2.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through



profit or loss' are initially recognized at fair value and transaction costs are recognized in the 'income statement'.

### 3.2.4 Subsequent measurement

#### a) Financial assets as 'at fair value through profit or loss - held for trading':

##### 1) Debt securities (other than government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of valuation rates, the MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### 2) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

#### b) Loans and receivables

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also recognized in the 'income statement and other comprehensive income' when financial assets carried at amortized cost are derecognized or impaired, and through the amortization process.

### 3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the 'income statement and other comprehensive income'.

#### a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum



provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

#### b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

### 3.2.6 Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

### 3.2.7 Offsetting of financial instruments

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3.3 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost.

### 3.4 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redeemed price represents the net assets value per unit less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

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. Element of income is a transaction of capital return and the receipt and payment of element of income shall be taken to unit holders' fund.

#### Change in accounting policy - Element of income / (loss)

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the

prices of units issued less those in units redeemed is apportioned between the income statement and the distribution statements in proportion of the relative change in net assets for the year of available for sale investments and other net assets.

\*Securities & Exchange Commission of Pakistan (SECP) through its SRO 755(i)(2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (83) sub-regulation (f) which excludes the element of income from "accounting income". As per 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. It also specifies that element of income is a testament 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 asset 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."

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in reserves or unit holders' fund instead of income statement. Further, SRO requires an additional disclosure should be stated below income statement for allocation of net income for the year comprising of (a) income already paid on units redeemed, and (b) accounting income available for distribution.

\*Mutual Funds Association of Pakistan (MUFAP) with the consultation of SECP has clarified that income already paid on redemption of units (element of income paid out) is determined on following basis:

- Income already paid on redemption of units (element of income) made during the year shall be on gross basis instead of element of income / loss on net basis."
- In situations where funds have remained profitable for part of the year and ended up in net profit, the income already paid on redemption of units (element of income) has been calculated from the date at which the fund was last broken-up.
- income already paid on redemption of Units (element of income) shall be calculated on FIFO method on redemption of Units for identifying units redeemed with units issued.

As required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Error', 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 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Further the basis of estimation of income already paid on redemption has been established in

line with the guidelines provided by MUFAP as stated above and accordingly the same has been disclosed in the additional disclosure. Had the change in accounting policy applied retrospectively, the income of the Fund for the year ended June 30, 2020 would have been higher by Rs. 7.831 million.

"Had the element of income been recognized as per the previous accounting policy, the income of the Fund would have been higher by Rs. 1,200 million. However, the change in accounting policy does not have any impact on the 'statement of Cash flows', the 'net assets attributable to the units holders' and 'net assets value per unit' as shown in the statement of 'assets and liabilities' and 'statement of movement of unit holders' fund'. 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."

## 1.6 Provisions

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

## 1.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the income statement in the year in which they arise.
- Mark-up / return on government securities, term finance certificates, sukuk, commercial papers, clean placements, bank balances and term deposits are recognised on a time apportionment basis using the effective interest method.

## 1.8 Taxation

The income of the Fund is exempt from income tax under clause 96 of Part I to the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend.

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

## 1.9 Dividend and bonus units

Dividend declared (including distribution in the form of bonus units) is recognised in the year in which it is authorised or approved.

3.10 Earnings per unit

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

3.11 Change in accounting policy : Presentation of Financial 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.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year/period except that items of other comprehensive income previously presented under 'statement of income statement and other comprehensive income' in single statement are now presented within 'income statement' and 'statement of comprehensive income' separately.

4. BALANCE WITH BANKS

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
Saving accounts	4.1	39,649	8,072

4.1 These saving accounts carry mark-up at the rates ranging from 5.00% to 14.25% (2019: 3.75% to 10%) per annum.

5. INVESTMENTS

At fair value through profit or loss - held for trading

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
Government securities	5.1	187,312	190,695
Term finance certificates	5.2	41,830	68,558
Sukuk Certificates	5.2	27,876	-
		<u>256,918</u>	<u>259,253</u>

5.1 Government securities

Issue Date	Year	Face value			Market value as at June 30, 2020	Investment as at	
		As at July 1, 2019	Revised during the year	Sold/ redeemed during the year		As at June 30, 2020	Net assets

		Rupees in '000			Rs. '000	%
<b>Market Treasury Bills</b>						
25 Apr 2019	28 months	25,000	-	25,000	-	0.02%
25 May 2019	28 months	25,000	-	25,000	-	0.02%
16 Jul 2019	28 months	-	16,000	16,000	-	0.02%
22 Aug 2019	28 months	-	100,000	100,000	-	0.02%
10 Sep 2019	28 months	-	40,000	40,000	-	0.02%
07 Nov 2019	28 months	-	100,000	100,000	-	0.02%
10 Dec 2019	28 months	-	80,000	80,000	-	0.02%
07 Nov 2020	28 months	-	80,000	80,000	-	0.02%
24 Aug 2020	12 months	-	80,000	80,000	-	0.02%
10 Sep 2020	12 months	-	80,000	80,000	-	0.02%
29 Sep 2020	12 months	-	100,000	100,000	-	0.02%
24 Dec 2020	12 months	-	120,000	120,000	-	0.02%
10 Jul 2020	28 months	-	175,000	175,000	-	0.02%
10 Jan 2020	12 months	-	100,000	100,000	-	0.02%
27 Feb 2020	12 months	-	100,000	100,000	-	0.02%
10 Nov 2020	12 months	-	160,000	160,000	-	0.02%
26 Nov 2020	12 months	-	175,000	175,000	-	0.02%
10 Jan 2020	12 months	-	20,000	20,000	24,000	0.04%
26 Nov 2020	28 months	-	100,000	100,000	-	0.02%
26 Apr 2020	12 months	-	200,000	200,000	-	0.02%
26 Apr 2020	28 months	-	120,000	120,000	-	0.02%
23 Apr 2020	12 months	-	100,000	100,000	-	0.02%
07 May 2020	28 months	-	120,000	120,000	-	0.02%
16 Jun 2020	28 months	-	20,000	20,000	24,000	0.02%
16 Jun 2020	28 months	-	70,000	70,000	70,000	0.02%
					<u>24,000</u>	

Carrying value differs from its market value as at June 30, 2020

24,000

Issue Date	Year	Face value			Market value as at June 30, 2020	Investment as at	
		As at July 1, 2019	Revised during the year	Sold/ redeemed during the year		As at June 30, 2020	Net assets

		Rupees in '000			Rs. '000	%
<b>Passive Investment Bonds</b>						
10 Jul 2019	1 year	80,000	280,000	360,000	-	0.02%
10 Sep 2019	1 year	-	100,000	100,000	-	0.02%
21 Feb 2019	11 years	70,000	-	70,000	-	0.02%
10 Sep 2019	1 year	-	100,000	100,000	-	0.02%
10 Jul 2020	12 years	-	120,000	80,000	70,000	200%
					<u>70,000</u>	

Carrying value differs from its market value as at June 30, 2020

70,000

PAK OMAN GOVERNMENT SECURITIES FUND

Issue Date	Term	Face value				Market value as at June 30, 2020	Investment cost	
		As at July 1, 2019	Purchased during the year	Sold/ redeemed during the year	As at June 30, 2020		Net book	Market value of 100% investments

Carrying value before mark to market as at June 30, 2020

31 Apr 2020	1,746	175,000	175,000			2,025	2,025
-------------	-------	---------	---------	--	--	-------	-------

- 5.1.1 Carrying value before mark to market as at June 30, 2020
- 5.1.2 The effective yield on market treasury bills is 4.50% to 4.70% per annum.
- 5.2 Term finance & Sukuk certificates - unlisted

Name of the investee company	Term	Number of certificates				Market value as at June 30, 2020	Investment cost as at June 30, 2020	
		As at July 1, 2019	Purchased during the year	Sold/ redeemed during the year	As at June 30, 2020		Net book	Market value of 100% investments

Al Hamd Limited (14 Dec 2016)	6,025			6,025	24,486	1,026	6,025
JIF Company Limited (18 Jul 2017)	6,025			6,025	19,471	400	6,025
Bank of Punjab (21 Apr 2016)	220		220				
Bank of Habib Depository Ltd - 2		280		280			
TD, Corporate (18 Jul 2016)		280		280			
International Bank United		100		100	1,070	170	100
The First Power Company Limited (2016)		220		220	22,000	176	220
					<u>61,026</u>		
Carrying value before mark to market as at June 30, 2020					<u>61,026</u>		

5.3 Net unrealised loss on re-measurement of investments at fair value through profit or loss - held for trading

Market value of investments	266,518	266,251
Less: carrying value of investments before mark to market	(267,993)	(261,427)
	<u>(1,475)</u>	<u>(5,176)</u>

6. MARK-UP ACCRUED

Mark-up accrued on Debt Securities & Bank deposits	1,822	1,897
Mark-up accrued on Pakistan investment bonds	3,963	5,795
	<u>5,785</u>	<u>7,692</u>

PAK OMAN GOVERNMENT SECURITIES FUND

2020 2019  
 (Rupees in '000)

7. Deposits & Other Receivables

Security Deposits	200	200
Advance Tax	222	104
Other Receivables	3	-
	<u>425</u>	<u>304</u>

2020 2019  
 Note (Rupees in '000)

7. PAYABLE TO PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company	7.1	268	344
Sindh Sales Tax on remuneration of the Management Company	7.2	136	136
Federal Excise Duty on remuneration of the Management Company	7.3	654	654
Reimbursement of operational, selling and marketing expenses	7.4 & 7.5	497	1,215
		<u>1,555</u>	<u>2,349</u>

7.1 The Management Company has charged its remuneration at the rate of 1.1% (2019: 1.1%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 12% (2019: 12%) on Management Company's remuneration through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011. This also includes Rs. 0.099 million (2019: Rs. 0.099 million) accrued on Federal Excise Duty (FED) on the remuneration of the Management Company as fully explained in note 8.3.

7.3 "As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISes), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED since June 13, 2013.

On June 30, 2016, the Honorable Sindh High Court of Pakistan had passed a Judgment that after the 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 Honorable Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Pending the adjudication in the SCP, the Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 0.654 million. Had the provision of FED not been made, the net asset value per unit as at June 30, 2020 would have been higher by Rs 0.0274 per unit (2019: Rs. 0.0274 per unit).

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFI) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, no provision for FED has been recorded after June 30, 2016.<sup>1</sup>

**7.4** This represents reimbursement of certain expenses to the Management Company. As per regulation 60(2)(x) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets being the lower amount to the Fund.

**7.5** SECP vide Circular No. 11 of 2019 dated July 05, 2019 has superseded circular 40 of 2016, 06 of 2017 and 05 of 2018 and has prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. Selling and Marketing expenses has been allowed on all categories of Open and mutual funds except fund of funds at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of daily net assets of the Fund, being the lower amount.

#### 8. PAYABLE TO WCS FINANCIAL SERVICES LIMITED - TRUSTEE

	Note	2020 (Rupees in '000)	2019
Remuneration of the Trustee	8.1	18	27
Sindh Sales Tax on remuneration of the Trustee	8.2	3	3
		<b>21</b>	<b>30</b>

**8.1** During the period trustee fee has been reduced from 0.12% to 0.065% effective from 1st May 2020. The trustee is entitled to a yearly remuneration at the rate of 0.065% (2019: 0.12%) from 1st May 2020 of the average annual net assets of the Fund for services rendered under the provisions of the Trust Deed.

**8.2** The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

#### 9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

**9.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as 'Income Scheme' is required to pay an annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02 % of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2020 (Rupees in '000)	2019
<b>10. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Withholding tax		141	65
Capital gain tax		8	-
Auditors' remuneration		348	347
Provision for Sindh Workers' Welfare Fund	11	2,382	1,506
Others		718	203
		<b>3,577</b>	<b>2,121</b>

#### 11. SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 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 / Mutual Funds (CISs) whose income exceeded Rs. 500,000 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.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). On 10 November 2018 the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 31 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of 'Industrial Undertaking' but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited), MUFAP has recommended

**PAK OMAN GOVERNMENT SECURITIES FUND**

In all its members to reverse the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded a provision of Rs. 2,382 million (June 2019: Rs. 1,506 million) for the year in aggregate in respect of SIAWWF.

Had the provision not been made, it would have resulted in an increase in the net assets value per unit by Rs. 0.10 per unit (30 June 2019: Rs. 0.063 per unit).

**12. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at June 30, 2020 and June 30, 2019.

	2020	2019
	Number of units	
<b>11. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	23,903,486	23,976,879
Add: units issued during the year	1,914,120	12,291
Less: units redeemed during the year	(1,963,273)	(85,834)
<b>Total units in issue at the end of the year</b>	<b>23,854,333</b>	<b>23,903,486</b>

**14. NET ASSET VALUE PER UNIT**

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

**15. TAXATION**

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2006 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2020 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

**16. EARNINGS PER UNIT**

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

**17. TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 dated July 26, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for year ended June 30, 2020 is 2.23% which includes 0.25% representing government levy i.e. Sindh Sales Tax, SECP fee and provision for Sindh Worker's Welfare Fund.

**PAK OMAN GOVERNMENT SECURITIES FUND**

**18. AUDITORS' REMUNERATION**

	2020	2019
	(Rupees in '000)	
Annual audit fee	250	250
Half yearly review fee	75	150
Income Certification	40	40
	<b>365</b>	<b>440</b>
Out of pocket expenses including government levies	45	65
	<b>410</b>	<b>505</b>

**19. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES**

19.1 Connected persons and related parties include Pak Oman Asset Management Company Limited being the Management Company, MCB Financial Services Limited being the Trustee, Pak Oman Investment Company Limited being the Parent of the Management Company. It also includes associated companies of Management Company due to common directorship, subsidiaries and associated companies of the Parent of the Management Company, other collective investment schemes managed by the Management Company, directors, key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

19.2 The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.

19.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

19.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

19.5 Details of the transactions with connected persons and related parties are as follows:

	2020	2019
	(Rupees in '000)	
<b>Pak Oman Asset Management Company Limited (Management Company)</b>		
Remuneration of the Management Company	2,898	2,898
Sindh Sales Tax on remuneration of the Management Company	369	375
Units issued: Nil units (2019: Nil units)	-	-
Units redeemed: Nil units (2019: Nil units)	-	-
Reimbursement of operational expenses to the Management Company	373	262
Selling and marketing charges	1,898	1,549
<b>MCB Financial Services Limited (Trustee)</b>		
Remuneration of the Trustee	368	345
Sindh Sales Tax on remuneration of the Trustee	28	41

	2020	2019
	(Rupees in '000)	
<b>Pak Oman Investment Company Limited (Parent of the Management Company)</b>		
Purchase of investment - Tills	1,202,565	1,236,565
Sale of investment - T Bills	475,879	-
Purchase of investment - PEs	-	321,420
Sale of investment - PEs	47,955	927,730
Cash Dividend	46,221	15,400
<b>Key Management of Investment Company</b>		
Units issued 40,887Units (2019: Nil units)	348	-
Units redeemed Nil units (2019: Nil units)	-	-
Cash Dividend - Reinvestment (1,359 Units)	28	-

### 19.3 Amounts outstanding as at year end are as follows:

	2020	2019
<b>Pak Oman Asset Management Company Limited (Management Company)</b>		
Remuneration of the Management Company	368	344
With Sales Tax on remuneration of the Management Company	138	138
Federal Excise Duty on remuneration of the Management Company	854	854
Reimbursement of operational, selling and marketing expenses	487	368
<b>MCB Financial Services Limited (Trustee)</b>		
Remuneration of the Trustee	15	27
With Sales Tax on remuneration of the Trustee	2	3

	2020	2019
<b>Pak Oman Investment Company Limited (Parent of the Management Company)</b>		
Investment held in the Fund: 21,950,843 units (2019: 21,950,843 units)	255,917	252,577

\* Current year transactions with these persons have not been disclosed as they did not remain connected persons during the year.

### 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience
1	Ms. Sadaf Kazmi	Chief Executive Officer	MBA	19 years
2	Mr. Abdul Rehman	Chief Financial Officer	ACCA, CPA (Finalist)	6 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	16 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumaira Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer:

- Askari High Yield Scheme
- PakOman Advantage Islamic Income Fund

### 21. TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission charged during the year June 30, 2020 and June 30, 2019:

S.No	Names	2020
1	Invest One Markets Limited	31.89%
2	Vector Capital (Pvt.) Limited	15.10%
3	Continental Exchange (Pvt.) Limited	14.04%
4	Paramount Capital (Pvt.) Ltd.	13.49%
5	Next Capital Limited	8.79%
6	BIFL Securities Limited	6.73%
7	BMA Capital Management Ltd	4.72%
8	Bright Capital (Pvt.) Limited	3.41%
9	Magenta Capital (Pvt.) Ltd.	1.83%
		<b>100.00%</b>

S.No	Names	2019
1	Paramount Capital (Private) Limited	18%
2	Invest Capital and Securities (Private) Limited	2%
3	Vector Capital (Private) Limited	14%
4	BIFL Securities Limited	59%
5	Bright Capital (Private) Limited	6%
		<b>100%</b>

### 22. PATTERN OF UNIT HOLDING

Category	As at June 30, 2020		
	Number of unit holders	Net asset value of the amount invested	Percentage of investment
		(Rupees in '000)	
Individuals	31	2,088	8.81%
Others	1	255,918	99.19%
	<b>32</b>	<b>257,994</b>	<b>100.00%</b>

Category	As at June 30, 2019		
	Number of unit holders	Net asset value of the amount invested	Percentage of investment
		(Rupees in '000)	
Individuals	27	2,580	1.02%
Associated companies	1	252,577	98.98%
	<b>28</b>	<b>255,159</b>	<b>100%</b>

33. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th & 75th Board meetings were held on August 31, 2019, October 24, 2019, February 12, 2020 and April 18, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. E. Yaseg Bin Said Bin Abdurazek Al-Jabri	4	4	-	-
2	Mr. Rasheed Al Ibrahim Al Belushi	2	2	-	-
3	Mr. Balasubrahmanyan	4	4	-	-
4	Mr. Hameed Mansoor	4	4	-	-
5	Mr. Subairan Hammad Al Harti	2	2	-	-
6	Mr. Saif Said Salm Al Yaqubi	2	1	1	72nd
7	Mr. Jahangir Shah	4	4	-	-
8	Ms. Saifia Kazi	4	4	-	-

34. FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2020

Loans and receivables	At fair value through profit or loss - held for trading	Total

Rupees in '000

Financial assets

Balance with banks	38,848	-	38,848
Investments	27,075	278,442	305,517
Mark up accrued	5,895	-	5,895
Deposits and other receivables	200	-	200
	62,928	278,442	341,370

As at June 30, 2020

At fair value through profit or loss	Other financial liabilities	Total

Rupees in '000

Financial liabilities

Payable to the Management Company	-	1,468	1,468
Payable to the Trustees	-	18	18
Dividend payable	-	48,365	48,365
Accrued expenses and other liabilities	-	3,587	3,587
Net assets attributable to redeemable units	-	257,104	257,104
	-	52,438	52,438

As at June 30, 2019

Loans and receivables	At fair value through profit or loss - held for trading	Total

Rupees in '000

Financial assets

Balance with banks	8,072	-	8,072
Investments	-	288,221	288,221
Marking amount	7,883	-	7,883
Deposits and other receivables	200	-	200
	16,158	288,221	304,379

As at June 30, 2019

At fair value through profit or loss	Other financial liabilities	Total

Rupees in '000

Financial liabilities

Payable to the Management Company	-	2,348	2,348
Payable to the Trustees	-	30	30
Dividend payable	-	15,824	15,824
Accrued expenses and other liabilities	-	850	850
Net assets attributable to redeemable units	-	288,198	288,198
	-	19,052	19,052

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments classified as 'at fair value through profit or loss' which are tradable in an open market is based on the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying value as the items are short-term in nature.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The table below provides information on financial assets or liabilities carried at fair values, by valuation methods.

ASSETS	As at June 30, 2020			Total
	Level 1	Level 2	Level 3	
(Rupees in '000)				
<b>At fair value through profit or loss</b>				
<b>- held for trading</b>				
Government Securities	-	121,310	-	121,310
Term finance certificates	-	69,696	-	69,696
<b>As at June 30, 2019</b>				
ASSETS	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
<b>Investments - at fair value through profit or loss</b>				
<b>- held for trading</b>				
Government securities	-	44,544	-	44,544
Term finance certificates	-	50,556	-	50,556

There were no transfers between various levels of fair value hierarchy during the year.

## 26. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risks to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Management Company under policies approved by its Board of Directors.

The Fund invests primarily in a portfolio of government securities and term finance certificates. The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

### 26.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the SECP.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

#### 26.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

At present, the Fund has no exposure to currency risk as there are no financial assets or financial liabilities denominated in foreign currencies.

#### 26.1.2 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.

##### a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing market treasury bills, term finance certificates and balances with banks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these market treasury bills, term finance certificates and balances with banks, with all other variables held constant, the net income and net assets would have been higher / lower by Rs. 1.45 million (2019: Rs.3.34 million).

##### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund hold 58.90% of the securities exposing the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

Type / Interest rate	Total	As at June 30, 2020			Net exposed to yield / interest rate risk
		Exposure to yield / interest rate risk			
		Up to three months	More than three months and up to one year	More than one year	
(Rupees in '000)					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balance with bank	6.00 - 14.25	30,240	30,240	-	-
Investments	4.75 - 7.75	266,616	121,310	41,830	-
Bank of account		5,000	-	-	5,000
Current, preparatory and other receivables		200	-	-	200
		302,056	151,550	41,830	5,200
<b>Financial liabilities</b>					
Payable to the Management Company		1,460	-	-	1,460
Payable to the Trustee		18	-	-	18
Contract payable		41,200	-	-	41,200
Accrued expenses and other liabilities		41,200	-	-	41,200
Net assets attributable to investors/units		297,194	-	-	297,194
		340,185	-	-	340,185
On-balance sheet net		(37,129)	(15,000)	41,830	(10,000)
<b>Off-balance sheet financial instruments</b>					
Off-balance sheet net		-	-	-	-
Off-balance sheet net		-	-	-	-

June 30, 2020						
Type of asset	Total	Exposure (per financial instrument)			Not exposed to (per financial instrument)	
		Less than 90 days	More than 90 days and up to 180 days	More than 180 days		
<b>On-balance sheet financial instruments</b>	<b>%</b>	<b>Exposure (%)</b>				
<b>Financial assets</b>						
Balance with banks	0.79 8.58	0.072	0.072			
Investments	0.73 7.75	259,251	64,051	40,000	140,000	
Mark-up accrued		7,663			7,663	
Deposit, prepayments and other receivables		300			300	
		270,186	72,071	40,000	148,000	
<b>Financial liabilities</b>						
Payable to the Management Company		1,240			1,240	
Payable to the Trustee		0			0	
Dividend payable		10,000			10,000	
Interest receivable and other liabilities		660			1,700	
Net assets attributable to investors/units		269,586			269,586	
<b>On-balance sheet net</b>	<b>1.69</b>	<b>72.071</b>	<b>40.000</b>	<b>140.000</b>	<b>(20.000)</b>	
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet net</b>						

26.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. As at June 30, 2020, the Fund does not hold any instrument that expose the Fund to price risk.

26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on balances with banks, mark-up accrued, deposits and prepayments.

For banks and financial institutions, the Fund keeps deposits with reputed financial institutions with reasonably high credit ratings. Credit risk on account of dividend receivable is minimal due to the statutory protection. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these investments is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NSFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 is the carrying amount of the financial assets. None of those assets are 'impaired' nor 'past due but not impaired'.

The analysis below summarises the credit quality of the Fund's financial assets:

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows :

	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
	Rupees in '000			
Balance with banks	20,648	20,648	6,872	6,872
Investments	269,518	148,288	259,251	259,251
Mark-up accrued	5,665	5,665	7,663	7,663
Deposit, prepayments and other receivable	300	300	304	304
	<b>302,371</b>	<b>181,841</b>	<b>275,290</b>	<b>275,290</b>

Bank balances by rating category	Rating agency	2020	
		(Rs. in '000)	(%)
AAA	JCR-VIS, PACRA	33	0.07%
AA+	JCR-VIS, PACRA	26,317	66.32%
AA-	JCR-VIS, PACRA	5	0.02%
A+	JCR-VIS, PACRA	19	0.06%
A	JCR-VIS, PACRA	10,278	32.53%
		<b>30,648</b>	<b>100%</b>

Concentration of credit risk

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

26.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market

and can be readily disposed and are considered readily realizable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	June 30, 2020			
	Total	Upto three months	Over three months and upto one year	Over one year
	Rupees in '000			
<b>Financial liabilities</b>				
Payable to the Management Company	1,488	1,488	-	-
Payable to the Trustees	18	18	-	-
Dividend payable	40,365	40,365	-	-
Accrued expenses and other liabilities	41,230	41,230	-	-
Net assets attributable to redeemable units	257,104	257,104	-	-
	<b>340,105</b>	<b>340,105</b>	<b>-</b>	<b>-</b>

	June 30, 2019			
	Total	Upto three months	Over three months and upto one year	Over one year
<b>Financial liabilities</b>				
Payable to the Management Company	2,349	2,349	-	-
Payable to the Trustees	30	30	-	-
Dividend payable	15,524	15,524	-	-
Accrued expenses and other liabilities	500	500	-	-
Net assets attributable to redeemable units	255,160	255,160	-	-
	<b>273,522</b>	<b>273,522</b>	<b>-</b>	<b>-</b>

## 27. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the statement of movement in unit holders' fund.

The Fund has no restrictions on the issuance and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 26, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

28. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it was operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

## 29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on 26 August, 2020.

## 30. GENERAL

- 30.1 Figures have been rounded off to the nearest thousand rupees.

For Pak Oman Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



## CONTENTS

Mission & Vision Statements .....	01
Fund Information .....	02
Report of the Director of the Management Company (English) .....	03
Report of the Director of the Management Company (Urdu) .....	08
Report to the Fund Manager of the Management Company .....	09
Report of the Trustee .....	13
Report of the Shariah Advisor .....	14
Independent Auditor's Review Report to the Unitholders .....	16
Statement of Compliance .....	19
Independent Auditor's Report .....	23
Statement of Assets and Liabilities .....	25
Income Statement .....	26
Statement of Comprehensive Income .....	27
Statement of Movement in Unit Holder's Fund .....	28
Cash Flow Statement .....	29
Notes to the Financial Statement .....	30



## Our Mission

"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."

## Our Vision

"PAK OMAN ISLAMIC ASSET ALLOCATION FUND aims to provide diversified portfolio and return that is risk-adjusted to our investors at large, on a consistent basis."



## FUND INFORMATION

**Management Company**

Pak Oman Asset Management Company Limited  
 KORN House 83-C, 42th Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web site : www.pakomanfund.com

**Board of Directors of The Management Company**

H.E. Yaqub Bin Saïd Bin Abdullah Al- Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Huzayem Murad	Director
Mr. Jahanqir Shah	Director
Mr. Rashid Ali Ibrahim Al Bahadi	Director
Ms. Saïd Karim	CEO

**Audit Committee**

Mr. Huzayem Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Ibrahim Al Bahadi	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hina Mir

**Asset Manager Rating**

AM1+ (Stable outlook)

**Trustee**

MCB Financial Services Limited  
 4th Floor, Premier House, 21, E. Y-16,  
 Old Queens Road, Karachi.

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beaumont Road,  
 Karachi-75530

**Bankers to The Fund**

BankIslami Pakistan Limited  
 Bank Al-Halal Limited  
 Dubai Islamic Bank Pakistan Limited  
 Srip Microfinance Bank Limited  
 Saeedi Bank Limited  
 S&L Bank Limited

**Legal Advisor**

Mohsin Tayyab Ali  
 Corporate & Commercial Law Firm  
 D-21, Block - 4,  
 KDA Scheme 5, Clifton, Karachi.

**Transfer Agent**

ITEMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Shaheen-e-Pakistan, Karachi-74400, Pakistan  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 34326040  
 Web site : www.iteminds.biz



## DIRECTORS REPORT TO THE UNIT HOLDERS

The Board of Directors of Pak Oman Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Pak Oman Islamic Asset Allocation Fund (POAAAF) for the Year ended 30th June 2020.

**Economic Review 9M-FY20**

After two years of fiscal consolidation and a period of monetary tightening, 9M FY20 turned out to be a period of mix developments. In 1H-FY20, economy returned to scorable growth and inflationary pressures started to ease off, however, economic recession on the global front, led by corona virus pandemic turned out to be a real dot for Pakistan's economy. Globally, the impacts of this pandemic has severely dented large economies and has caused major disruptions to economic activity. IMF has also significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments have also led to a sharp fall in international trade. On the domestic front, since the the number of COVID-19 cases has been increasing considerably, prompting social distancing and curtailment of activity. This is expected to lead to noticeable slowdown in domestic demand.

In 9MFY20, CPI averaged at 11.52% as compared to 6.91% in same period last year. While SPI and WPI averaged at 14.87% and 12.99% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with CPI recorded at 12.40% in the month of Feb-2020 and 10.20% in Mar-2020.

In the Monetary Policy announced during the period, SBP cumulatively slashed policy rate by 225bps and brought discount rate to 11.00% by end of March-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced called emergency MPC meeting in the month of March and decided to reduce policy rate by further 150bps to 11.00%.

On the external front, in 9MFY20, Current Account deficit settled at \$ 2,768 million as compared to \$ 10,284 million in same period last year. CAD has shown significant improvement of 73% due to reduction in trade deficit. During the period, imports have declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive. Major decline is witnessed oil import bill due to easing demand and decline in global oil prices and decline in import of machinery.

In 9M FY20, balance of payment position has improved significant and PKR has remained stable over a quarter. SBP Foreign Currency reserves have increased by \$ 3.5 billion while ministry has retired short swaps amounting to \$ 1.95 billion since the start of FY20. This has partially helped in stabilization of PKR/USD parity. However, the economy has again gone in consolidation phase and sustainable Balance of Payment position and sustainable fiscal account would be a major challenge for the government.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

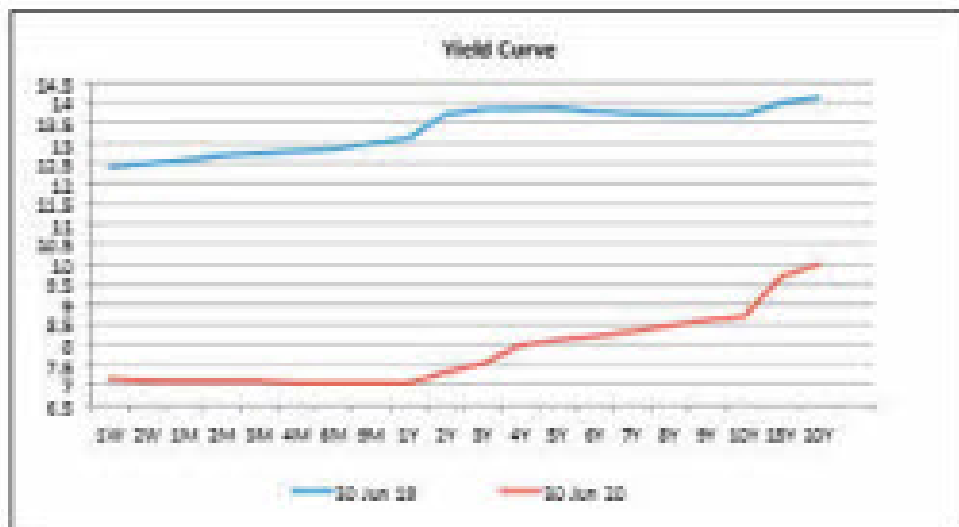


**Fixed Income Review 9M-FY20**

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 56bps, 590bps and 608bps and stood at 7.09%, 7.03% and 7.85% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields shed by 632bps, 573bps and 563bps and stood at 7.37%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 13,292 billion. The last cut-off yields stood at 8.13%, 7.98% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rate bonds, SBP raised PKR 1,926 billion. Cut-off yields settled at 7.97%, 8.44%, 8.99%, 9.90% and 10.53%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



**FOIAAF**

In FY20, FOIAAF posted a return of 0.75% against the benchmark return of 2.62%. Net assets at the end of FY20 stood at PKR 120.197mm against PKR 178.616mm in FY19. As of 30th June 20 equity exposure stood at 16.44% as compared to 47.42% on 30th June 19.

In the End of FY20 Fund was mainly allocated in Equity in following sectors Fertiliser, Oil & gas Exploration, Power & Distribution and Banks 5.27%, 4.09%, 2.30% and 2.64% respectively

In the end of FY20, exposure against Sadaq's was reduced to 21.47% as compare to 34.53% in 30th June 19. Exposure against GoP (jark) stood at 31.09%. Cash resided at 18.19% of the fund size.

**Acknowledgment**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Director of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company

For and on behalf of the Board  
Sadaq Kamal  
Chief Executive Officer

26th August 2020  
Karachi - Pakistan.



**انحصاری پیمانے**

سال 2020 کے اختتام پر سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

سال 2020 میں سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

سال 2020 میں سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

سال 2020 میں سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

سال 2020 میں سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

**انحصاری پیمانے**

سال 2020 میں سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

سال 2020 میں سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔



سال 2020 کے اختتام پر سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

**انحصاری پیمانے**

سال 2020 میں سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔ سال 2020 میں 28 اگست کی صبح کو سہ ماہی کی گنتی کے بعد سالانہ گنتی 2020 میں 28 اگست کی صبح کو ہوئی تھی۔

Handwritten signature and stamp of the auditor.



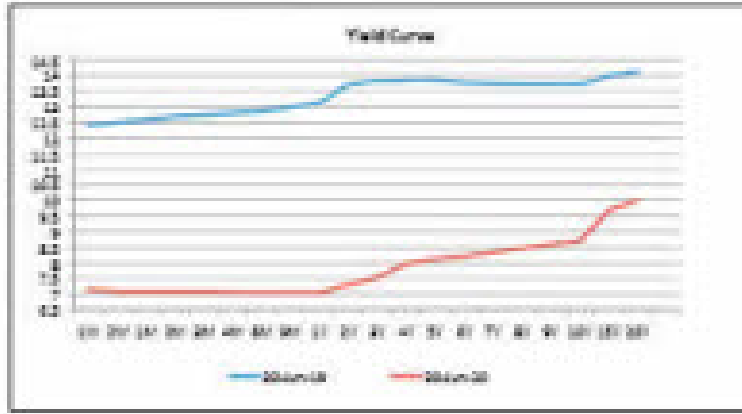
پاک عمان اسلامی اثاثہ تخصیص فنڈ "POMACIF" کو 1۰ مئی 2020ء کو پاکستان اسٹیٹ بینک نے رجسٹریشن نمبر (POMAF) کیساتھ رجسٹر کیا۔ یہ فنڈ سال 2020ء میں 2020ء کو پاکستان اسٹیٹ بینک نے رجسٹر کیا۔

حتمی سالانہ رپورٹ سال 2020ء

سال 2020ء میں فنڈ کی حتمی کارکردگی 12 مئی 2020ء کو پاکستان اسٹیٹ بینک نے رجسٹریشن نمبر (POMAF) کیساتھ رجسٹر کیا۔ سال 2020ء کے آغاز میں فنڈ کی کارکردگی 1.05% تھی جبکہ سالانہ کارکردگی 1.11% تھی۔ فنڈ کی کارکردگی 1.05% تھی جبکہ سالانہ کارکردگی 1.11% تھی۔

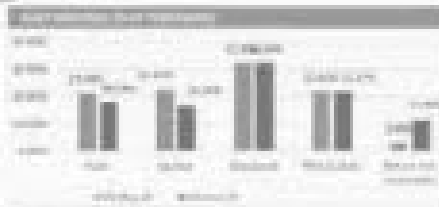
اس فنڈ کی کارکردگی کو پاکستان اسٹیٹ بینک نے رجسٹر کیا۔ اس فنڈ کی کارکردگی 1.05% تھی جبکہ سالانہ کارکردگی 1.11% تھی۔

اس فنڈ کی کارکردگی کو پاکستان اسٹیٹ بینک نے رجسٹر کیا۔ اس فنڈ کی کارکردگی 1.05% تھی جبکہ سالانہ کارکردگی 1.11% تھی۔



REPORT TO THE FUND MANAGER OF THE MANAGEMENT COMPANY

PAK OMAN ISLAMIC ASSET ALLOCATION FUND  
June 2020



Metric	Value
Assets	1000000
Liabilities	1000000
Equity	1000000

Category	Value
Government	47.5%
Corporate	52.5%

Period	Value
2020-01-01	1000000
2020-06-30	1010500

Section	Details
Fund Objective	The primary objective is to provide investors with long-term capital growth and income growth through its investment in the securities market of Pakistan, subject to Shariah compliance, seeking to outperform the benchmark.
Type of Instrument	Equity and
Minimum Investment	PKR 100,000
Investment Risk	Medium to High
Dividend Policy	At least once a year
Shariah Advisor	Islamic Finance Advisors Pvt. Ltd.
Shariah Reviewer	Dr. Iqbal Ahmed
Shariah Certificate	Shariah Certificate No. 1/2020
Shariah Status	Shariah Compliant
Shariah Review Date	June 2020
Shariah Reviewer	Dr. Iqbal Ahmed
Shariah Certificate	Shariah Certificate No. 1/2020
Shariah Status	Shariah Compliant
Shariah Review Date	June 2020
Shariah Reviewer	Dr. Iqbal Ahmed
Shariah Certificate	Shariah Certificate No. 1/2020
Shariah Status	Shariah Compliant
Shariah Review Date	June 2020
Shariah Reviewer	Dr. Iqbal Ahmed
Shariah Certificate	Shariah Certificate No. 1/2020
Shariah Status	Shariah Compliant

Metric	Value
Assets	1000000
Liabilities	1000000
Equity	1000000

After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however after the outbreak of corona virus pandemic during large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major bust with substantial decline in exports specially textiles (constituting approximately 56% of total yearly exports). Though government and Ministry of Finance announced various relief measures to incentivize export oriented sectors in the form of reducing borrowing rates (675bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan restructuring, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 6.80% in same period last year. While SPI and WPI averaged at 13.74% and 10.24% respectively. On YOT basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policy announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$1.96 billion i.e 1.7% of GDP as compared to deficit of \$15.45 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and service's deficit while overseas worker's remittances registered 6.7% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 50bps, 180bps and 400bps and stood at 7.00%, 7.85% and 7.65% respectively by end of June-20. On the other hand, yield on longer tenor bonds saw sharp decline. Yields shed by 135bps, 977bps and 963bps and stood at 7.53%, 8.11% and 8.05% for 2y, 5y and 10y bond respectively. During the quarter, greater activity was witnessed in longer tenor instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policy announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-bill auctions held during the period, SBP raised a total of PKR 24,567 billion against the target of PKR 14,346 billion and maturity of PKR 25,230 billion. The last run-off yields stood at 8.13%, 7.90% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY20, participation was slowed towards 3M and 6M paper, however during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the TBS auction for fixed-rate bonds, SBP raised PKR 1,982 billion. Cut-off yields settled at 7.37%, 8.44%, 8.99%, 9.50% and 10.51%, for 3y, 5y, 10y, 15y and 30y paper respectively.



The KSE-100 index had an upward move over the year, closed at 84,423 by end of June 2020 against index of 78,971.58 in start of FY20, registering a mere growth of 1.94%. During the year, index touched a peak of 41,468, and a low of 27,047.

Fertilizer, Cement, Pharmaceutical were the main gainers during FY20 based on strong demand of fertilizer despite COVID-19 pandemic along with high dividend yield, making this sector a safe investment for investors. Cement sector gained momentum on the back of reduction in policy rate and subsequent impact on their finance costs, and incentives given under post covid-19 relief package.

Commercial Banks were major losers as market was overreacting pressure on banking spreads post cut in policy rates. Furthermore, with the change to FRS-9 from FRS-10 will make the banking industry more resilient against enforcement risks. Followed by banks, Oil & Gas Exploration sector suffered the most due to fall in oil prices as the demand fell across the globe, after the suspension of all travelling and lockdowns imposed worldwide.

During the year, foreigners were the net seller of USD 284.26mn. The major selling was observed in Oil & Gas exploration (USD-84.75mn), banks (USD-76.79mn) and Cement (USD-63.67mn) while fertilizer sector had net buying (USD6.65mn). On the local side, individual (USD13.23mn) and insurance (USD127.64mn) were the major buyers, where as Banks /Bills were net seller (USD-93.40mn).

3<sup>rd</sup> September 2020  
Karachi - Pakistan

Mustafa Kamal  
CO



## MCB FINANCIAL SERVICES LIMITED

### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### PAK OMAN ISLAMIC ASSET ALLOCATION FUND

Report of the Trustee Pursuant to Regulation 14(b) of the Non-Banking Finance Companies and Pooled Entities Regulations, 2018

Pak Oman Islamic Asset Allocation Fund, as open end vehicle established under a Trust Deed dated May 27, 2018 executed between Pak Oman Asset Management Company Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

MCB Financial Services Limited was appointed as a new trustee in place of CLM under the amended Trust Deed dated 15 May 2019. Accordingly the Trust Deed was approved by SECP on 17 January 2019 under the Rules. However, the name of the Fund was transferred on June 13, 2019.

I. Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Islamic Asset Allocation Fund has, in all material respects, managed Pak Oman Islamic Asset Allocation Fund during the year ended 30<sup>th</sup> June 2020 in accordance with the provisions of the following:

- (i) the instructions imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws,
- (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement,
- (iii) the creation and cancellation of units are carried out in accordance with the deed,
- (iv) and any regulatory requirement.

Karachi September 5, 2020

  
Khawaja Azeem Hussain  
Chief Executive Officer  
MCB Financial Services Limited



**SHARAH ADVICE REPORT 2020**

Agree 28, 2020

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the sole responsibility of the Management Company to operate the Fund and ensure the correct disclosure in such a manner which is compliant with the Shariah principles as laid out in the Shariah guidelines in the capacity of the Shariah Advisor, my responsibility lies in providing Shariah guidelines and ensuring compliance with the same by means of activities of the fund. Inhal cannot express my opinion based on the review of the information, provided by the management company, if an independent compliance with the Shariah guidelines can be objectively verified.

My review of Fund's activities is limited to inquiries of the personnel of Management Company and various documents prepared and provided by the management company.

**Opinion in view of the above I certify that:**

I have reviewed the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all transactions of the fund for the year ended June 30, 2020 comply with the specified Shariah guidelines. Therefore, it is certified that investments in Pak Oman Islamic Asset Allocation Fund (FOIAAF) managed by Pak Oman Asset Management Company Ltd are halal and it complies with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishing our intended goals and have us among those who are successful.

والله اعلم بالصواب

  
Tahir Hussain, Director, CIA  
Chief Executive Officer

  
Muhammad Ahsan Ali  
Shariah Advisor

Al-Hilal Islamic Advisors (Pty) Limited  
Incorporated in the Republic of South Africa  
100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000



100 West Bay, United States  
Dulles, Virginia  
An Independent Member Firm  
of the RSM Network  
RSM US LLP  
RSM US LLP  
www.rsmusllp.com

**Independent Auditor's Review Report to the Unit Holders of Pak Oman Islamic Asset Allocation Fund**

**Review Report on the Statement of Compliance contained in Unit Corporate Code of Corporate Governance Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the United Company Code of Corporate Governance Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Pak Oman Asset Management Company Limited, the Management Company of Pak Oman Islamic Asset Allocation Fund (the Fund) for the year ended June 30, 2020 in accordance with the requirements of regulation 26 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report thereon and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and ISAs.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required to have obtained compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance.



Sl.	Paragraph reference	Description
1.	19	The position of the Head of Internal Audit of the Fund is vacant since August 2019.
2.	19	The position of the Chief Financial Officer of the Fund is vacant since January 2019.

  
 Head of Internal Audit  
 Dated: 01/07/2020

### Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Oman Asset Management Company Limited

Year ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors is as per the following:

- a. Male: six
- b. Female: one

2. The composition of the Board is as follows:

Independent directors	1.	Mr. Hamzah Meral
	2.	Mr. Rashid /H Bashir Al Bahady
Non-executive directors	3.	H.E. Yasser Bin Saad Bin Abdullah Al Lami
	4.	Mr. Binmashki Alhar
	5.	Mr. Hamzah Meral
	6.	Mr. Rashid /H Bashir Al Bahady
Executive directors	7.	Mr. Fahmy Makh
	8.	Mr. Saad Saad
Female directors	9.	Mr. Saad Saad
	10.	Mr. Saad Saad

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
4. The company has required a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a remuneration statement, overall corporate strategy and significant projects of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the projects of the Board have been duly verified and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and procedure for nomination of directors in accordance with the Act and these Regulations.



Pak Oman Asset Management Company Limited  
 Directorate, P.O. Box 1209, Commercial Area, Muscat, Sultanate of Oman  
 Date: 01/07/2020



9. The Board has arranged Directors' Training program for the following:

Mr. Yaqub Ali Shah (Mr. Yaqub Ali Shah)	Completed
Mr. Haseebullah Khan	Completed

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit including their remuneration and terms and conditions of appointment and complied with relevant requirements of the Regulations.

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member
Mr. Haseebullah Khan	Member

b) HR and Remuneration Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member

c) Board Investment Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the concerned for compliance.

14. The frequency of meetings quarterly/half yearly/ yearly of the committee was as per following:

a) Audit Committee: Quarterly

b) HR and Remuneration Committee: Annually

c) Board Investment Committee: Quarterly

15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are competent, suitably qualified and experienced for the purpose and are conversant with the affairs and processes of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines or code of ethics as adapted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been requested to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have obtained TAC provided in this report.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 17, 12, 13 and 14 of the Regulations have been complied with and.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 17, 12, 13 and 14 are given below:

In August 2019, the Board of Internal Audit left Pak Oman Asset Management Company Limited. Right after she left we started the process of appointing people for this position and a list candidates have also shortlisted but as this position is highly experts in the Board Audit Committee, the candidates were reviewed by the Chairman Audit Committee and were rejected. We have continuously been reviewing people candidates and have shortlisted a list. The candidate will be reviewed, interviewed by the Chairman Audit Committee to appointing Board of Directors meeting and as soon as he gives sign about the position will be finalized.

The Chief Financial Officer of PAKOAF - Mr. Haseebullah Khan has resigned on January 06, 2020 and currently the acting change has been given to Mr. Haseebullah Khan. The management appreciate the effort to provide existing services for last position and also keeps on monitoring their performance. Management also aware that it is required to have some other person for the last position. The decision to finalize the previous Chief Financial Officer position will be made by the Board of Directors in their upcoming third of January meeting.

Chairman  
 Board of Directors





**INDEPENDENT AUDITOR'S REPORT**

To the unit holders of Pak Oman Islamic Asset Allocation Fund

Report on the audit of the financial statements

**Opinion**

We have audited the financial statements of Pak Oman Islamic Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holder's fund and 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 financial position of the Fund as at June 30, 2020 and of its financial performance, its cash flows for the year then ended in accordance with the accounting and reporting standards applicable in Pakistan.

**Basis for Opinion**

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

**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 period. 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.

Following are the key audit matters:

S.No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Net Asset Value (NAV)</b> (Refer note 4 and note 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investment of the Fund as at June 30, 2020 amounted to Rs. 69723 million and balances with banks aggregated to Rs. 41800 million.</p>	<p>Our key audit procedures considered the following:</p> <ul style="list-style-type: none"> <li>We tested the design and operating effectiveness of the key controls for acquisition, disclosure and valuation of investments.</li> <li>We obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June</li> </ul>



<p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We tested the design and operating effectiveness of the key controls for acquisition, disclosure and valuation of investments.</li> <li>We obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and reconciled them with the books and records of the Fund, where such confirmations were not available, alternative audit procedures were performed.</li> <li>We experienced valuation of assets that investments are carried as per the valuation methodology specified in the accounting policies and</li> <li>We obtained bank reconciliation statements and tested reconciling items as compulsive.</li> <li>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulation and whether the Fund's disclosures in relation to the valuation of investments are complied with the relevant accounting requirements.</li> </ul>
--	---

**Other matter**

The financial statements of Pak Oman Islamic Asset Allocation Fund for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on these financial statements on September 26, 2019.

Information other than the financial statements and auditor's report chosen:

Management 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 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's Company and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards applicable in Pakistan, and for such internal control



as management, determines its necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibility for the Audit of the Financial Statements**

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 period 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**

Based on our audit, we further report that in our opinion the financial statements have been prepared and material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Incorporation and Regulation) Rules, 2002 and Non-Banking Finance Companies and Related Entities Regulations, 2006.

The engagement partner in the audit resulting in this independent auditor's report is Adnan Zaman.

*Adnan Zaman*  
 Chartered Accountant  
 Karachi  
 Date: 6 SEP 2020



## STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2020

	Note	2020	2019
(Rupees in '000)			
<b>Assets</b>			
Bank balances	4	41,889	28,094
Investments	5	158,734	152,188
Dividend and profit receivable	6	2,217	3,784
Deposits, prepayments and other receivable	7	23,842	2,834
<b>Total assets</b>		<b>226,682</b>	<b>186,900</b>
<b>Liabilities</b>			
Payable to Management Company	8	2,896	3,743
Payable to trustee	9	37	45
Payable to the Securities and Exchange Commission of Pakistan	10	44	284
Cash distribution payable to unit holders		-	-
Accrued expenses and other liabilities	11	3,786	2,830
<b>Total liabilities</b>		<b>6,963</b>	<b>6,872</b>
<b>Net assets</b>		<b>220,199</b>	<b>179,106</b>
<b>Unit holders' fund (as per the statement attached)</b>		<b>220,199</b>	<b>179,106</b>
(Number of units)			
<b>Number of units in issue</b>	12	<b>4,913,818</b>	<b>3,945,090</b>
(Rupees)			
<b>Net assets value per unit (face value per unit Rs 50)</b>		<b>44.8012</b>	<b>45.1394</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)
  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in '000)	
<b>Income</b>		
(Loss) / gain on disposal of marketable securities	(8,276)	(71,267)
Profit on bank balances	1,280	1,014
Profit on mutual certificates	1,817	9,288
Profit on Sukr yield	672	-
Other income	244	-
Unearned income	1,280	8,622
	<u>14,023</u>	<u>8,622</u>
Unrealized diminution on remeasurement of investments - net	<u>(2,802)</u>	<u>(21,252)</u>
	<u>11,221</u>	<u>(12,630)</u>

**Expenses**

Remuneration of the Management Company	8.1	4,057	3,252
Bank Sales tax on the Management Company's remuneration	8.2	888	857
Selling and marketing expenses	8.4	871	1,272
Remuneration to the Trustees	8.1	241	322
Bank Sales tax on the Trustees's remuneration	8.2	21	42
Annual fee to the Securities and Exchange Commission of Pakistan	7.0	44	222
Auditors remuneration	7.0	641	597
Shareholders' fee		284	218
Accounting and operational charges	8.0	278	299
Printing and Postage Charges		21	-
Legal and professional charges		188	88
Charity / Donation		120	-
Provision against Sindh workers welfare fund	11.1	22	-
Taxes and collection		229	222
Bank, settlement, brokerage and other charges		1,288	1,217
Total Expenses		<u>9,822</u>	<u>13,412</u>

Net income / (loss) from operating activities		<u>1,400</u>	<u>(14,412)</u>
taxation	7.0	-	-
Net income / (loss) for the year after taxation		<u>1,400</u>	<u>(14,412)</u>

**Allocation of net income for the year**

- Net income for the year after taxation		<u>1,400</u>	
- Income already paid on underpayment		<u>(281)</u>	
Net income for the year after taxation		<u>1,119</u>	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		<u>1,119</u>	
		<u>1,119</u>	

Earnings per unit

0.70

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in '000)	
Net income / (loss) for the year after taxation	<u>1,418</u>	<u>(21,412)</u>
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>1,418</u>	<u>(21,412)</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2020

Note	30 June 2020			30 June 2019		
	Capital value	Accumulated loss	Net assets	Capital value	Accumulated loss	Net assets
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year Units outstanding = (2019: 2,413,802)	243,878	(28,895)	178,128	273,282	(9,187)	268,228
Issue of 1,274,022 units (2019: 2,040,022 units)						
- Capital value (at net asset value per unit at the beginning of the year)	87,838	-	87,838	102,828	-	102,828
- Emission of loss	(2,821)	-	(2,821)	(4,127)	-	(4,127)
Total proceeds on issuance of units	85,017	-	85,017	98,701	-	98,701
Redemption of 202,187 units (2019: 2,824,222 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(13,781)	-	(13,781)	(84,227)	-	(84,227)
- Emission of income	222	(88)	(144)	(2,882)	-	(2,882)
Total payments on redemption of units	(13,559)	(88)	(14,421)	(87,109)	-	(87,109)
Total comprehensive income / (loss) for the year	-	1,818	1,818	-	(21,402)	(21,402)
Net assets at end of the year Units outstanding: 3,046,637 (2019: 3,118,602)	328,321	(26,977)	299,188	273,282	(29,589)	243,693
Accumulated loss brought forward						
Realised (loss) / income		7,878			1,340	
Unrealised loss		(27,855)			(18,967)	
		(20,000)			(9,187)	
Accounting loss not available for distribution						
Reserve to the managers		827			-	
Resolving special gains		827			-	
Net loss for the year		-			(21,402)	
Accumulated loss carried forward		(20,000)			(29,589)	
Accumulated loss carried forward						
Realised		(20,247)			7,878	
Unrealised		(2,822)			(27,855)	
		(23,069)			(20,000)	
Net asset value per unit at beginning of the year			72,128			72,822
Net asset value per unit at end of the year			98,202			78,124

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year before taxation	1,818	(21,412)
Adjustments for non-cash and other items:		
Capital loss on sale of investments	6,218	11,067
Unrealised diminution on remeasurement of investments - net	2,588	27,892
	10,624	7,547
Decrease / (Increase) in assets		
Investments - net	(15,458)	38,200
Deposits, prepayments and other receivables	(19,262)	1,133
	(34,720)	39,333
Increase in liabilities		
Payable to Management Company	(1,147)	(138)
Payable to trustee	(8)	(7)
Payable to the Securities and Exchange Commission of Pakistan	(218)	(8)
Accrued expenses and other liabilities	958	(2,530)
	(409)	(2,681)
Net cash (used in) / generated from operating activities	(24,898)	44,250
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	84,985	101,458
Amount paid on redemption of units	(14,438)	(158,078)
Cash distribution paid to the unit holders	-	(32)
Net cash generated from / (used in) financing activities	70,547	(56,652)
Net decrease in cash and cash equivalents during the year	13,778	(12,400)
Cash and cash equivalents at beginning of the year	26,894	38,694
Cash and cash equivalents at end of the year	40,672	26,294

The annexed notes 1 to 27 form an integral part of these financial statements.

For Pak Oman Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

## 1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pak Oman Islamic Asset Allocation Fund (the Fund) was established as an open-end scheme under a trust deed (the Trust Deed) executed between Pak Oman Asset Management Company Limited (the Management Company) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and MCB Financial Services Limited (the Trustee) as a trustee under the trust deed (the Trust Deed) that was executed on May 15, 2012. The Fund is registered as a notified entity under the Non Banking Finance Companies and Notified Entities Regulations, 2008.

1.2 The registered office of the Management Company is situated at Icon House, B3-C, 12th Commercial Street, Phase-II Extension, DHA, Karachi.

1.3 The Fund is a Shariah compliant open-end mutual fund and is listed on the Pakistan Stock Exchange. Its units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder. As per the offering document, the Fund's primary objective is to invest in a diversified portfolio of private and public shariah compliant instruments.

1.4 The Fund is categorised as an Islamic Asset Allocation Fund in accordance with the requirements of the Securities and Exchange Commission of Pakistan's (the SECP's) circular No. 7 dated March 5, 2009 and accordingly its investments comprise of shariah-compliant securities, so as to ensure a riba-free return on investments. All investments of the Fund are as per the guidelines of the shariah principles provided by the Shariah Advisor of the Fund and comprise the investments permissible as 'Authorized Investments' under the Trust Deed.

1.5 In accordance with the criteria specified by the rating agency, the ranking of the Fund is 'ST 1 star' and 'LT 1 star' as assigned by Pakistan Credit Rating Agency Limited (PACRA) on Feb 1st, 2020. PACRA has assigned an 'AIG+' rating to the Management Company on August 26, 2020.

1.6 Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the trustee of the Fund.

## 2 BASIS OF PRESENTATION

## 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) 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 VIII of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2009 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.



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

2.2 The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor are accounted for on substance rather than the form. The practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

## 2.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

## 2.4 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards requires the Management Company to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgment in applying accounting policies that have significant effect on the amounts recognized in these financial statements are as follows:

- (a) Classification and valuation of financial instruments (notes 3.2 and 5).
- (b) Recognition of provision for current and deferred taxation (note 3.7).
- (c) Provision for Sindh Workers' Welfare Fund (note 11.1).
- (d) "Provision for Federal Excise Duty on the Management Company's remuneration (note 8.3)."

**2.5 Accounting convention**

These financial statements have been prepared under historical cost convention except that investments have been carried at fair value.

**2.6 Functional and presentation currency**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years except for the changes in accounting policies as explained in note 3.4 below.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances including term deposits with banks with maturity period of three months or less that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**3.2 Financial instruments****3.2.1 Classification**

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: "Financial Instruments: Recognition and Measurement" at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

**(a) Investments 'at fair value through profit or loss'**

- Financial assets categorised as 'held for trading'

These include financial assets acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

- Financial assets designated 'at fair value through profit or loss upon initial recognition'

These include financial assets that upon initial recognition are designated as "financial assets at fair value through profit or loss" except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

**(b) Held to maturity**

These are non-derivative financial assets with fixed or determinable payments and fixed maturity and the Fund has the positive intent and ability to hold them upto maturity.

**(c) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

**(d) Available for sale**

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

**1.2.2 Regular way contracts**

All regular way purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset. Regular purchases and sales of financial assets require delivery of securities within the time frame established by the stock exchange regulations.

**1.2.3 Recognition**

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

**1.2.4 Initial and subsequent measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial asset or financial liability 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the income statement for the year. Changes in the fair value of instruments classified as 'available for sale' are recognised as 'other comprehensive income' until they are derecognised or impaired. Once these are derecognised or impaired the cumulative gain or loss previously recognised as 'other comprehensive income' are taken to income statement for the year.

Financial assets classified as loans and receivables and held-to-maturity are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities are initially recognised at fair value and subsequently stated at amortised cost using the effective yield method which is also estimated to approximate to its fair value.

**1.2.5 Impairment**

Financial assets not carried 'at fair value through profit or loss' are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement for the year as the difference



between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective yield rate.

If in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the impairment is reversed through the income statement.

Provision for diminution in the value of debt securities is made as per the requirements of Circular No. 33 of 2012 dated October 24, 2012 and based on the Management Company's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company pursuant to the requirements of the SECP's above referred circular.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

### 3.2.4 Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

The Fund uses weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on derecognition of financial assets and financial liabilities is taken to the Income Statement.

### 3.2.7 Offsetting of financial instruments

A financial asset and financial liability is offset and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.2.8 Basis of valuation

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

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

### 3.3 Issue and redemption of units

Units issued are allocated at the offer price prevalent on the day on which applications for purchase of units are received, however, units are issued on realisation of cheque. The offer price represents the net asset value of units at the close of the business day plus the allowable sales load (if any).



Units are redeemed at the redemption price prevalent on the day on which the applications for the redemption of units are received. The redemption price represents the net assets value at the close of the business day.

### 3.4 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 3, 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 notification, 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 revised 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 asset 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. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation 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 unrealised appreciation / (diminution) held in the Unit Holders' 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 recognised 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 disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. 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 element of income / (loss) been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs 5.207 million with immaterial effect on NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. 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.

### 3.5 Provisions

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

### 3.6 Net assets value per unit

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

### 3.7 Taxation

#### Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The income of the Fund is exempt from income tax under clause 56 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 48 of the Income Tax Ordinance, 2001).

### 3.8 Revenue recognition

(a) Gains / (losses) arising on disposal of investments are recognised on the date at which the transaction takes place.

(b) Unrealised gains / (losses) arising on revaluation of investments classified as "financial assets at fair value through profit or loss" are included in the income statement for the period in which they arise.



(c) Income on debt securities and bank balances is recognised in the income statement at the rate of return implicit in the instrument balance on a time proportionate basis.

(d) Profit on saving accounts with bank is recorded on an accrual basis.

(e) Dividend income is recognised in the income statement when the right to receive the dividend is established.

### 3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

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

### 3.10 Earnings per unit

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

	Note	2020	2019
(Rupees in '000)			
<b>4 BANK BALANCES</b>			
Balances in deposit accounts	4.1	41,869	26,034
4.1 The rate of return on these accounts ranges between 10% and 12.50% (30 June 2019: 4.50% and 10.00%) per annum.			
<b>5 INVESTMENTS</b>			
(Rupees in '000)			
<b>At fair value through profit or loss</b>			
- upon initial recognition			
Sukuk certificates		48,724	64,130
GoP (jarah)		72,750	-
- held for trading			
Shares of listed companies		37,260	84,058
		<u>158,734</u>	<u>148,188</u>

5.1 Listed equity securities

All fair value through profit or loss - equity securities

Shares of listed companies, fully paid ordinary shares with a face value of Rs. 10 each unless stated other wise

Investment Category	Market Price				Quantity		Fair Value			
	As of 30 Jun 2020	Period ending 30 Jun 2020	Open High price	Close price	As of 30 Jun 2020	Period ending 30 Jun 2020	Price per share (Rs.)	Market value (Rs.)	Cost of investment	Fair value of investment
<b>COMMERCE BANK</b>										
Bank Islami	4,000	4,000	8.00	8.00	1,000	1,000	8.00	8,000	8,000	8,000
	4,000	4,000	8.00	8.00	1,000	1,000	8.00	8,000	8,000	8,000
<b>TEXTILE COMPONY</b>										
Textile Islami	2,000	2,000	3.00	3.00	2,000	2,000	3.00	6,000	6,000	6,000
Textile Islami	2,000	2,000	3.00	3.00	2,000	2,000	3.00	6,000	6,000	6,000
	2,000	2,000	3.00	3.00	2,000	2,000	3.00	6,000	6,000	6,000
<b>GENCO</b>										
Genco General Company Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
Genco General Company Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
O.G. General Company Limited	1,000	1,000	10	10	1,000	1,000	10	10,000	10,000	10,000
Port General Company Limited	1,000	1,000	5	5	1,000	1,000	5	5,000	5,000	5,000
Rawalpindi General Company Limited	1,000	1,000	20	20	1,000	1,000	20	20,000	20,000	20,000
Rawalpindi General Company Limited	1,000	1,000	20	20	1,000	1,000	20	20,000	20,000	20,000
Wafa General Limited	1,000	1,000	10	10	1,000	1,000	10	10,000	10,000	10,000
Wafa General	1,000	1,000	10	10	1,000	1,000	10	10,000	10,000	10,000
Wafa General Limited	1,000	1,000	10	10	1,000	1,000	10	10,000	10,000	10,000
	4,000	4,000	100	100	4,000	4,000	100	4,00,000	4,00,000	4,00,000
<b>GENCO</b>										
Genco Islami	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
	-	1,000	100	100						
<b>POWER GENERATION AND DISTRIBUTION</b>										
K-Electric Limited Power & Heat Services	1,000,000	1,000,000	100	100	1,000,000	1,000,000	100	1,00,000,000	1,00,000,000	1,00,000,000
K-Electric Limited Power & Heat Services	1,000,000	1,000,000	100	100	1,000,000	1,000,000	100	1,00,000,000	1,00,000,000	1,00,000,000
Trakco Power Company Limited	2,000,000	2,000,000	100	100	2,000,000	2,000,000	100	2,00,000,000	2,00,000,000	2,00,000,000
Trakco Power Company Limited	2,000,000	2,000,000	100	100	2,000,000	2,000,000	100	2,00,000,000	2,00,000,000	2,00,000,000
	4,000,000	4,000,000	200	200	4,000,000	4,000,000	200	4,00,000,000	4,00,000,000	4,00,000,000
<b>ISLAMIC BANK AND FINANCIAL INSTITUTIONS</b>										
Islamic Bank of Oman Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
Islamic Bank of Oman Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
Islamic Bank of Oman Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
Islamic Bank of Oman Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
	4,000	4,000	200	200	4,000	4,000	200	2,00,000	2,00,000	2,00,000
<b>ISLAMIC BANK AND FINANCIAL INSTITUTIONS (CONTINUED)</b>										
Bank Pakistan Company Limited	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Pakistan Company Limited	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Pakistan Company Limited	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Pakistan Company Limited	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
	4,000	4,000	400	400	4,000	4,000	400	4,00,000	4,00,000	4,00,000
<b>INDUSTRIAL</b>										
Industrial Finance Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
Industrial Finance Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
Industrial Finance Limited	1,000	1,000	50	50	1,000	1,000	50	50,000	50,000	50,000
	4,000	4,000	200	200	4,000	4,000	200	2,00,000	2,00,000	2,00,000

Investment Category	Market Price				Quantity		Fair Value			
	As of 30 Jun 2020	Period ending 30 Jun 2020	Open High price	Close price	As of 30 Jun 2020	Period ending 30 Jun 2020	Price per share (Rs.)	Market value (Rs.)	Cost of investment	Fair value of investment
<b>AFGHANISTAN</b>										
Bank Afghani Company Limited	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Afghani Company Limited (Rs. 1000)	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
<b>AFGHANISTAN (CONTINUED)</b>										
Bank Afghani Company Limited	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Afghani Company Limited (Rs. 1000)	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
	2,000	2,000	200	200	2,000	2,000	200	2,00,000	2,00,000	2,00,000
<b>BAHRAIN NATIONAL BANK</b>										
Bank Bahraini	10	10	100	100	10	10	100	1,000	1,000	1,000
Bank Bahraini	10	10	100	100	10	10	100	1,000	1,000	1,000
	20	20	200	200	20	20	200	2,000	2,000	2,000
<b>CHINA NATIONAL BANK</b>										
Bank China	10	10	100	100	10	10	100	1,000	1,000	1,000
Bank China	10	10	100	100	10	10	100	1,000	1,000	1,000
	20	20	200	200	20	20	200	2,000	2,000	2,000
<b>INDONESIA</b>										
Bank Indonesia	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Indonesia	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Indonesia	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
	4,000	4,000	400	400	4,000	4,000	400	4,00,000	4,00,000	4,00,000
<b>IRAN</b>										
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
	3,000	3,000	300	300	3,000	3,000	300	3,00,000	3,00,000	3,00,000
<b>IRAN (CONTINUED)</b>										
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
	3,000	3,000	300	300	3,000	3,000	300	3,00,000	3,00,000	3,00,000
<b>IRAN (CONTINUED)</b>										
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
Bank Melli	1,000	1,000	100	100	1,000	1,000	100	1,00,000	1,00,000	1,00,000
	3,000	3,000	300	300	3,000	3,000	300	3,00,000	3,00,000	3,00,000
<b>TOTAL 30 Jun 2020</b>								<u>4,40,000</u>	<u>4,40,000</u>	<u>4,40,000</u>
<b>TOTAL 30 Jun 2019</b>								<u>4,40,000</u>	<u>4,40,000</u>	<u>4,40,000</u>

5.1.1 Investments include shares with market value of Rs. 11,0602 million (30 June 2019: Rs. 9,343 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trade in accordance with circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2 Bonus Certificates

Type of the instrument	Taka					Total Shares	Rupees		
	31st Dec 20	31st Dec 2019	Issued during the year	Worth during the year	as at 31st Dec 2019		2020	2019	2020
Taka worth of 10000									
Invested upto 31st Dec 20	40				40	330	204	125	194
Invested during the year 20		20			20	239	175	175	160
<b>Total at 31st Dec</b>						<b>670</b>	<b>379</b>	<b>300</b>	<b>354</b>
Unissued at 31st Dec						<b>40</b>			

5.3 Dividend

Name of the Issuing Company	Qty	Taka	Share Qty	Share Price	Dividend per Share	Total Dividend	Dividend %		Dividend Yield	
							2020	2019	2020	2019
Majid		1000	100	10	1	10	1	10	10	10%

5.3.1 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance, 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares to withhold shall only be released if the fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In the regard, a constitutional petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I of the Second Schedule to the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

In the current year, The Soare Company Limited and Pakistan State Oil Company Limited (2017: The Soare Company Limited) have issued bonus shares after withholding 5% shares on account of tax on bonus shares. The shares withheld have not been deposited by the respective Companies with the Government Treasury due to the pending adjudication of the aforementioned Constitutional Petition and the related stay order in the regard. The Fund has included these shares in its portfolio, as the management believes that the decision of the Constitutional Petition will be in favour of CISs.

6	DIVIDEND AND PROFIT RECEIVABLE	Note	2020	2019
			—(Rupees in '000)—	
	Dividend receivable		85	524
	Profit receivable on sukuk certificate		330	3,041
	Profit receivable on GSP (sukuk)		873	-
	Return receivable on deposit accounts		120	190
			<b>2,217</b>	<b>3,754</b>
7	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Security deposit with the Central Depository Company of Pakistan Limited		100	100
	Security deposit with the National Clearing Company of Pakistan Limited		2,500	2,500
	Advance tax		500	334
	Receivable against sale of investments		36,739	-
			<b>23,839</b>	<b>2,934</b>
8	PAYABLE TO THE PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY			
	Management remuneration payable	8.1	308	297
	Sindh sales tax payable on the Management Company's remuneration	8.2	40	36
	Federal Excise Duty on the Management Company's remuneration	8.3	718	718
	Payable against selling and marketing expenses	8.4	453	1,073
	Payable against Shariah advisory fee		964	912
	Payable against accounting and operational charges	8.5	113	794
			<b>2,596</b>	<b>3,740</b>

8.1 In accordance with regulation 81 of the NBFC Regulations, as amended vide SRO 1160(I)/2015 dated November 25, 2015, the Management Company is entitled to a remuneration, equal to the amount not exceeding two percent of the average annual net assets of the Fund. The Management Company, for the current year, has charged its remuneration at 2% (2019: 2%).

8.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

8.3 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a constitutional petition was filed in the High Court of Sindh (HCS) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year, the HCS passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Federal Board of Revenue has filed a civil petition for leave to appeal in the Supreme Court of Pakistan (SCP) which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 aggregating Rs 0.718 million is being retained in these financial statements as the matter is pending before the SCP. Had the provision for FED not been recorded in these financial statements, the net asset value of the Fund as at June 30, 2020 would have been higher by Re 0.15 (2019: Re 0.18) per unit.

**8.4** SECP vide Circular No. 11 of 2019 dated July 05, 2019 has super seded circular 40 of 2016, 05 of 2017 and 05 of 2018 and has prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. Selling and Marketing expenses has been allowed on all categories of Open and mutual funds except fund of funds of a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of daily net assets of the Fund, being the lower amount.

**8.5** In accordance with the provisions of the NBFC Regulations (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund up to a maximum of 0.1% of the average annual net assets of the Fund or actual, whichever is less. Accordingly, the Management Company has charged such expenses at the rate of 0.1% of the average annual net assets of the Fund being lower than actual expenses.

<b>9</b>	<b>PAYABLE TO THE MCB FINANCIAL SERVICES LIMITED - TRUSTEE</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>----- (Rupees in '000) -----</b>		
	Trustee remuneration payable	9.1	33	40
	Sindh Sales Tax payable on trustee remuneration	9.2	4	5
			<b>37</b>	<b>45</b>

**9.1** During the period trustee fee has been reduced from 0.12% to 0.065% effective from 1st May 2020. The trustee is entitled to a yearly remuneration at the rate of 0.065% (2019: 0.12%) from 1st May 2020 of the average annual net assets of the Fund for services rendered under the provisions of the Trust Deed.

**9.2** The Sindh Revenue Board through Circular No. SRB 3-4/TPY01/2016/8654 dated June 13, 2016, has amended the definition of service of shares, securities and derivatives to include the custodianship services as well. Accordingly, Sindh Sales Tax of 13% (2019: 13%) on such services is charged on Trustee remuneration.

## **10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

This represents annual fee payable to SECP in accordance with Rule 62 of the NBFC Regulations, whereby the Fund is required to pay an annual fee at the rate of 0.02% (2019: 0.05%) of the average daily net assets of the Fund.

<b>11</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>----- (Rupees in '000) -----</b>		
	Auditors' remuneration		367	340
	Provision for Sindh Workers' Welfare Fund	11.1	1,695	1,601
	Withholding Tax Payable		429	10
	Other payables		1,385	819
			<b>3,786</b>	<b>2,830</b>

**11.1** 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, was 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 and their CIs where it was contended 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 had taken up the matter with the Sindh Finance Ministry to have CIs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CIs/mutual funds, MUFAP recommended that as a matter of abundant caution, 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).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

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, 2020 would have been higher by Re 0.3448 per unit (2019: Re 0.4295 per unit).

<b>12</b>	<b>NUMBER OF UNITS IN ISSUE</b>	<b>2020</b>	<b>2019</b>
		<b>(Number of units)</b>	
	Total units in issue at beginning of the year	1,945,690	5,113,602
	Issued during the year	1,274,625	1,956,471
	Redemptions during the year	(369,267)	(3,118,583)
	Total units in issue at the end of the year	<b>1,915,018</b>	<b>1,955,690</b>



	2020	2019
	—(Rupees in '000)—	
<b>13 AUDITORS' REMUNERATION</b>		
Annual audit fee	289	289
Fee for review of half yearly financial statements	50	179
Fee for review of statement of compliance with the best practices of the Code of Corporate Governance	40	-
	<u>379</u>	<u>468</u>
Sindh Sales Tax	33	39
Out of pocket expenses	<u>29</u>	<u>20</u>
	<u>441</u>	<u>527</u>

**14 TOTAL EXPENSE RATIO**

The total expense ratio (TER) of the Fund for the year ended June 30, 2020 is 4.12% which includes 0.43%, representing government levies such as federal excise duty and sales tax, Sindh Workers' Welfare Fund, annual fee payable to the SEDCP, etc. This ratio is within the maximum limit of 4.50% prescribed under the NBFC Regulations for a collective investment scheme categorised as an "asset allocation" scheme.

**15 TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Further, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gain to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

**16 TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS**

**16.1** Connected persons / related parties include Pak Oman Asset Management Company Limited being the Management Company, MCB Financial Services Limited being the Trustee, Pak Oman Investment Company Limited, which is the holding company of the Management Company, Pak Oman Microfinance Bank Limited being the associated entity of the Fund, entities having common directorship with the Management Company, retirement fund of the Management Company, other funds being managed by the Management Company, Key Management Personnel of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.

**16.2** The transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

**16.3** Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.



Transactions and balances with related parties / connected persons are stated in notes 16.4 and 16.5 below:

	2020	2019
	—(Rupees in '000)—	
<b>16.4 Transactions during the year</b>		
<b>Pak Oman Asset Management Company Limited - the Management Company</b>		
Remuneration of the Management Company	4,327	5,365
Sindh Sales Tax on remuneration of the Management Company	968	657
Shariah advisory fee	584	306
Accounting and operational charges	218	298
Selling and marketing expenses	871	1,073
<b>MCB Financial Services Limited - the Trustee</b>		
Remuneration of the Trustee	341	322
Sindh Sales Tax on the Trustee's remuneration	35	42
<b>Gul Ahmed Textile Mills Limited - Employee Provident Fund Trust</b>		
Issue of MI units (2019: Nil units)	-	-
Redemption of MI units (2019: Nil units)	-	4,520
<b>Pak Qatar Investment Account</b>		
Issue of MI units (2019: 418,812)	-	21,788
Redemption of MI units (2019: 973,728)	-	47,278
<b>Key Management Personnel of the Management Company</b>		

**16.4.1** Paid / payable to the Management Company for onward payment to the Government.

**16.4.2** Paid / payable to the Trustee for onward payment to the Government.

	2020	2019
	—(Rupees in '000)—	
<b>16.5 Balances outstanding at the year end</b>		
<b>Pak Oman Asset Management Company Limited - the Management Company</b>		
Remuneration payable to the Management Company	368	397
Sindh Sales Tax payable on remuneration of the Management Company	48	39
FED payable on remuneration of the Management Company	718	718
Payable against Shariah advisory fee	964	612
Payable against accounting and operational charges	513	704
Payable against selling and marketing expenses	453	1,073
<b>MCB Financial Services Limited - the Trustee</b>		
Remuneration payable to the Trustee	33	40
Sindh Sales Tax payable on the Trustee's remuneration	4	5
<b>Pak Oman Investment Company Limited - holding company of the Management Company</b>		
Units outstanding - 2,089,008 (2019: 2,006,880 Units)	8982.4	80,278

PAK OMAN ISLAMIC ASSET ALLOCATION FUND

	2020	2019
	(Rupees in '000)	
<b>Pak Oman Micro Finance Bank Limited - Employee Gratuity Fund</b>		
Units outstanding - 41 units (2019: 42,522)	-	1,735
<b>Pak Oman Asset Management Company Limited - Employee Provident Fund</b>		
Units outstanding - 41 units (2019: 10,217)	-	494
<b>Sul Southern Gas Non Executive Staff Gratuity Fund</b>		
Units outstanding - 459,149 (2019: 459,149) units	29,044,81997	29,430
<b>Sul Southern Gas Non Executive Staff Provident Fund</b>		
Units outstanding - 670,437 (2019: 670,437) units	27,346,96611	27,553
<b>Axari Bank Limited</b>		
Units outstanding - 952,149 (2019: 952,149) units	44,439,85462	44,786

16.5.1 These have become connected persons of the Fund, as they held directly or indirectly 10% or more of the units in issue / net assets of the Fund.

17 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	2020		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	41,869	-	41,869
Investments	-	158,734	158,734
Dividend and profit receivable	3,217	-	3,217
Deposits and other receivables	-	-	-
	<u>45,086</u>	<u>158,734</u>	<u>203,820</u>

Particulars	2020		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
<b>Financial liabilities</b>			
Payable to Pak Oman Asset Management Company Limited - Management Company	-	3,594	3,594
Payable to trustee	-	37	37
Cash distribution payable to unit holders	-	-	-
Accrued expenses and other liabilities	-	2,892	2,892
	-	<u>6,523</u>	<u>6,523</u>

PAK OMAN ISLAMIC ASSET ALLOCATION FUND

Particulars	2019		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Bank balances	26,094	-	26,094
Investments	-	152,186	152,186
Dividend and profit receivable	1,764	-	1,764
Deposits and other receivables	-	-	-
	<u>27,858</u>	<u>152,186</u>	<u>180,044</u>

Particulars	2019		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
	(Rupees in '000)		
<b>Financial liabilities</b>			
Payable to Pak Oman Asset Management Company Limited - Management Company	-	3,743	3,743
Payable to the MCB Financial Services Limited- Trustee	-	45	45
Cash distribution payable to unit holders	-	-	-
Accrued expenses and other liabilities	-	1,169	1,169
	-	<u>4,957</u>	<u>4,957</u>

18 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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 based on limits established by the Management Company, the 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 the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

The management of these risks is carried out by the Investment Committee under the policies and procedures approved by the Board. The Investment Committee has been constituted by the Board of Directors of the management Company. The Investment Committee is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFIC Regulations, the NBFIC Rules

and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

The Fund invests primarily in a portfolio of shariah compliant income securities as per the Shariah Advisor's approval. Such investments are subject to varying degrees of risk.

### 18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the SECP.

Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

#### 18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

#### 18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The interest rate profile of the Fund's interest bearing financial instruments is as follows:

	Note	2020	2019
		Rupees '000	
<b>Variable rate instrument (financial assets)</b>			
Bank balances	4	41,889	26,094
Sukuk certificates	5	48,724	64,130
		<u>90,613</u>	<u>90,224</u>

#### Sensitivity analysis for variable rate instrument

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased / decreased the income and comprehensive income by Rs 0.4500 million (2019: Rs 0.4510 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

#### 18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate

as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result of changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through profit or loss.

The Management Company monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund's policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of the NBFC Regulations. The Fund manages price risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund or the index weight of the security subject to the limit of 15%, whichever is higher.

The Fund also manages its exposure to price risk by reviewing its portfolio allocation as frequently as necessary and at least once every quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary goal of the Fund's investment strategy is to maximise investment returns.

Details of the Fund's investment in industrial / economic sector are given in note 5.2.

All of the Fund's equity investments are listed on the Pakistan Stock Exchange (PSX). In case of 5% increase / decrease in PSX 100 index on June 30, 2020, net income for the year would increase / decrease by Rs 1,863 million (2019: Rs 4,403 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the PSX 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the PSX 100 index, is expected to change over time. Accordingly, the aforementioned sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the PSX 100 index.

### 18.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investments other than equity investments, dividend and profit receivable and deposit and other receivable.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee and Shariah Advisor, its Trust Deed, the requirements of the NBFC rules and regulations and guidelines given by the SECP from time to time. Before

making investment decisions, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision with the approval of shariah compliance, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing credit ratings and obtaining adequate collateral wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.

#### 18.2.1 Exposure to credit risk

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	Rupees in '000			
Bank balances (including profit receivable)	42,798	42,798	26,260	26,260
Investments (including dividend and profit receivable)	159,148	49,138	155,751	67,698
Deposits and other receivables	23,339	23,339	2,600	2,600
	<u>225,285</u>	<u>115,275</u>	<u>184,611</u>	<u>96,558</u>

#### 18.2.2 Credit rating

As at June 30, 2020 & June 30, 2019, the Fund held balances with banks and profit receivable having the following credit ratings:

	2020	2019
	%	%
AA+	0.03	0.01
AA	52.68	3.20
A+	42.49	95.35
A-	0.01	0.20
A	0.01	0.18
AA-	4.80	-
	<u>100.00</u>	<u>100.00</u>

The Fund has made investment in sukuk as disclosed in note 5 to these financial statements. Ratings of sukuk have been disclosed in related notes.

Above ratings are on the basis of available ratings assigned by PACRA and JCR-VIS as of June 30, 2020.

#### 18.2.3 Concentration of credit risk

The Fund mainly deals in equity securities which are primarily subject to price risk. The concentration of credit risk exists when changes in economic or industry factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of other financial instruments comprise of bank balances.

	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Commercial banks	42,798	42.04%	24,162	20.07%
Corporate sukuk (including secured return treasury)	49,024	50.24%	1,200	1.00%
Finance	480	0.48%	798	1.11%
Power generation and distribution	287	0.29%	180	0.20%
Oil and gas production companies	324	0.33%	180	0.20%
Railway	819	0.83%	19	0.02%
Pharmaceuticals	-	-	8	0.01%
	<u>102,732</u>	<u>100.00%</u>	<u>12,047</u>	<u>100.00%</u>

None of the financial assets of the Fund were past due or impaired as at June 30, 2020. Except for the investments in sukuk, none of the other financial assets of the Fund are secured.

#### 18.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the year.

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

The table below indicates the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Upto three months	Over three months and upto one year	Over one year	Total
	Rupees '000			
<b>2020</b>				
<b>Financial liabilities</b>				
Payable to Pak Oman Asset Management Company Limited - Management Company	2,596	-	-	2,596
Payable to the MCB Financial Services Limited - Trustee	37	-	-	37
Cash distributor payable to unit holders	-	-	-	-
Accrued expenses and other liabilities	2,392	-	-	2,392
	<u>4,925</u>	<u>-</u>	<u>-</u>	<u>4,925</u>
	Upto three months	Over three months and upto one year	Over one year	Total
	Rupees '000			
<b>2019</b>				
<b>Financial liabilities</b>				
Payable to Pak Oman Asset Management Company Limited - Management Company	3,743	-	-	3,743
Payable to the MCB Financial Services Limited - Trustee	45	-	-	45
Cash distributor payable to unit holders	-	-	-	-
Accrued expenses and other liabilities	1,399	-	-	1,399
	<u>4,987</u>	<u>-</u>	<u>-</u>	<u>4,987</u>

## 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Contemporarily, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as per the policy disclosed in note 3.2.8 to these financial statements.

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in

making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. at prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable input).

The following table analyses within the fair value hierarchy the Fund's financial assets (by class) measured at fair value:

	2020			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>All fair value through profit or loss</b>				
- upon initial recognition				
Sukuk certificates	-	48,724	-	48,724
- held for trading				
Shares of listed companies	37,286	-	-	37,286
	<u>37,286</u>	<u>48,724</u>	<u>-</u>	<u>86,010</u>
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>All fair value through profit or loss</b>				
- upon initial recognition				
Sukuk certificates	-	64,130	-	64,130
- held for trading				
Shares of listed companies	88,058	-	-	88,058
	<u>88,058</u>	<u>64,130</u>	<u>-</u>	<u>152,188</u>

## 20 UNIT HOLDERS' FUND RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to the unit holders of the Fund. The amount of net assets attributable to the unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of the unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the year.

In accordance with the risk management policies as stated in note 19, the Fund endeavours 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.

- 21 The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

22 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience
1	Mr. Sadaf Kazmi	Chief Executive Officer	MBA	19 years
2	Mr. Abdul Rehman	Chief Financial Officer	ACCA, CPA (Finalist)	6 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	16 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumaira Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer.

- Askari High Yield Scheme
- PakOman Advantage Islamic Income Fund

22 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2020.

S. No.	Particulars	Percentage
1	Summit Capital (Private) Limited	14.10%
2	BMA Capital Management Ltd.	13.75%
3	Al Habib Capital Markets (Private) Limited	12.90%
4	Pearl Securities Limited	10.66%
5	Arif Habib Limited	9.50%
6	Taurus Securities Limited	7.06%
7	Vector Securities (Pvt) Ltd	6.67%
8	Multiline Securities (Pvt) Limited	5.90%
9	JS Global Capital Limited	4.23%
10	Adam Securities Limited	3.36%

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2019.

S. No.	Particulars	Percentage
1	Summit Capital (Private) Limited	14.03%
2	Vector Securities (Private) Limited	10.17%
3	Elvir Securities	9.51%
4	Multiline Securities (Pvt) Limited	8.66%
5	Adam Securities Limited	5.77%
6	Spectrum Securities (Pvt) Ltd	5.35%
7	Arif Habib Limited	4.93%
8	BMA Capital Management Ltd.	4.67%
9	Pearl Securities Limited	4.35%
10	Habib Metropolitan Financial Services	4.15%

23 PATTERN OF UNIT HOLDING

Category	2020			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
				(Rupees in '000)
Individuals	56	209,756	11,638	5.29%
Bank/DIFs	1	992,160	44,451	20.19%
Retirement Funds	5	1,511,906	67,739	30.76%
Other corporate	4	2,120,042	98,262	43.76%
	<u>66</u>	<u>4,833,864</u>	<u>222,090</u>	<u>100.00%</u>

Category	2019			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
				(Rupees in '000)
Individuals	53	149,586	6,751	3.79%
Associated companies and Directors	1	2,000,900	90,279	50.66%
Retirement Funds	3	773,206	34,906	19.60%
Other corporate	6	1,022,619	46,170	25.95%
	<u>63</u>	<u>3,946,311</u>	<u>178,106</u>	<u>100.00%</u>



**24 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

The 72nd, 73rd, 74th & 75th Board meetings were held on August 31, 2019, October 24, 2019, February 12, 2020 and April 16, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. F. Yaqub Bin Saif Bin Abdulkhaleq Al-Jabri	4	4	-	-
2	Mr. Fahad Al-Jabri Al-Jabri	2	2	-	-
3	Mr. Sabahuddin Khan	4	4	-	-
4	Mr. Hameed Mansoor	4	4	-	-
5	Mr. Subhan Hamid Al-Hadi	2	2	-	-
6	Mr. Saif Saif Saif Al-Yaqub	2	1	1	72nd
7	Mr. Jehangir Shah	4	4	-	-
8	Mr. Saif Nazmi	4	4	-	-

**25 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangement or reclassifications were made in these financial statements.

**26 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on **26 August, 2020** by the Board of Directors of the Management Company.

For Pak Oman Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



# CONTENTS

Mission & Vision Statement ..... 01

Fund Information ..... 02

Report of the Director of the Management Company (English) ..... 03

Report of the Director of the Management Company (Urdu) ..... 08

Report to the Fund Manager of the Management Company ..... 09

Report of the Trustee ..... 13

Independent Auditor's Review Report to the Unitholders ..... 14

Statement of Compliance ..... 16

Independent Auditor's Report ..... 19

Statement of Assets and Liabilities ..... 23

Income Statement ..... 24

Statement of Comprehensive Income ..... 25

Statement of Movement in Unit Holder's Fund ..... 26

Cash Flow Statement ..... 27

Notes to the Financial Statement ..... 29



## Our Mission

"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."

## Our Vision

"ASKARI ASSET ALLOCATION FUND aims to provide diversified portfolio and return that is risk-adjusted to our investors at large, on a consistent basis."



## FUND INFORMATION

**Management Company**

Pak Ocean Asset Management Company Limited  
 RCN House 83-C, 42nd Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web site : www.pakistanfund.com

**Board of Directors of The Management Company**

H.E Yaqub Bin Saïd Bin Abdallah Al- Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Huseyn Murad	Director
Mr. Jehangir Shah	Director
Mr. Rashid Ali Ibrahim Al Bahadi	Director
Ms. Saïd Karim	CEO

**Audit Committee**

Mr. Huseyn Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Ibrahim Al Bahadi	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hira Mir

**Asset Manager Rating**

A++ (+ Stable Outlook)

**Trustee**

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

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beaumont Road,  
 Karachi-75530

**Bankers to The Fund**

Bank Alfalah Limited  
 AlBaraka Bank  
 Askari Bank Limited  
 Habib Bank Limited  
 Habib Metropolitan Bank Limited  
 Silkbank Limited  
 Khurshid Bank Limited  
 NESP Microfinance Bank Limited  
 PS Bank Limited  
 Zamil Taseer Bank Limited  
 Summar Bank Limited  
 The First MicroFinanceBank Limited  
 Dubai Islamic Bank Pakistan Limited

**Legal Advisor:**  
 Mubina Tayyab Ali  
 Corporate & Commercial Law Firm  
 D-71, Block - 4,  
 KDA Scheme 7, Clifton, Karachi.

**Transfer Agent**

ITMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Station-e-Faisal, Karachi-74400, Pakistan  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 34326040  
 Web site : www.itmindz.biz



## DIRECTORS REPORT TO THE UNIT HOLDERS

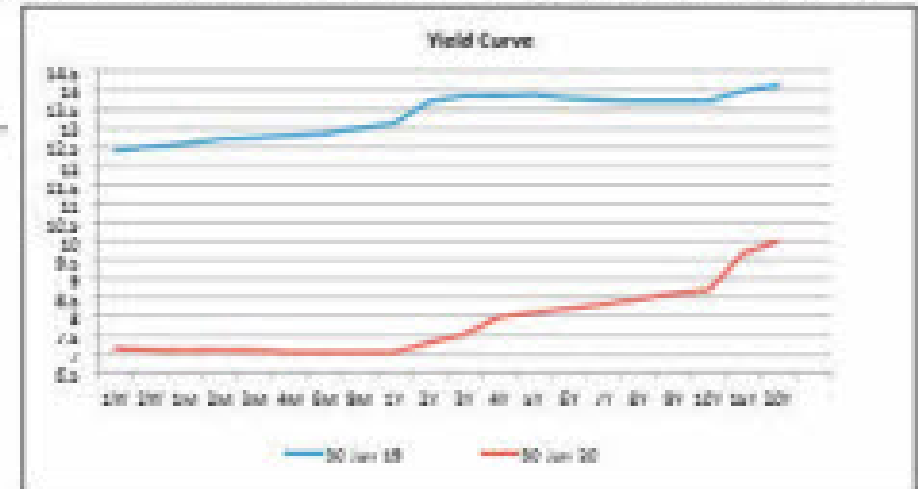
The Board of Directors of Pak Ocean Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Askari Asset Allocation Fund (AAAF) for the Year ended 30th June 2020.

**Fixed Income Review FY20**

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 160bps, 50bps and 60bps and stood at 7.09%, 7.03% and 7.05% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields stood by 632bps, 577bps and 500bps and stood at 7.35%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdown. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 15bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,797 billion against the target of PKR 14,540 billion and maturity of PKR 11,292 billion. The last cut-off yields stood at 8.13%, 7.99% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY 20, participation was skewed towards 3M and 6M paper, however, during second half of FY 20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rated bonds, SBP raised PKR 1,982 billion. Cut-off yields stood at 7.97%, 8.42%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



**Economic Review FY20**

After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic during large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major hump with substantial decline in exports specially textiles (constituting approximately 99% of total yearly exports). Though government and Ministry of Finance announced various relief measures to incentivize export-oriented sectors in the form of reducing borrowing rates (625bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 19.74% as compared to 6.89% in same period last year. While SPI and WPI averaged at 13.74% and 10.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deterioration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e. 1.1% of GDP as compared to deficit of \$13.40 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

**Askari Asset Allocation Fund**

In FY20, AAAF posted a return of 1.31% against the benchmark return of 8.37%. Net assets at the end of FY20 stood at PKR 165.28mn against PKR 125.03mn in FY19. As of 30th June-20 equity exposure stood at 10.99% as compared to 28.33% on 30th June -19.

In the End of FY20 the fund was mainly allocated in Equity in following sectors Fertilizer, Oil & Gas Exploration, Cement and Power & Distribution 4.41%, 2.79%, 1.04% and 4.85% respectively.



Exposure in TFC's was reduced to 31.99% as compare to 41.98% on 30th June -19, while FDRs allocations stood at 22.46%. Cash totaled at 13.46% of the fund size.

**Acknowledgment**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company.

For and on behalf of the Board  
Saadul Karim  
Chief Executive Officer

26th August 2020  
Karachi - Pakistan.



ATPC کی ایکویٹی 30.19% / 41.98% کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی

ملاحظہ

میں تمام سرمایہ کاروں کا مشورہ کرتے ہیں انہوں نے اس پر عمل کیا ہے۔ ہم انہیں یورو پی ایکویٹی میں اضافے کے ساتھ 30.19% کی ایکویٹی ایکویٹی کی ایکویٹی اور انہوں نے اس کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی

  
اس کی ایکویٹی



انحصاری پیمانہ

یہ ایکویٹی کے ایکویٹی میں اضافے کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی

یہ ایکویٹی کے ایکویٹی میں اضافے کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی

یہ ایکویٹی کے ایکویٹی میں اضافے کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی

یہ ایکویٹی کے ایکویٹی میں اضافے کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی

یہ ایکویٹی کے ایکویٹی میں اضافے کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی

مشتکی سے بنی ایکویٹی

یہ ایکویٹی کے ایکویٹی میں اضافے کے ساتھ 31.39% کی ایکویٹی 29.84% میں 22.44% میں اضافے کے ساتھ 13.34% کی ایکویٹی



After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of misdevelopment. Till 9M FY20, there were reasonable improvements in economic front however, after the outbreak of corona virus pandemic denting large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major burnt with substantial decline in exports especially textiles (constituting approximately 54% of total yearly exports), though government and Ministry of Finance announced various relief measures to incentivize export oriented sectors in the form of reducing borrowing rates (525bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 6.80% in same period last year while SPI and WPI averaged at 11.74% and 10.24% respectively. On the basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e. 1.3% of GDP as compared to deficit of \$13.43 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and service's deficit while overseas worker's remittances registered 6.7% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of closing demand, irrespective of additional regulatory duties and government's increased decumulation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breather by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate to a historic

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 566bps, 580bps and 608bps and stood at 7.09%, 7.05% and 7.05% respectively by end of June-20. On the other hand, yield on longer tenor bonds saw sharp decline. Yields shed by 632bps, 577bps and 593bps and stood at 7.53%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer tenor instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 15,292 billion. The last cut-off yields stood at 8.13%, 7.98% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rated bonds, SBP raised PKR 1,952 billion. Cut-off yields settled at 7.57%, 8.44%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



The KSE-100 index had an upward move over the year, closed at 34,422 by end of June -2020 against index of 33,901.58 in start of FY20, registering a mere growth of 1.54%. During the year, index touched a peak of 43,498, and a low of 21,047.

Fertilizer, Cement, Pharmaceutical were the main gainers during FY20 based on strong demand of fertilizer despite COVID-19 pandemic along with high dividend yield, making this sector a safe investment for investors. Cement sector gained momentum on the back of reduction in policy rate and subsequent impact on their finance costs, and incentives given under post covid-19 relief package.

Commercial Banks were major losers as market was exercising pressure on banking spreads post cut in policy rates. Furthermore, with the change to IFRS-9 from IAS-39 will make the banking industry more resilient against unforeseen risks. Followed by banks, Oil & Gas Exploration sector suffered the most due to fall in oil prices as the demand fell across the globe, after the suspension of air travelling and lockdowns imposed worldwide.

During the year, foreigners were the net Seller of USD 384.84mn. The major selling was observed in Oil & Gas exploration (USD-99.73mn), banks (USD-75.79mn) and Cements (USD-65.67mn) while fertilizer sector had net buying (USD5.65mn). On the local side, Individual (USD211.23mn) and Insurance (USD127.64mn) were the major buyers, while as Banks, JDFs were net seller (USD-55.80mn).

3<sup>rd</sup> September 2020  
Karachi - Pakistan

Muzaffar Kamel  
CIO



CHIEF EXECUTIVE OFFICER  
(MANAGER ASAF)

Head Office  
101, House No. 1004/10  
10th Floor, Askari Building  
Karachi - Pakistan  
Tel: 9953 1111/11100  
Fax: 9953 11100/11101  
E-mail: info@askari.com  
www.askari.com



TRUSTEES REPORT TO THE UNIT HOLDERS

ASKARI ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 4(1b) and clause 7 of Schedule V of the New Banking Finance Companies and Non-Banking Finance Companies, 2019

We, Central Depository Company of Pakistan Limited being the Trustee of Askari Asset Allocation Fund (the Fund) are of the opinion that Pak Ocean Asset Management Company Limited being the Management Company of the Fund has in all material aspects (with the exception of below paragraphs) managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitation imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units and control over its accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulatory Rules, 2019) the Non-Banking Finance Companies and Non-Banking Institutions, 2019 and the constitutive documents of the Fund.

We would like to draw Unitholder attention towards the following facts:

- As already highlighted in our previous reports dated February 25, 2020 and September 25, 2020, the Fund continues to remain non-compliant regarding the requirement of the Fund to be Bank Limited during the period and the requirement of Regulation 4(1b) of the New Banking Finance Companies and Non-Banking Institutions, 2019 (NBFC, 2019) Regulation which states the requirement to adopt either shall be reduced as income equal to one (1) percent of its total net assets. As of June 30, 2020 total income in N Bank has reached 14.67% of the net assets.
- Other Receivable as shown in financial statement include an uncollectible amount of Rs. 457 million (6.28% of average assets). This amount was received in total amount of Rs. 1.42 million during the year. Management Company had been informed that the said receivable may be liable to be paid when the date was subject from previous Management Company. General affairs are underway to identify the responsible person and recover the balance.

Muzaffar Kamel  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2020





RSM

RSM

RSM Audit (Public) Legal Division  
Chartered Accountants407, Regency Park, Business West  
Square, 10001, IslamabadT: +92 (0) 3462 40000  
F: +92 (0) 3462 40007

R www.rsm.com.pk

**Independent Auditor's Review Report to the Unit Holders of Askari Asset Allocation Fund****Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Askari Asset Management Company Limited, the Management Company of Askari Asset Allocation Fund (the Fund) for the year ended June 30, 2020 in accordance with the requirements of regulation 34 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report. We do not intend to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents reproduced by the Management Company to comply with the Regulations.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement of internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and policy.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have reviewed compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirement(s) of the Regulations as applicable to the paragraphs reference where these are stated in the Statement of Compliance:



RSM

RSM

Sl.	Paragraph reference	Description
1.	10	The position of the Head of Internal Audit of the Fund is vacant since August 2019.
2.	10	The position of the Chief Financial Officer of the Fund is vacant since January 2020.

*Abul Hasan Ali Nadwi*  
Chartered Accountant  
Faisalabad  
DATED: 15.07.2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Overseas Asset Management Company Limited

Report ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors is six as per the following:

- i. Male: five
- ii. Female: one

2. The composition of the Board is as follows:

Independent directors	i. Mr. Harameen Meral
	ii. Mr. Rashid (H) Beaudin A. Sabahi
Non-executive directors	i. H.E. Yusra Han Saeed bin Abdullah Al Jaber
	ii. Mr. Mansoor Khan
	iii. Mr. Harameen Meral
	iv. Mr. Rashid (H) Beaudin A. Sabahi
	v. Mr. Jahangeer Noon
Executive directors	i. Mr. Nadeem Saadat
Female directors	i. Mr. Nadeem Saadat

3. The directors have confirmed that none of them is serving as a director in other listed seven listed companies, including this company.
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a remuneration system, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the board shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and management procedure for resignation of directors in accordance with the Act and these Regulations.



Mr. Nadeem Saadat  
 The Overseas Asset Management Company Limited  
 Windows, 11/2, 12th Commercial Floor, Plaza Chatterbox, DHA, Sector 9,  
 Islamabad-75100

9. The Board has arranged Directors' Training program for the following:

H.E. Yusra Han Saeed bin Abdullah Al Jaber	Completed
Mr. Mansoor Khan	Certified

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief financial officer and chief executive officer duly advised the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Harameen Meral	Chairman
Mr. Mansoor Khan	Member
Mr. Rashid (H) Beaudin A. Sabahi	Member

b) HR and Remuneration Committee:

Mr. Mansoor Khan	Chairman
Mr. Harameen Meral	Member

c) Board Investment Committee:

Mr. Mansoor Khan	Chairman
Mr. Jahangeer Noon	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee was as per following:

a) Audit Committee: Quarterly

b) HR and Remuneration Committee: Annually

c) Board Investment Committee: Quarterly

15. The Board has set up an effective internal audit function or has outsourced the internal audit function to an independent suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



Mr. Nadeem Saadat  
 The Overseas Asset Management Company Limited  
 Windows, 11/2, 12th Commercial Floor, Plaza Chatterbox, DHA, Sector 9,  
 Islamabad-75100



Persons and acquainted with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines in code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit do not a close relationship, personal, dependent and non-dependent children of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

- 17. The statutory auditors of the persons associated with them have not been appointed to provide other services except as mentioned with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 34 of the Regulations have been complied with and
- 19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 34 are below:

In August 2019, the Head of Internal Audit left Pak Overseas Asset Management Company Limited. Right after she left we started the process of recruiting people for this position and a few candidates were also identified, but as this position directly reports to the Board Audit Committee, the candidates were reviewed by the Chairman Audit Committee and were rejected. We have constantly been training people since then and have identified a few. The candidate will be reviewed / interviewed by the Chairman Audit Committee in upcoming Board of Directors meeting and we will try to give appropriate position will be finalized.

The Chief Financial Officer of PMAVIC - Mr. Muhammad Farhan, has resigned in January 06, 2020 and currently the acting charge has been given to Mr. Akhbar Bhattani. The management appreciates the advice to consider existing resources for key positions and also keeps on reviewing their performance. Management also assess whether it is required to hire some other persons for the key positions. The decision to finalize the permanent Chief Financial Officer position will be made by the Board of Directors in their upcoming Board of Directors meeting.

  
Chairman  
Board of Directors



Pak Overseas Asset Management Company Limited  
200 Street, 2/F, 200 Commercial Street, Phase-1, DHA, Karachi  
T: +92 21 373 2222 F: +92 21 373 2222



Chartered Accountants  
United Kingdom  
Mr. Anwar-ul-Haq Anjum Chartered Accountant  
No. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

INDEPENDENT AUDITORS REPORT

To the unit holders of Askari Asset Allocation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Askari Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holder's fund and 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 financial position of the Fund as at June 30, 2020, and of its financial performance, its cash flows for the year then ended in accordance with the accounting and reporting standards applicable in Pakistan.

Basis for Opinion

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

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 period. 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.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Net Asset Value (NAV)</b> (Refer note 4 and note 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investment of the fund as at June 30, 2020 amounted to Rs. 7272 million and balances with banks aggregated to Rs. 5142 million.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We tested the design and operating effectiveness of the key controls for acquisition, deposits and valuation of investments.</li> <li>We obtained independent confirmations for verifying the existence of the investments per date.</li> </ul>

<p>The existence and proper nature of investments and existence of balances with banks for the determination of date of the Fund as at June 30, 2020 was conducted a high-risk area and therefore we considered this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>- and reconciled with banks as at June 30, 2020 and reconciled them with the books and records of the Fund where such reconciliations were not available. Alternative audit procedures were performed.</li> <li>- We performed valuation to ensure that investments are carried at per the valuation methodology specified in the accounting policies and</li> <li>- We obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in respect of the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
---	---

#### Other matter

The financial statements of Askari Asset Allocation Fund for the year ended June 30, 2020, were audited by another auditor who expressed an unmodified opinion on these financial statements on December 27, 2019.

#### Information other than the financial statements and auditor's report (Other)

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

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

Those charged with governance 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 were 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 does not guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation prohibits 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 Requirement

In addition to our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2008 and Non-Banking Finance Companies and Non-Bank Entities Regulations, 2008.

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

  
Adnan Juman  
Chartered Accountant

Karachi

Date: 13 SEP 2020



## STATEMENT OF ASSETS AND LIABILITIES


AS AT 30 JUNE 2020

	Note	2020 (Rupees)	2019
<b>ASSETS</b>			
Balance with banks	4	17,419	21,225
Investments	5	72,725	82,025
Mark up accrued and dividend receivable	6	1,489	1,829
Advances, deposits, prepayment and other receivables	7	23,897	12,915
<b>Total assets</b>		<b>115,130</b>	<b>118,034</b>
<b>LIABILITIES</b>			
Payable to Management Company	8	3,948	4,421
Payable to Trustees	9	29	60
Payable to the Securities and Exchange Commission of Pakistan	10	24	140
Dividend payable		1,258	4
Accrued expenses and other liabilities	12	4,647	1,421
<b>Total liabilities</b>		<b>9,898</b>	<b>6,046</b>
<b>Net Assets</b>		<b>105,232</b>	<b>111,988</b>
UNIT: HOLLA-HF FUND (AS PER STATEMENT OF IACH&U)		<b>105,232</b>	<b>111,988</b>
Contingencies and commitments	14		
		(Number of units)	
Number of units in issue	15	2,871,180	3,114,264
		(Rupees)	
Net asset value per unit	16	<b>36.828</b>	<b>35.958</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Pak Overseas Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
	Note	(Rupees in '000)	(Rupees in '000)
<b>INCOME</b>			
Return / Participation			
- Profit on term deposits		3,038	3,128
- FTD - Sukuk certificates		3,811	4,103
- Income on Government Securities		488	-
Net (loss) / gain on sale of investments - net		(567)	(4,288)
Dividend income		1,288	2,787
Other income		100	132
Net unrealized (gain) / gain on re-measurement of investments at fair value through profit or loss - held for trading		(2,010)	(7,717)
<b>Total income</b>		<b>5,447</b>	<b>(2,885)</b>
<b>EXPENSES</b>			
Remuneration of Management Company	61	3,038	3,750
SDT on remuneration of the Management Company	62	368	327
Allocated operational expenses to the Management Company	63	118	122
Remuneration of Trustees	67	200	222
SDT on Remuneration of Trustees	68	21	27
Annual fee to the Securities and Exchange Commission of Pakistan	10	24	142
Auditors' remuneration	11	360	479
Press and subscription		104	158
Legal and professional charges		50	-
Printing and postage charges		22	-
Securities transaction cost		1,212	542
Deferred and term charges		22	112
Saving and financing charges	65	471	312
Amortisation of Expenses		11	-
Provision against Sindh Finance Markets Fund	18	50	-
<b>Total expenses</b>		<b>6,220</b>	<b>5,718</b>
Net income / (loss) from operating activities		<b>(773)</b>	<b>(2,833)</b>
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Net income / (loss) for the year after taxation</b>		<b>(773)</b>	<b>(2,833)</b>
<b>Earnings per unit</b>	18		
Allocation of net income for the year:			
Net income for the year after taxation		3,218	
Income already declared on units redeemed		(7,842)	
		<b>(4,624)</b>	
<b>Accounting income available for distribution:</b>			
- Reserving to counter party		-	
- Reserving to debtors		1,811	
		<b>1,811</b>	

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Pak Qisas Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
	Note	(Rupees in '000)	(Rupees in '000)
Net (loss) / income for the year after taxation		3,218	(7,842)
Other comprehensive income for the year			
Items that may be reclassified subsequently to income statement		-	-
Items that will not be reclassified subsequently to income statement		-	-
<b>Total comprehensive income for the year</b>		<b>3,218</b>	<b>(7,842)</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Pak Qisas Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	2020					
	2020			2019		
	Initial Value	Unrealised Income	Total	Initial Value	Unrealised Income	Total
Balance at beginning of the period	47,440	(24,476)	22,964	49,228	(26,140)	23,088
Amount raised on issue of 20 (2019: 20) units						
Date issue	1,240	-	1,240	8,224	-	8,224
Balance at issue	0	-	0	(7,984)	-	(7,984)
Total proceeds on issue of units	1,240	-	1,240	8,224	-	8,224
Amount paid on redemption of 20 (2019: 20) units						
Date issue	(22,476)	-	(22,476)	(22,476)	-	(22,476)
Balance at issue	-	(2,490)	(2,490)	5,996	-	5,996
Total payment on redemption of units	(22,476)	(2,490)	(24,966)	(22,476)	-	(24,966)
Total comprehensive income for the period	-	3,279	3,279	-	(7,611)	(7,611)
Deferral to the period (2020: 0) (2019: 0) (per unit)	-	(2,490)	(2,490)	-	-	-
Balance at end of the period	47,440	(24,476)	22,964	47,440	(24,476)	22,964
Unrealised loss brought forward comprising of						
Reserve		(26,140)			(26,140)	
Dividend		1,664			1,664	
		(24,476)			(24,476)	
Accounting income available for distribution						
Dividend (per unit)		1			1	
Security issue (per unit)		(1,240)			(1,240)	
		(1,239)			(1,239)	
Dividend for the period (per unit)						
Date issue (per unit)						
Dividend (per unit)		(2,490)				
Unrealised loss carried forward (per unit)						
		(24,476)			(24,476)	
Unrealised income carried forward comprising of						
Reserve		(24,480)			(24,480)	
Dividend		1,004			1,004	
Unrealised income carried forward (per unit)						
		(24,476)			(24,476)	
Income tax on interest/dividend of the year			1,000			1,000
Income tax on dividend of the year			4,976			4,976

The amount shown in the table in respect of interest/dividend income

For Pak Overseas Asset Management Company Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2020

	2020		2019	
	Rs.	(Rupees in '000)	Rs.	(Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the year before taxation		3,279		(12,877)
Adjustments:				
Net unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss - held for trading		5,979		9,999
Net (loss) / gain on sale of investment - net		667		(7,717)
		2,612		17,202
(Increase) / decrease in assets				
Investments - net		7,190		(12,204)
Receivable against sale of investment		486		23,834
Advances, deposits, prepayment and other receivables		(8,281)		(2,741)
		(621)		20,999
Increase / (decrease) in liabilities				
Payable to the Management Company		(470)		143
Payable to the Securities and Exchange Commission of Pakistan		(121)		(16)
Accrued expenses and other liabilities		4,631		(7,797)
		3,839		(7,670)
Net cash generated from operating activities		9,048		28,794
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Amounts received on issue of units		1,240		28,400
Amounts paid on redemption of units		(22,714)		(21,962)
Distributions paid		(1,299)		-
Net cash used in financing activities		(22,662)		(22,662)
Net (decrease) / increase in cash and cash equivalents during the period		(13,614)		6,132
Cash and cash equivalents at the beginning of the year		21,328		25,136
Cash and cash equivalents at the end of the year	4	17,418		21,328

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Pak Overseas Asset Management Company Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Askari Asset Allocation Fund (the Fund) was established under a Trust deed executed between Askari Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee on 17 January 2007. The Fund was registered as a Notified Entity under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in February 2009.

Pak Oman Asset Management Company Limited (POAMCL) has acquired 100% shares of Askari Investment Management Limited (AIML) from Askari Bank Limited on May 31, 2017 under share purchase agreement dated April 10, 2017. POAMCL has filed amalgamation scheme, under Section 292 (L) of the Repealed Companies Ordinance 1984, which has been approved by SECP via its order dated October 12, 2017. The effective date of merger of POAMCL and AIML is October 30, 2017 as per the above mentioned order.

1.2 The Management Company is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules. The registered office of the Management Company is situated at 4th House, 82-C, 12th Commercial Street, Phase-8 Extension, DHA, Karachi.

1.3 The Fund is an open ended mutual fund categorised as an 'asset allocation scheme' by the Management Company and is listed on the Pakistan Stock Exchange Limited. The units are being offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

1.4 The objective of the Fund is to invest in equity securities as well as debt securities including government securities, commercial papers and various other money market instruments.

1.5 The Pakistan Credit Rating Agency (PACRA) has assigned management quality rating of AMQ+ (Stable) to the Management Company as at August 28, 2020.

1.6 Title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

## 2. BASIS OF PREPARATION

## 2.1 Statement of compliance

2.1.1 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) 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 VIII 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 VIII of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements



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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

## 2.5 IFRS 9 'Financial Instruments' Impact Assessment

IFRS 9 'Financial Instruments' was issued on July 24, 2014. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

## 2.5.1 Key requirements of IFRS 9 are as follows:

## Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- 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 amortised 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 "FVTOCI"
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 5, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### Classification and measurement of financial liabilities

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- 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.

#### Impairment of financial assets

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.

SECP through its SCD/AMC/IRS/MS/FAP/2017-148 dated November 21, 2017 has deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2020 and also considering facts and circumstances that exists at that date, the Management Company has assessed the impact of IFRS 9 on the financial statements as follows:

- Listed equity securities classified as financial assets at fair value through profit or loss - held for trading will be reclassified at fair value through profit or loss' upon application of IFRS 9 with value changes continue to recognized in profit or loss.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards



- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### 2.6 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting and reporting standards requires management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- classification and valuation of financial assets (notes 3.2 and 5); and
- impairment of financial assets (notes 3.2-5)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements stated are set out below and have been consistently applied in all the years presented unless otherwise stated.

#### 3.1 Cash and cash equivalents

Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### 3.2 Financial assets

##### 3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss - held-for-trading, loans and receivables or available-for-sale.

##### a) Investments at fair value through profit or loss - held for trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

##### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

**3.2.2 Regular way contracts**

All regular purchases / sales of investments are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the stock exchange regulations.

**3.2.3 Initial recognition and measurement**

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss - held for trading. Financial assets carried at fair value through profit or loss - held for trading are initially recognized at fair value and transaction costs are recognized in the income statement.

**3.2.4 Subsequent measurement****a) Financial assets 'at fair value through profit or loss - held for trading'****1) Debt securities (other than government securities)**

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**2) Government securities**

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**3) Equity securities**

The investment of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

Investments of the Fund in unquoted equity securities are carried at lower of investment price or their break-up value as per the latest audited financial statements.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss - held for trading' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

**b) Loans and receivables**

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also recognized in the 'income statement' when financial assets carried at amortized cost are derecognized or impaired, and through the amortisation process.

**3.2.5 Impairment of financial assets**

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

**a) Debt securities**

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

**b) Equity securities**

For equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered, among other indicators, as an indicator that the security is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in 'income statement', is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

**c) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

**3.2.6 Derecognition**

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

**3.2.7 Offsetting of financial assets and financial liabilities**

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

**3.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

**3.4 Issuance and redemption of units**

Units issued are allocated at the offer price, prevalent on the day on which the applications for purchase of units are received, however, units are issued on the receipt of cash / realisation of cheques. The offer price represents the net asset value per unit as at the close of the business day plus the allowable front-end sales load and provision of any duties and charges, if applicable. The sales load is payable to the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during the business hours of that day. The redemption price represents the net asset value per unit as at the close of the business day less any back-end load and an amount that the management company may consider to be an appropriate provision of duties and charges. Redemption of units is recorded on acceptance of application for redemption.

**3.5 Element of income / (loss) included in prices of units issued less those in units redeemed**

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. 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.

**Change in accounting policy - Element of income / (loss)**

"Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the price of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period was recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities was included in distribution statement.

Securities & Exchange Commission of Pakistan (SECP) through its SRO 756(I)2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (83) sub-regulation (f) which excludes the element of income from "accounting income". As per 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. It also specifies 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 asset value of all units outstanding on the accounting date, net element of income constituted 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."



The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in reserves or unit holders' fund instead of income statement. Further, SRO requires an additional disclosure should be stated below income statement for allocation of net income for the year comprising of (a) income already paid on units redeemed and (b) accounting income available for distribution.

"Mutual Funds Association of Pakistan (MUFAP) with the consultation of SECP has clarified that income already paid on redemption of units (element of income paid out) is determined on following basis:

- Income already paid on redemption of units (element of income) made during the year shall be on gross basis instead of element of income / loss on net basis.
- In situations where funds have remained profitable for part of the year and ended up in net profit, the income already paid on redemption of units (element of income) has been calculated from the date at which the fund was last breakeven.
- Income already paid on redemption of units (element of income) shall be calculated on FIFO method on redemption of units for identifying units redeemed with units issued."

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 disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Further the basis of estimation of income already paid on redemption has been established in line with the guidelines provided by MUFAP as stated above and accordingly the same has been disclosed in the additional disclosure. Since the Fund has incurred net loss during the year, therefore, element of income paid on redemption is 'Nil'. Had the change in accounting policy applied retrospectively, the income of the Fund for the year ended June 30, 2017 would have been higher by Rs. 2.77 million.

"Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 0.61 million. However, the change in accounting policy does not have any impact on the 'statement of Cash flows', the 'net assets attributable to the unit holders' and 'net assets value per unit' as shown in the statement of 'assets and liabilities' and 'statement of movement of unit holders' fund'. 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."

**3.6 Provisions**

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

**3.7 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement' on the date at which the sale transaction takes place.

- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the 'income statement' in the period in which they arise.
- Dividend income is recognized when the right to receive the dividend is established.
- Markup / return on government securities, term finance certificates, sukuk, commercial papers, clean placements, bank balances and term deposits are recognized on a time proportionate basis using the effective interest method.

### 3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed among the unit holders (excluding distribution made by issuance of bonus units).

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

### 3.9 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognized in the financial statements of the period in which such distributions are declared.

		2020	2019
	Note	(Rupees in '000)	
<b>4. BALANCE WITH BANKS</b>			
Saving accounts	4.1	<u>17,418</u>	<u>31,328</u>

- 4.1 The rate of return on these accounts ranges between 10.25% and 14.25% (30 June 2019: 3.75% and 10.25%) per annum.

		2020	2019
	Note	(Rupees in '000)	

### 5. INVESTMENTS

#### At fair value through profit or loss - held for trading

Sukuk certificates	5.1	<u>18,838</u>	<u>14,893</u>
Pakistan Investment Bonds		<u>25,481</u>	-
Term finance certificates	5.3	<u>24,825</u>	<u>60,341</u>
		<u>69,144</u>	<u>75,234</u>
Listed equity securities	5.3	<u>11,758</u>	<u>27,421</u>
		<u>72,725</u>	<u>102,655</u>

### 5.1 Sukuk certificates

Name of the investee company	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
					Rs in '000	%		
The sukuk certificates have a face value of Rs 100,000 each								
International Brands Limited (S.I.I)	150	-	-	150	18,838	18.18%	4.92%	0.53
Carrying value as at June 30, 2020					<u>18,838</u>			

- 5.1.1 Other particulars of sukuk certificates outstanding as at June 30, 2020 are as follows:

Name of the investee company	Face value	Mark-up rate per annum	Rating	Issue date	Maturity date
International Brands Limited	15,000	One year (BIBOR + 2%)	A+	15-Nov-17	15-Nov-21

- 5.1.2 These sukuk certificates are secured by hypothecation charge over the assets of the issuer and pledge of shares of the issuer.

### 5.2 Term finance certificates - unlisted

Name of the investee company	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
	As at July 1, 2019	Purchased during the year	Sold / matured during the year	As at June 30, 2020		Net assets	Market value of total investments	Issue size
					Rs in '000	%		
TR Corporation Limited (18-Dec-2017)	100	-	100	-	-	-	3.0%	-
IF Bank Limited (29-Dec-2017)	140	25	-	175	15,385	17.94%	21.8%	1.88
The Bank of Punjab (23-Apr-2018)	100	20	100	20	1,243	1.34%	1.23%	0.28
					<u>480</u>	<u>125</u>	<u>34.2%</u>	<u>1.24</u>
Carrying value as at June 30, 2020					<u>28,198</u>			

5.2 Term finance certificates have a face value of Rs 1,000 each unless stated otherwise.

ASKARI ASSET ALLOCATION FUND

5.21 Other particulars of term finance certificates outstanding as at June 30, 2020 are as follows:

Name of the investee company	Face value	Mark-up rate per annum	Rating	Issue date	Maturity date
JS Bank Limited (2nd Issue)	10,000	5 months KIBOR offer rate + 1.4%	Not rated	29-Dec-17	29-Dec-24
The Bank of Punjab (2nd Issue)	10,000	5 months KIBOR offer rate + 1.2%	Not rated	23-Apr-18	23-Apr-24

5.22 Foreign Investment Details

Issue Date	Tenor	Number of certificates				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 1, 2019	Purchased during the year	Sold/ redeemed during the year	As at June 30, 2020		Net assets	Market value of total investments	Total assets
5-Apr-20	20 Years	1	20	1	20	25,400	34.02%	34.02%	22.00
			20		20	25,400	34.02%	34.02%	22.00

Rs in '000

Carrying value as at June 30, 2020

25,400

5.3 Listed equity securities

At fair value through profit or loss - equity securities

Shares of listed companies- fully paid ordinary shares with a face value of Rs. 10 each unless stated other wise

Name of investee Company	Number of shares				Market value as at June 30, 2020	Market value as a percentage of net assets	Market value as a percentage of total assets	Face value of listed equity security
	As at July 2019	Purchased during the year	Sold during the year	As at June 30, 2020				

-(Rupee '000)-

COMMERCIAL BANK

Bank of China Limited	-	17,000	-	17,000	-	-	0.0%	0.0%	0.00%
Bank of India Limited	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%
Bank of Punjab Limited	20,000	-	-	20,000	-	-	0.0%	0.0%	0.00%
Bank of Sochi Limited	1,000	17,000	-	18,000	1,000	20	0.0%	0.1%	0.00%
ICICI Bank Limited	-	1,000	-	1,000	2,500	170	0.0%	0.0%	0.00%
Standard Chartered Bank Limited	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%
Sumitomo Bank Limited	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%
United Bank Limited	1,000	1,000	-	2,000	1,000	20	0.0%	0.0%	0.00%
	22,000	64,000	-	86,000	5,000	1,040	0.0%	0.1%	0.00%

NON COMMERCIAL BANK

Bank of Baroda Limited	1,000	1,000	00	2,000	1,000	20	0.0%	0.0%	0.00%
Bank of Maharashtra Limited	-	20,000	-	20,000	-	-	0.0%	0.0%	0.00%
Bank of Rajasthan Limited	1,000	20,000	-	21,000	-	-	0.0%	0.0%	0.00%
Bank of India Limited	1,000	20,000	-	21,000	-	-	0.0%	0.0%	0.00%
	3,000	41,000	-	44,000	-	-	0.0%	0.0%	0.00%

ASKARI ASSET ALLOCATION FUND

Name of investee Company	Number of shares				Market value as at June 30, 2020	Market value as a percentage of net assets	Market value as a percentage of total assets	Face value of listed equity security
	As at July 2019	Purchased during the year	Sold during the year	As at June 30, 2020				

-(Rupee '000)-

ISBT

Asia Cement Pakistan Limited	1,000	-	-	1,000	-	-	0.0%	0.0%	0.00%
Best Cement Pakistan Limited	-	40,000	-	40,000	-	-	0.0%	0.0%	0.00%
Chh. Ind. Pak Cement Company Limited	1,000	40,000	-	41,000	-	-	0.0%	0.0%	0.00%
Hay Cement Company Limited	10,000	-	-	10,000	-	-	0.0%	0.0%	0.00%
Islamabad Cement Company Limited	-	27,000	-	27,000	-	-	0.0%	0.0%	0.00%
Lafarge Cement Limited	1,000	1,000	-	2,000	1,000	100	0.0%	0.1%	0.00%
United Cement Company Limited	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%
Yemen Cement Limited	1,000	-	-	1,000	-	-	0.0%	0.0%	0.00%
	3,000	88,000	-	91,000	2,000	100	0.0%	0.1%	0.00%

POWER GENERATION AND DISTRIBUTION

Benhur Power Company Limited	1,000	40,000	-	41,000	1,000	100	0.0%	0.1%	0.00%
Best Power Company Limited	10,000	-	-	10,000	-	-	0.0%	0.0%	0.00%
Hydro Power Limited	10,000	-	-	10,000	-	-	0.0%	0.0%	0.00%
Hydro Power Company Limited	-	1,000	-	1,000	-	-	0.0%	0.0%	0.00%
Islamabad Power Limited (IPL)	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%
Mirpur Matheli Power house (IPL)	1,000	10,000	-	11,000	-	-	0.0%	0.0%	0.00%
	3,000	61,000	-	64,000	1,000	100	0.0%	0.1%	0.00%

GLASS AND CERAMIC PRODUCTS

Al-Farooq Glass Pakistan Limited	1,000	4,000	-	5,000	-	-	0.0%	0.0%	0.00%
Green Pakistan Limited	1,000	-	-	1,000	-	-	0.0%	0.0%	0.00%
Green Glass of Pakistan Limited	1,000	20,000	1,000	22,000	50	5	0.0%	0.0%	0.00%
Green Glass Pakistan Limited	1,000	-	-	1,000	-	-	0.0%	0.0%	0.00%
	4,000	24,000	1,000	26,000	50	5	0.0%	0.0%	0.00%

GLASS AND CERAMIC PRODUCTS CONTD

Ujala Glass Pakistan Limited	10,000	10,000	-	20,000	1,000	100	0.0%	0.0%	0.00%
Ujala Pakistan Glass Limited	-	1,000	-	1,000	1,000	1,000	0.0%	0.1%	0.00%
Ujala Glass Pakistan Limited	1,000	1,000	-	2,000	1,000	100	0.0%	0.0%	0.00%
Ujala Pakistan Glass Limited	1,000	10,000	1,000	12,000	1,000	100	0.0%	0.0%	0.00%
	13,000	22,000	2,000	27,000	3,000	300	0.0%	0.0%	0.00%

INDUSTRY

High Quality Steel Pakistan Limited	-	1,000	-	1,000	-	-	0.0%	0.0%	0.00%
International Steel Pakistan Limited	-	1,000	-	1,000	1,000	100	0.0%	0.0%	0.00%
Iron Steel Limited	1,000	-	-	1,000	-	-	0.0%	0.0%	0.00%
	1,000	1,000	-	2,000	1,000	100	0.0%	0.0%	0.00%

TEXTILE & APPAREL, FOOD

Textile Pakistan Limited	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%
	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%

RETAILER

Alkaram Pakistan Corporation Limited	1,000	-	-	1,000	-	-	0.0%	0.0%	0.00%
Alkaram Corporation Limited	1,000	10,000	-	11,000	1,000	100	0.0%	0.0%	0.00%
Alkaram Pakistan Corporation Limited	1,000	17,000	-	18,000	1,000	100	0.0%	0.0%	0.00%
Alkaram Pakistan Corporation Limited	1,000	1,000	-	2,000	-	-	0.0%	0.0%	0.00%
Alkaram Pakistan Limited	1,000	10,000	-	11,000	1,000	100	0.0%	0.0%	0.00%
	5,000	28,000	-	33,000	3,000	300	0.0%	0.0%	0.00%

RETAILER/OTHERS

Alkaram Pakistan Pakistan Limited	50	-	-	50	-	-	0.0%	0.0%	0.00%
Alkaram Pakistan Pakistan Limited	-	1,000	-	1,000	-	-	0.0%	0.0%	0.00%
Alkaram Limited	-	10,000	-	10,000	-	-	0.0%	0.0%	0.00%
Alkaram Pakistan Limited	100	-	-	100	100	100	0.0%	0.0%	0.00%
	150	11,000	-	11,150	100	100	0.0%	0.0%	0.00%

Name of Issuer Company	Investments					Total		Average		Ratio of Issuer Company
	Invested till 30 June 2019	Further bought during 2019	Other Shares bought during 2019	Sold during 2019	Net Share till 30 June 2019	During 2019	Net Share till 30 June 2019	Net Share percentage of total investments	Net Share percentage of total assets	

(Rupee in '000)

ISSUERS									
<b>ISSUERS</b>									
Life Centre Finance Limited	-	11,000	-	11,000	-	-	-	100%	100%
C Finance Limited	-	1,000	-	1,000	-	-	-	100%	100%
Energy Project & Chemicals Limited	2,000	6,000	-	8,000	-	-	-	100%	100%
	2,000	17,000	-	19,000	-	-	-	100%	100%
<b>FOCUS ADDITIONAL SUBSIDIARIES</b>									
A. Sindh Gas Pipeline Limited	1,200	-	-	1,200	10	2	2	100%	100%
1000 Power Limited	-	11,000	-	11,000	-	-	-	100%	100%
Rawal Ponds Limited	6,000	20,000	-	26,000	1	1	1	100%	100%
	7,200	31,000	-	38,200	11	3	3	100%	100%
<b>RELIANCE INVESTMENT TRUST</b>									
Capital City Trust	17,000	1,000	-	18,000	-	-	-	100%	100%
	17,000	1,000	-	18,000	-	-	-	100%	100%
<b>RETAIL INVESTMENT</b>									
Samra Finance Limited	-	1,000	-	1,000	-	-	-	100%	100%
Investment Services Limited	-	1,000	-	1,000	-	-	-	100%	100%
14-Power Finance Limited	80	-	-	80	-	-	-	100%	100%
	80	2,000	-	2,080	-	-	-	100%	100%
<b>Total till 30 June 2019</b>									
					1,011	1,018	2,029		1,018
<b>Total till 30 June 2019</b>					<b>2,021</b>	<b>2,036</b>			<b>2,036</b>

Investments include shares with market value of Rs. 3.08 million (30 June 2019: Rs. 4.79 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trade in accordance with circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

5.3.2 This represents gross bonus shares as per Fund's entitlement declared by the investee company. The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholders are to be treated as income and a tax at the rate of five percent is to be applied on value of bonus shares determined on the basis of day and price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to five percent of bonus announcement and not yet deposited in CDC account of department of Income Tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis. However, through Finance Act, 2018, the tax on bonus shares is withdrawn.

Note	2019	2018
	(Rupees in '000)	
<b>6. MARK-UP ACCRUED AND DIVIDEND RECEIVABLE</b>		
Dividend receivable	122	131
Mark-up accrued on balance with banks	118	107
Mark-up accrued on Pakistan Investment Bonds	1,029	-
Mark-up accrued on sukuk certificates and term finance certificates	143	1,498
	<b>1,412</b>	<b>1,736</b>

#### 7. ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

Prepaid expense	-	80
Advance tax	8,941	4,421
Receivable against Sale of investments	5,176	-
Other Receivable	8,876	7,126
Security deposits with:		
- Central Depository Company of Pakistan Limited	188	100
- National Clearing Company of Pakistan Limited	2,790	3,750
	<b>21,831</b>	<b>15,307</b>

#### 8. PAYABLE TO PAK OMAR ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company	8.1	134	207
Sindh Sales Tax on remuneration of the Management Company	8.2	282	482
Federal Excise Duty on remuneration of the Management Company	8.3	2,839	2,839
Sales Load Payable		2	-
Allocation of operational expenses to the Management Company	8.4	119	122
Printing & Marketing expense		471	810
		<b>3,845</b>	<b>4,421</b>

8.1 The Management Company has charged its remuneration at the rate of 2% (2019: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on Management Company's remuneration through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.

8.3 As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 10% on the remuneration of the Management Company was applied with effect from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court

(SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED since June 13, 2013.

"On 30 June 2016, the Honorable Sindh High Court of Pakistan 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 01 July 2011 is ultra vires to the Constitution of Pakistan. On 23 September 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgment, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 2.63 million until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Rs. 1.06 (June 30, 2019: Rs. 0.66) per unit.

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFI)s including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, in the current year, provision for FED has not been recorded."

**8.4** As per regulation 60(3)(a) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount, to the Fund.

**8.5** SECP vide Circular No. 11 of 2019 dated July 05, 2019 has superseded circular 40 of 2016, 05 of 2017 and 05 of 2018 and has prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. Selling and Marketing expenses has been allowed on all categories of Open and mutual funds except fund of funds at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of daily net assets of the Fund, being the lower amount.

**9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

Note	2020	2019
	(Rupees in '000)	
Remuneration of the Trustee	9.1	18
Sindh Sales Tax on remuneration of the Trustee	9.2	7
	<u>20</u>	<u>25</u>

**9.1** The Trustee is entitled to a monthly remuneration at the rate of 0.2% (2019: 0.12%) of the average annual net assets of the Fund for services rendered under the provisions of the Trust Deed.

**9.2** The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

**10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2006, a collective investment scheme categorized as asset allocation is required to pay an annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

**11. AUDITORS' REMUNERATION**

Note	2020	2019
	(Rupees in '000)	
Annual audit fee	313	260
Half yearly review fee	75	150
Income Certificate	60	-
	<u>448</u>	<u>410</u>
Out of pocket expenses	33	75
	<u>481</u>	<u>485</u>

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

Brokerage and settlement charges payable	155	33
Payable against purchase of investment	-	261
Printing charges Payable	9	39
Auditors' remuneration payable	140	355
Withholding and capital gain tax payable	3,284	5
Provision for Sindh Workers' Welfare Fund	13	675
	<u>4,681</u>	<u>1,373</u>

**13. SINDH WORKERS' WELFARE FUND**

The Finance Act, 2006 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 / Mutual Funds (CISs) whose income exceeded Rs. 500,000 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.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). On 10 November 2016 the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2006 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up the matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgment are very limited), MUFAP has recommended to all its members to revoke the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded a provision of Rs. 0.00657 (June 2019: Rs. Nil)

Had the provision not been made, it would have resulted in an increase in the net assets value per unit by Rs. 0.28 per unit (30 June 2019: Rs. 0.21 per unit).

#### 14. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2020 and June 30, 2019.

15. NUMBER OF UNITS IN ISSUE	2020	2019
	(Number of Units)	
Total units in issue at the beginning of the year	3,174,297	3,767,359
Add: units issued during the year	26,728	667,244
Less: units redeemed during the year	(529,924)	(1,260,308)
Total units in issue at the end of the year	2,671,101	3,174,297

#### 16. NET ASSET VALUE PER UNIT

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

#### 17. TAXATION

According to Regulation 63 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, Management Company is required to distribute, by way of dividend, more than 50 percent of accounting income received or derived from sources other than capital gains (both realized and unrealized) during the year. Since the Fund has incurred net loss during the year ended June 30, 2019, no provision for taxation has been made in these financial statements as the management believes that the Fund will qualify for exemption under clause 56 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

#### 18. EARNINGS PER UNIT

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

#### 19. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 dated July 30, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for year ended June 30, 2020 is 4.49% which includes 0.46% representing government levy i.e. Sindh Sales Tax, SECP fee and provision for Sindh Worker's Welfare Fund.

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

20.1 Connected persons and related parties include Pak Oran Asset Management Company Limited being the Management Company, MCS Financial Services Limited being the Trustee, Pak Oran Investment Company Limited being the Parent of the Management Company. It also includes associated companies of Management Company due to common directorship, subsidiaries and associated companies of the Parent of the Management Company, other collective investment schemes managed by the Management Company, directors, key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

20.2 The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.

20.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

20.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

20.5 Details of the transactions with connected persons and related parties are as follows:

	2020	2019
	(Rupees in '000)	
<b>Pak Oran Asset Management Company Limited (Management Company)</b>		
Remuneration of the Management Company	1,366	1,052
Sindh Sales Tax on remuneration of the Management Company	366	267
Allocated operational expenses to the Management Company	118	103
Printing & Marketing	471	490
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	265	220
CGD charges	26	91
<b>Askari Bank Limited (MPH Holding)</b>		
Profit on bank deposits	1,128	261

2020  
(Rupees)

## 20.4 Amounts outstanding as at year end are as follows:

## Pak Oman Asset Management Company Limited (Management Company)

Remuneration of the Management Company	174	187
Sales Taxes on remuneration of the Management Company	392	452
Federal Excise Duty on remuneration of the Management Company	2,838	2,838
Allocated/operational expenses to the Management Company	119	103
Selling & Marketing expenses	492	610
Investment held in the Fund - units (2019: 14 units)	-	-

## Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	18	52
SST on Remuneration payable	3	7
Security deposit	100	100

## Askari Bank Limited

Units held 2,500,000 units (2019: 2,500,000)	98,547	98,680
Balance with bank	3,238	17,282
Profit receivable on bank deposit	47	65
Cash Dividend	1,211	-

## 21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience
1	Ms. Sadaf Kazmi	Chief Executive Officer	MPA	19 years
2	Mr. Abdul Rahman	Chief Financial Officer	ACCA, CPA (Finalist)	6 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	15 year
4	Ms. Sumeera Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumeera Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer.

- Askari High Yield Scheme
- PakOman Advantage Islamic Income Fund

## 22. TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year June 30, 2020:

S.No	Particulars	Percentage
1	Summit Capital (Private) Limited	12.36
2	EMA Capital Management Ltd	12.32
3	Al Habib Capital Markets (Private) Limited	11.84
4	Vector Securities (Pvt) Ltd	10.62
5	Peerat Securities Limited	10.50
6	Arif Habib Limited	9.00
7	Taurus Securities Limited	8.61
8	AKD Securities Limited	5.97
9	Mulline Securities (Pvt) Limited	4.79
10	Adam Securities Limited	4.20

List of top 10 brokers by percentage of commission charged during the year June 30, 2019:

S.No	Particulars	Percentage
1	Elixir Securities Pakistan (Pvt) Ltd	14.94
2	Arif Habib Limited	8.15
3	EMA Capital Management Ltd	6.72
4	Summit Capital (Private) Limited	6.58
5	Peerat Securities Limited	6.55
6	Mulline Securities (Pvt) Limited	6.33
7	Taurus Securities Limited	5.47
8	IGI Finex Securities Limited	5.28
9	Al Habib Capital Markets (Private) Limited	4.96
10	Ismail Iqbal Securities (Pvt) Ltd	4.60

## 23. PATTERN OF UNIT HOLDING

As of June 30, 2020

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Banks & DFIs	1	98,547	93.99%
Individuals	30	5,962	5.68%
Others	3	735	6.79%
Retirement funds	2	47	0.54%
		105,291	100%

**ASKARI ASSET ALLOCATION FUND**

As at June 30, 2019

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Banks & DFIs	1	98	0.89%
Individuals	33	20	0.82%
Others	3	1	0.88%
Retirement funds	2	0	0.88%
		125	0%

**24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 72nd, 73rd, 74th & 75th Board meetings were held on August 31, 2019, October 24, 2019, February 12, 2020 and April 16, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. E. Yousaf Bin Saad Bin Abdurrahman Al-Jabri	4	4	-	-
2	Mr. Razaqul Ali Iqbalim A. Saqum	2	2	-	-
3	Mr. Babaruddin Khan	4	4	-	-
4	Mr. Hameem Muneel	4	4	-	-
5	Mr. Sauleman Harrood A. Harty	2	2	-	-
6	Mr. Saif Saif Saim A. Yaqub	2	1	1	72nd
7	Mr. Jehangir Shah	4	4	-	-
8	Ms. Sabir Kiani	4	4	-	-

**25. FINANCIAL INSTRUMENTS BY CATEGORY**

As at June 30, 2020

	At fair value		Total
	Loans and receivables	through profit or loss - held for trading	
(Rupees in '000)			
<b>Financial assets</b>			
Balances with banks	17,419	-	17,419
Investments	-	72,725	72,725
Deposits and other receivables	9,520	-	9,520
	26,939	72,725	99,664

**ASKARI ASSET ALLOCATION FUND**

As at June 30, 2020

	At fair value		Total
	through profit or loss	Other financial liabilities	
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to the Management Company	-	3,548	3,548
Payable to the Trustee	-	28	28
Dividend payable	-	1,259	1,259
Accrued expenses and other liabilities	-	5,967	5,967
Net assets attributable to redeemable units	-	105,292	105,292
	-	115,422	115,422

**Financial assets**

Balances with banks  
Investments  
Receivable against sale of investments  
Markup accrued & dividend Receivable  
Deposits and other receivables

	At fair value		Total
	Loans and receivables	through profit or loss - held for trading	
(Rupees in '000)			
Balances with banks	20,135	-	20,135
Investments	-	112,000	112,000
Receivable against sale of investments	20,534	-	20,534
Markup accrued & dividend Receivable	1,574	-	1,574
Deposits and other receivables	9,239	-	9,239
	51,542	112,000	172,542

As at June 30, 2019

	At fair value		Total
	through profit or loss	Other financial liabilities	
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to the Management Company	-	4,278	4,278
Payable to the Trustee	-	65	65
Dividend payable	-	4	4
Accrued expenses and other liabilities	-	8,471	8,471
Net assets attributable to redeemable units	-	161,484	161,484
	-	174,298	174,298

**26. FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

**26.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

**26.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pakistani Rupees.

**26.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

**a) Sensitivity analysis for variable rate instruments**

As at June 30, 2020, the Fund holds KIBOR based interest bearing sukuk and term finance certificate and balance in savings accounts exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR and bank profit rates with all other variables held constant, the net assets of the Fund would have been higher / lower by approximately Rs. 0.7606 million (2019: Rs. 0.8636 million).

**b) Sensitivity analysis for fixed rate instruments**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:



As at June 30, 2020

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	

%

Rupees in '000

**On-balance sheet financial instruments****Financial assets**

Balances with banks

10.00% - 14.00%

17,411

17,411

-

-

-

Investments

- not for trading (fixed equity securities)

11,260

-

-

-

11,260

- not for trading (Sukuk certificates)

1,633

-

1,633

-

-

- not for trading (Term finance certificates)

24,827

-

24,827

-

-

Term-up account and dividend receivables

281

-

-

-

281

Deposits and other receivables

2,171

-

-

-

2,171

**49,280****17,411****26,867****-****26,867****Financial liabilities**

Payable to the Management Company

1,348

-

-

-

1,348

Payable to the Trustee

28

-

-

-

28

Contractual payables

1,239

-

-

-

1,239

Accrued expenses and other liabilities

4,847

-

-

-

4,847

Net assets attributable to investors only

189,252

-

-

-

189,252

**192,188****-****-****-****192,188****(26,786)****17,411****26,867****-****(26,786)****(26,786)****17,411****26,867****-****(26,786)****Off-balance sheet financial instruments****-****-****-****-****-****Off-balance sheet gap****-****-****-****-****-**

As at June 30, 2019

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	

%

Rupees in '000

**On-balance sheet financial instruments****Financial assets**

Balances with banks

1.00% - 16.00%

21,128

21,128

-

-

-

Investments

- not for trading (fixed equity securities)

27,497

-

-

-

27,497

- not for trading (Sukuk certificates)

12,000

-

12,000

-

-

- not for trading (Pakistan investment bonds)

44,627

-

44,627

-

-

Term-up account and dividend receivables

1,972

-

-

-

1,972

Deposits and other receivables

11,288

-

-

-

11,288

**109,035****21,128****66,627****-****66,755****(10,000)****21,128****66,627****-****(10,000)****Off-balance sheet financial instruments****-****-****-****-****-****Off-balance sheet gap****-****-****-****-****-**

As at June 30, 2020

Total Interest rate	Total	Exposed to profit/losses on net			Not exposed to profit/losses on net
		Up to five months	More than five months and up to one year	More than one year	
1		Rupees in '000			

**Financial liabilities**

Payable to the Management Company

Payable to the Trustee

Dividend payable

Interest receivable and other liabilities

Total assets attributable to investors net

	4,621	-	-	-	4,621
	8	-	-	-	8
	4	-	-	-	4
	1,427	-	-	-	1,427
	12,024	-	-	-	12,024
	18,144	-	-	-	18,144
Debtors short term	4,141	2,128	8,627	-	14,896
Debtors short term financial instruments	-	-	-	-	-
Debtors short term payable	-	-	-	-	-

**26.2 Price risk**

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

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as 'financial assets at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 15% of its net assets, or 10% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities at fair value through profit or loss on June 30, 2020, net income for the year would increase / decrease by Rs. 0.50 million (2019: Rs. 0.5366 million) and net assets of the Fund would increase / decrease by the same amount.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the PSX 100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of PSX 100 Index."

**26.3 Credit risk**

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable (if any) on equity securities.

**Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed financial institutions with reasonably high credit ratings. Credit risk on account of dividend receivable is minimal due to the statutory protection. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk as at June 30, 2020 is as below:

Amount of financial assets	June 30, 2020		June 30, 2019	
	Maximum exposure	Amount of financial assets	Maximum exposure	Amount of financial assets
Rupees in '000				
Balance with banks	17,479	17,479	31,328	31,328
Investments	72,725	72,725	82,525	82,524
Mark-up receivable	143	143	426	1,859
Deposits and other Receivables	14,663	143	15,376	13,576
	104,940	90,430	129,655	129,287

The analysis below summarizes the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2019:

**Bank balances by rating category**

Rating agency	2019		
	(Rs. in '000)	(%)	
A	JCR-VIS, PACRA	8,040	65.18%
A-	JCR-VIS, PACRA	15	0.08%
A+	JCR-VIS, PACRA	8	0.04%
AA-	JCR-VIS, PACRA	24	0.14%
AA+	JCR-VIS, PACRA	8,276	53.25%
AAA	JCR-VIS, PACRA	26	0.15%
Others	JCR-VIS, PACRA	31	0.18%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

#### Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund mainly deals in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The Fund's major bank balance is held with one bank. Management believes that such bank is a reputed institution.

#### 26.4 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to the daily settlement of equity securities and to daily cash redemption requests on a regular basis. Units are redeemable at the 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 document and guidelines laid down by the SECP.

#### Management of liquidity risk

The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. Further, the Fund also has the ability to suspend redemptions of units with the approval of the Board of Directors of the Management Company in extraordinary circumstances. The Fund can also borrow, with prior approval of the Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

The following table analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at June 30, 2020

Total	Up to three months	Over three months and up to one year	Over one year
Rupees in '000			
Financial liabilities			
Payable to the Management Company	2,948	2,948	-
Payable to the Trustee	36	36	-
Dividend payable	1,259	1,259	-
Accrued expenses and other liabilities	4,647	4,647	-
Net assets attributable to redeemable units	185,292	185,292	-
	<b>193,190</b>	<b>193,190</b>	<b>-</b>

As at June 30, 2019

Total	Up to three months	Over three months and up to one year	Over one year
Rupees in '000			
Financial liabilities			
Payable to the Management Company	4,421	4,421	-
Payable to the Trustee	65	65	-
Dividend payable	4	4	-
Accrued expenses and other liabilities	1,427	1,427	-
Net assets attributable to redeemable units	125,024	125,024	-
	<b>131,342</b>	<b>131,342</b>	<b>-</b>

#### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments classified as 'at fair value through profit or loss' which are tradable in an open market is based on the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying value as the items are short-term in nature.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The table below provides information on financial assets or liabilities carried at fair values, by valuation methods.

	As at June 30, 2020			
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
<b>ASSETS</b>				
At fair value through profit or loss				
- held for trading				
Listed equity securities	11,769	-	-	11,769
Sukuk certificates	-	18,638	-	18,638
Term finance certificates	-	24,925	-	24,925
Pakistan Investment Bonds	-	-	-	-

	As at June 30, 2019			
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
<b>ASSETS</b>				
At fair value through profit or loss				
- held for trading				
Listed equity securities	27,491	-	-	27,491
Sukuk certificates	-	14,893	-	14,893
Term finance certificates	-	40,341	-	40,341
Pakistan Investment Bonds	-	-	-	-

There were no transfers between above levels during the year.

Underlying the definition of fair value is the presumption that the fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The Fund has not disclosed the fair values for other financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 29. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

29. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it was operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

## 30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on by 26 August, 2020 the board of directors of the Management Company.

## 31. GENERAL

- 31.1 Figures have been rounded off to the nearest thousand rupees.

For Falt Green Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



# CONTENTS

Mission & Vision Statement ..... 01

Fund Information ..... 02

Report of the Director of the Management Company (English) ..... 03

Report of the Director of the Management Company (Urdu) ..... 08

Report to the Fund Manager of the Management Company ..... 09

Report of the Trustee ..... 12

Independent Auditor's Review Report to the Unitholders ..... 13

Statement of Compliance ..... 15

Independent Auditor's Report ..... 18

Statement of Assets and Liabilities ..... 22

Income Statement ..... 23

Statement of Comprehensive Income ..... 24

Statement of Movement in Unit Holder's Fund ..... 25

Cash Flow Statement ..... 26

Notes to the Financial Statement ..... 27



# Our Mission

"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."

# Our Vision

"ASKARI CASH FUND aims to provide diversified portfolio and consistent risk-adjusted to our investors at large, on a consistent basis."



## FUND INFORMATION

**Management Company**

Pak Ocean Asset Management Company Limited  
 RCN House 83-C, 12th Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web site : www.pakozanfund.com

**Board of Directors of The Management Company**

H.E. Yaqub Bin Saïd Bin Abdallah Al-Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Husayn Murad	Director
Mr. Jehangir Shah	Director
Mr. Rashid Ali Ibrahim Al-Balushi	Director
Ms. Saïd Karim	CEO

**Audit Committee**

Mr. Husayn Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Ibrahim Al-Balushi	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hina Mir

**Asset Manager Rating**

A++ (+ Stable Outlook)

**Trustee**

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

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beaumont Road,  
 Karachi-75530

**Bankers to The Fund**

Askari Bank Limited  
 Allied Bank Limited  
 Bank Al-Habib Limited  
 Bank Al-Shah Limited  
 Faysal Bank Limited  
 Habib Metropolitan Bank Limited  
 JS Bank Limited  
 MCB Bank Limited  
 Doha Islamic Bank Pakistan Limited  
 Zaraf Taraqi Bank Limited

**Legal Advisor**

Mohsin Tayyab Ali  
 Corporate & Commercial Law Firm  
 D-21, Block - 4,  
 KDA Scheme 3/C2/Fon, Karachi.

**Transfer Agent**

ITMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Shaïrah-e-Faisal, Karachi-74400, Pakistan  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 54326040  
 Web site : www.itmind.com



## DIRECTORS REPORT TO THE UNIT HOLDERS

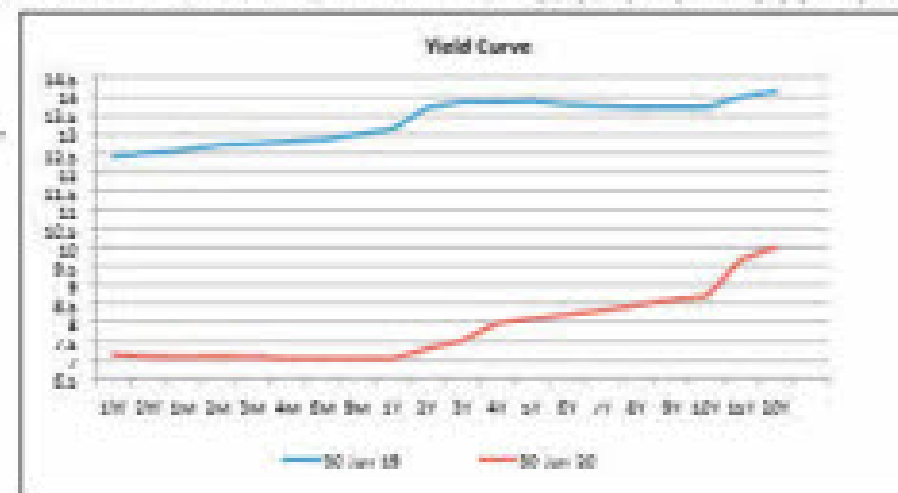
The Board of Directors of Pak Ocean Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Askari Cash Fund (ACF) for the Year ended 30th June 2020.

**Fixed Income Review FY20**

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 160bps, 50bps and 60bps and stood at 7.00%, 7.00% and 7.00% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields stood by 632bps, 577bps and 500bps and stood at 7.35%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdown. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 125bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,797 billion against the target of PKR 14,540 billion and maturity of PKR 11,292 billion. The last cut-off yields stood at 8.13%, 7.99% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY 20, participation was skewed towards 3M and 6M paper, however, during second half of FY 20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rate bonds, SBP raised PKR 1,982 billion. Cut-off yields stood at 7.97%, 8.42%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



**Economic Review FY20**

After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic during large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major hiccups with substantial decline in exports specially textiles (constituting approximately 99% of total yearly exports). Though government and Ministry of Finance announced various relief measures to incentivize export-oriented sectors in the form of reducing borrowing rates (62bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 5.89% in same period last year. While SPI and WPI averaged at 13.74% and 10.74% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 62bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e. 1.1% of GDP as compared to deficit of \$13.40 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

**Askari Cash Fund**

In FY20, unit prices of ASCF appreciated by 13.61% as compared to benchmark return of 11.64% outperforming the benchmark by 137bps. Outperformance was led by active trading in government securities in second half of FY20 together with active negotiations with commercial banks for quarter end deposit rates. Assets under management showed an improvement and stood at PKR 1,296 Million by the end of June-20 as compared to PKR 786 million at the start of the financial year. Treasury Bills remained the major asset class throughout the period with average exposure of 64.79% as compared to 55.64% in FY19. In 3rd and 4th



quarter of FY20, the duration of the fund was kept on the higher side in order to capitalize on opportunities as a result of cut in the policy rate, considering the economic scenario. During the year, average exposure against cash and equivalents stood at 33.15% as compared to 32.40% in corresponding period last year.

**Acknowledgment**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company.

For and on behalf of the Board  
Saadul Karim  
Chief Executive Officer

26th August 2020  
Karachi - Pakistan.





### یونٹ ہولڈرز کو آڈٹڈ یکٹران کی رپورٹ

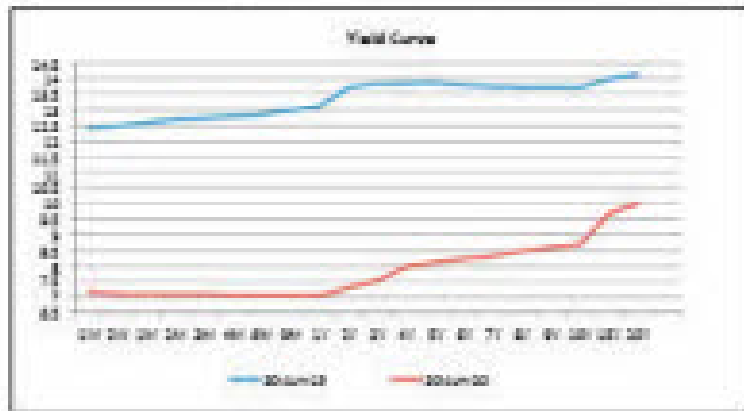
یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔ یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔

### مستحقانہ منافع کی تفصیلات

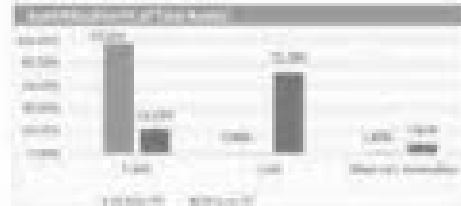
یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔ یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔

یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔ یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔

یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔ یونٹ ہولڈرز کو مطلع کیا جا رہا ہے کہ یونٹ کی قیمت 7.60 PKR ہے۔



### Askari Cash Fund (Formerly Askari Sovereigns Cash Fund) June 2020



Category	Value
NAV	7.60
Assets	1,000,000
Liabilities	100,000

Category	Value
NAV	7.60
Assets	1,000,000
Liabilities	100,000

The objective of the Fund is to provide the investors with a high level of liquidity along with moderate low risk and price stability. The Fund's investment policy is to invest in short-term government securities, money market instruments, deposits, and other short-term investments which will enable the Fund to manage their liquidity efficiently.

Category	Value
NAV	7.60
Assets	1,000,000
Liabilities	100,000

Investment Objective	High Liquidity
Investment Strategy	Short-term
Investment Risk	Low
Investment Period	1-3 Months
Investment Manager	Askari Capital
Investment Advisor	Askari Capital
Investment Consultant	Askari Capital
Investment Analyst	Askari Capital
Investment Researcher	Askari Capital
Investment Strategist	Askari Capital
Investment Portfolio Manager	Askari Capital
Investment Risk Manager	Askari Capital
Investment Compliance Officer	Askari Capital
Investment Operations Officer	Askari Capital
Investment Administration Officer	Askari Capital
Investment Marketing Officer	Askari Capital
Investment Customer Service Officer	Askari Capital
Investment IT Officer	Askari Capital
Investment Legal Officer	Askari Capital
Investment Tax Officer	Askari Capital
Investment Accounting Officer	Askari Capital
Investment Reporting Officer	Askari Capital
Investment Audit Officer	Askari Capital
Investment Risk Officer	Askari Capital
Investment Compliance Officer	Askari Capital
Investment Operations Officer	Askari Capital
Investment Administration Officer	Askari Capital
Investment Marketing Officer	Askari Capital
Investment Customer Service Officer	Askari Capital
Investment IT Officer	Askari Capital
Investment Legal Officer	Askari Capital
Investment Tax Officer	Askari Capital
Investment Accounting Officer	Askari Capital
Investment Reporting Officer	Askari Capital
Investment Audit Officer	Askari Capital
Investment Risk Officer	Askari Capital

Category	Value
NAV	7.60
Assets	1,000,000
Liabilities	100,000

Category	Value
NAV	7.60
Assets	1,000,000
Liabilities	100,000



After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic denting large economies; IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major burst with substantial decline in exports specially textiles (constituting approximately 56% of total yearly exports). Though government and Ministry of finance announced various relief measures to incentivize export oriented sector in the form of reducing borrowing rates (625bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan re-structuring, and reliefs in taxation.

In FY20, CPI averaged at 18.74% as compared to 8.80% in same period last year. While SPI and WPI averaged at 13.74% and 16.14% respectively. On %Y basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, %Y inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to remain in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.94 billion i.e 1.1% of GDP as compared to deficit of \$11.43 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 8.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to contain covid-19. Though government has provided a breakthrough by giving handful of relief packages in various industries and has substantially decreased cost of borrowing by reducing policy rate at a whole.



In financial Year 2020, secondary market yields across short term paper headed downwards. Yields on 3m, 6m and 12m paper reduced by 366bps, 380bps and 506bps and stood at 7.05%, 7.05% and 7.85% respectively by end of June-20. On the other hand, yield on longer tenor bonds saw sharp decline. Yields shed by 632bps, 577bps and 383bps and stood at 7.53%, 8.11% and 8.59% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer tenor instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 15,292 billion. The last cut-off yields stood at 8.13%, 7.58% and 7.77% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was slowed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 3M and 12M tenors, considering monetary easing. In the PIB auction for fixed rate bonds, SBP raised PKR 1,582 billion. Cut-off yields settled at 7.97%, 8.44%, 8.95%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.

8<sup>th</sup> September 2020  
Karachi - Pakistan

Sumeera Sheekat  
Fund Manager



CENTRAL DEPOSITORY COMPANY  
REGISTRATION NUMBER:

Head Office  
105, Tower 1145, Block 12  
C.I.T. Park, Near Cantonment  
Karachi - 74000 Pakistan  
Tel: 9953-1111 (10 Lines)  
Tel: 9953-1111 Ext: 224  
E-Mail: [info@cdco.com.pk](mailto:info@cdco.com.pk)  
www.cdco.com.pk



INDEPENDENT AUDITOR'S REPORT

ASKARI CASH FUND  
(Formerly Askari Savings Cash Fund)

Report of the Trustee pursuant to Regulation 41(b) and clause 7 of Schedule 1 of the Non-Banking Finance Companies and Mercantile Banking Regulations, 2000

We Central Depository Company of Pakistan Limited, being the Trustee of Askari Cash Fund (Formerly Askari Savings Cash Fund) also Trustee of the trustee for Pak One Asset Management Company Limited being the Management Company of the Fund for all material aspects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of its chartering.

- (i) Exemptions granted on the investment period of the Management Company under the investment provisions 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, 2000, the Non-Banking Finance Companies and Mercantile Banking Regulations, 2000 and the investment provisions of the Fund.

Roshanika Akhtar  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi September 18, 2020



Dr. Anwar Huda (Chartered Accountant)  
Chartered Accountant

105, Regency Park, Islamabad  
Karachi, Pakistan

Tel: 9953-1111  
E-Mail: [info@rsm.com.pk](mailto:info@rsm.com.pk)

[www.rsm.com.pk](http://www.rsm.com.pk)

Independent Auditor's Review Report to the Unit Holders of Askari Cash Fund

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance Regulations, 2019)

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Pak One Asset Management Company Limited, the management Company of Askari Cash Fund (the Fund) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations, unless it relates primarily to inquiries of the Management Company's internal and external auditors' statements prepared by the Management Company in compliance with the Regulations.

As part of our work on the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal control of the Management Company or corporate governance procedures and policies.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the six graphs reference where these are stated in the Statement of Compliance.



Sr.	Paragraph reference	Description
1.	10	The position of the Head of Internal Audit of the fund is vacant since August 2019.
2.	10	The position of the Chief Financial Officer of the fund is vacant since January 2020.

*Atif Ahmad Sheikh*  
 Chartered Accountant  
 Karachi  
 2020

### Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Pak Overseas Asset Management Company Limited

Year ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors is as set out in the following:

- a. Male: six
- b. Female: one

2. The composition of the Board is as follows:

Independent directors	1.	Mr. Harmanan Meral
	2.	Mr. Raheel /H. Bawani /H. Baloch
Non-executive directors	1.	H.E. Yaqub Butt /Said /Mr. Shabbir /H. Iqbal
	2.	Mr. Hameedullah Khan
	3.	Mr. Harmanan Meral
	4.	Mr. Raheel /H. Bawani /H. Baloch
	5.	Mr. Jahangir Naik
Executive directors	1.	Mr. Saad Saad
Female directors	1.	Ms. Saad Saad

- 3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
- 4. The company has required a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5. The Board has developed a remuneration statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
- 6. All the projects of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- 8. The Board have a formal policy and procedure for nomination of directors in accordance with the Act and these Regulations.

Atif Ahmad Sheikh  
 Chartered Accountant  
 Karachi  
 2020



7. The Board has arranged Directors' Training program for the following:

U.I. Yaqub bin Saad bin Abdulah Al Jabir	Completed
Mr. Haseebullah Khan	Completed

14. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with other requirements of the Regulations.

15. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.

16. The Board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member
Mr. Saad bin Abdulah Al Jabir	Member

b) HR and Remuneration Committee:

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member

c) Board Investment Committee:

Mr. Haseebullah Khan	Chairman
Mr. Saad bin Abdulah Al Jabir	Member

17. The terms of reference of the aforesaid committees have been formed, documented and adhered to the committees for compliance.

18. The frequency of meetings quarterly, half yearly, yearly of the committees was as per following:

a) Audit Committee: Quarterly

b) HR and Remuneration Committee: Annually

c) Board Investment Committee: Quarterly

19. The Board has set up an effective internal audit function or has entrusted the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (son-in-law, nephew) and non-dependent (children of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company).

21. The statutory auditors of the persons associated with client have not been associated to provide other services except as permitted with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 34 of the Regulations have been complied with and.

23. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 34 are below:

In August 2019, the Head of Internal Audit left ASKARI CASH FUND Management Company Limited. Right after she left she started the process of recruiting people for this position and a few candidates were also identified, but as this position directly reports to the Board Audit Committee, the candidates were reviewed by the Chairman Audit Committee and were rejected. We have recently been reviewing people who have been identified a few. The candidate will be reviewed / interviewed by the Chairman Audit Committee in upcoming Board of Directors meeting and we want to be give you ahead the position will be finalized.

The Chief Financial Officer of ASKARI CASH FUND – Mr. Muhammad Farooq has resigned on January 06, 2020 and currently the acting charge has been given to Mr. Abdul Rehman. The management approves the matter to consider existing executive for lay positions and also keeps an monitoring their performance. Management also assess whether it is required to hire some other persons for the lay positions. The decision to finalize the positions Chief Financial Officer position will be made by the Board of Directors in their upcoming Board of Directors meeting.

Chairman  
Board of Directors



**INDEPENDENT AUDITOR'S REPORT**

To the unit holders of Askari Cash Fund

Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of Askari Cash Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020 and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended attached 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 financial position of the Fund as at June 30, 2020, and of its financial performance, its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**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 period. 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.

**Following are the key audit matters:**

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Net Asset Value (NAV)</b> (Refer note 4 and note 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investment of the Fund as at June 30, 2020 amounted to Rs. 30.84 million and balances with banks aggregated to Rs. 121.12 million.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We tested the design and operating effectiveness of the key controls for acquisition, disposal and valuation of investments.</li> <li>We obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020.</li> </ul>



<p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered it as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We tested the design and operating effectiveness of the key controls for acquisition, disposal and valuation of investments.</li> <li>We obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and reconciled them with the books and records of the Fund. Where such confirmations were not available, alternative audit procedures were performed.</li> <li>We re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies and</li> <li>We obtained bank reconciliation statements and tested reconciling items as appropriate.</li> <li>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are complied with the relevant accounting standards.</li> </ul>
--	---

**Other matter**

The financial statements of Askari Cash Fund for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on these financial statements on December 21, 2019.

**Information other than the financial statements and auditor's report thereon**

Management 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 conclusion thereon.

In connection with our audit of the financial statements, our responsibility is not to audit the other information and it is not our responsibility to 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control or management procedures it considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

Those charged with governance 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 objective is 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 high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement, if it exists. Misstatements can arise from fraud or error and are considered material, individually or in the aggregate, if they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

From the matters communicated with those charged with governance of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits such disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the alleged consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2001 and Non-Banking Finance Companies and Referral (Entity Regulation) 2008.

The engagement partner for the audit resulting in this independent auditor's report is Ahsan Zaman

  
Chartered Accountant

Karachi

Date: 30/06/2020



STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 JUNE 2020

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
<b>ASSETS</b>			
Securities with bond	4	1,004,210	518,143
Investments	5	210,947	290,938
Mark-up accrued	6	3,849	4,600
Advances, prepayments and other receivables	7	16,296	8,221
<b>Total assets</b>		<b>1,235,292</b>	<b>821,902</b>
<b>LIABILITIES</b>			
Payable to Asset Management Company	1 & 8	21,913	24,547
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	180	121
Payable to the Securities and Exchange Commission of Pakistan	10	356	1,878
Dividend payable		19,879	-
Accrued expenses and other liabilities	11	15,881	8,281
<b>Total liabilities</b>		<b>57,509</b>	<b>34,827</b>
<b>NET ASSETS</b>		<b>1,177,783</b>	<b>787,075</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>			
Contingencies and commitments	13		
		(Number of units)	
Number of units in issue	14	13,111,500	7,794,115
		(Rupees)	
Net asset value per unit	15	100.200	100.900

The annexed notes from 1 to 21 form an integral part of these financial statements.

For Pak-Ocean Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees in '000)	
<b>INCOME</b>			
Return from investment:			
- government securities		152,894	97,227
- bank balances		89,258	45,874
- term deposit receipts / LRP		1,379	15,158
Other income		-	388
Net gain / (loss) on sale of investments		11,348	(2,818)
Net unrealized gain / (loss) on re-measurement of investments after value through profit/loss - Net for trading	5.2	840	(82)
<b>Total income</b>		<b>255,769</b>	<b>147,059</b>
<b>EXPENSES</b>			
Remuneration of Asset Management Company	1 & 2.1	6,288	7,124
Birth Sales Tax on remuneration of the Management Company	5.2	835	954
Reimbursement of operational expenses to the Management Company	5.4	1,701	1,487
Remuneration of the Capital Custody Company of Pakistan Limited - Trustee	5.1	1,155	1,758
Birth Sales Tax on remuneration of the Trustee	5.3	188	228
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	588	1,075
Auditor's remuneration	16	457	475
Fees and subscription		190	257
Legal and professional charges		88	-
Security transaction cost		254	192
Printing and delivery charges		34	-
Bank, settlement and other charges		99	22
<b>Total expenses</b>		<b>11,835</b>	<b>13,488</b>
<b>Net income from operating activities</b>		<b>237,038</b>	<b>127,445</b>
Provision for Birth With-hold of With-hold Fund	12	(9,258)	(2,848)
<b>Net income for the year before taxation</b>		<b>227,780</b>	<b>124,597</b>
Taxation		-	-
<b>Net income for the year after taxation</b>		<b>227,780</b>	<b>124,597</b>
Earning per unit	17		
Allocation of net profit for the year			
Net income for the year after taxation		227,780	124,597
Income already paid on units redeemed		(141,000)	(82,224)
		<b>86,780</b>	<b>42,373</b>
<b>Accounting income available for distribution</b>			
- Relating to taxable gains		12,758	-
- Excluding taxable gains		47,065	7,495
		<b>60,823</b>	<b>7,495</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Pak-Ocean Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended June 30,	
	2020	2019
	(Rupees in '000)	
Net income for the year after taxation	227,780	124,514
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to income statement	-	-
Items that will not be reclassified subsequently to income statement	-	-
<b>Total comprehensive income for the year</b>	<b>227,780</b>	<b>124,514</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Pak-Ocean Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020			June 30, 2019		
	Capital Value	Undistributed Income	Total	Capital Value	Undistributed Income	Total
At the start of beginning of the year	75,272	11,701	86,973	43,442	11,629	55,071
Issue of 50,007,190 units (2019: 47,338,451 units)						
- Capital issue	5,897,273	-	5,897,273	4,785,167	-	4,785,167
- Balance of income	28,822	-	28,822	37,273	-	37,273
Dividend received on issuance of units	5,897,732	-	5,897,732	4,822,481	-	4,822,481
Redemption of 21,214,620 units (2019: 41,124,458 units)						
- Capital issue	2,144,897	-	2,144,897	4,468,242	-	4,468,242
- Amounts set off against income relating to net redemption (para 16 note 16)	(26,734)	(44,822)	(71,556)	(25,722)	(21,224)	(46,946)
Dividend paid on redemption of units	(5,442,735)	(7,714,266)	(13,157,001)	(4,447,875)	(23,284)	(4,471,159)
Total comprehensive income for the year	-	22,622	22,622	-	24,274	24,274
Distribution in the year/ to 12,720 unitholders at	(7,472,222)	(7,138)	(7,479,360)	(4,422)	(7,736)	(4,429,098)
At the end of end of the year	1,164,021	11,227	1,175,248	1,022,113	11,229	1,033,342
Individual income brought forward (opening at)						
- Netted		11,219	11,219		11,229	11,229
- Interest		(2)				
Accrued income available for distribution		11,217	11,217		11,229	11,229
- Cash/ in specie given		(2,732)			-	
- Issuing in specie given		2,732			2,732	2,732
		467			7,497	7,497
Distribution for the year		(7,138)			(7,736)	
Individual income carried forward		429			11,229	11,229
Individual income brought forward (opening at)						
- Netted		1,422	1,422		11,219	11,219
- Interest		44	44		(2)	(2)
Individual income at end of the year		1,466	1,466		11,229	11,229
At the end of period at beginning of the year			86,973			55,071
At the end of period at end of the year			1,175,248			1,033,342
At the end of period from 1 to 31 for an integral part of these financial statements						

For Pak Overseas Asset Management Company Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2020

Note	2020	2019
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	122,840	124,914
Adjustments:		
Provision for Good Will/Goodwill Impairment	4,224	2,849
(Increase) / decrease in assets		
Investments	(20,026)	(210,524)
Advances, prepayments and other receivables	(10,018)	(1,428)
Market Accrued	801	(2,814)
Receivables against conversion of units		
	(28,223)	(214,966)
Increase / (decrease) in liabilities		
Payable to Asset Management Company	(2,024)	1,026
Payable to the Central Depository Company of Pakistan Limited - Trustee	(21)	82
Payable to the Securities and Exchange Commission of Pakistan	(722)	270
Dividend Paid	19,078	
Accrued expenses and other liabilities	2,025	(40,242)
	18,736	(40,022)
Net cash generated from / (used in) operating activities	219,857	(131,827)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received on issuance of units	6,029,792	4,852,481
Amounts paid on redemption of units	(5,899,974)	(4,819,224)
Distributions paid	(182,382)	(717,822)
Net cash generated from financing activities	2,927,436	(2,684,565)
Net decrease in cash and cash equivalents during the year	2,707,579	87,214
Cash and cash equivalents at the beginning of the year	818,142	810,228
Cash and cash equivalents at the end of the year	1,084,210	897,442
Cash and cash equivalents at the beginning of the year		

The annexed notes form 1 to 31 form an integral part of these financial statements.

For Pak Overseas Asset Management Company Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Askari Cash Fund (formerly Askari Sovereign Cash Fund) (the Fund) was established under a Trust deed executed between Askari Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee on December 08, 2011. The Fund was registered as a Notified Entity under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in June 25, 2009.

Pak Oman Asset Management Company Limited (POAMCL) has acquired 100% shares of Askari Investment Management Limited (AIML) from Askari Bank Limited on May 31, 2017 under share purchase agreement dated April 10, 2017. Subsequently, on June 29, 2017, POAMCL has filed amalgamation scheme, under Section 282 (L) of the Companies Ordinance 1984, which has been approved by SECP via its order dated October 12, 2017. The effective date of merger of POAMCL and AIML is October 30, 2017 as per the above mentioned order.

The Management Company is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules. The registered office of the Management Company is situated at Icon House, 83-C, 12th Commercial Street, Phase-8 Extension, DHA, Karachi.

The Fund is an open-ended mutual fund classified as an "Money Market Scheme" by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.

The objective of the Fund is to provide the investors with a high level of liquidity along with extremely low credit and price volatility.

The Fund primarily invests in government securities and other authorized investments enabling the investors to manage their liquidity efficiently.

The Pakistan Credit Rating Agency (PACRA) has assigned management quality rating of "Aa3+" to the Management Company as at 28 August 2020. Furthermore, JCR-VIS has assigned a rating of "AA+(IT)" to the Fund as at 26 November 2019.

Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

## 3. BASIS OF PREPARATION

## 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) 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 VIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2008 (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 VIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed."

## 2.2 Amendments to IFRS that are effective for the year ended June 30, 2020

The following amendments are effective for the year ended June 30, 2020. These standards, interpretations and the amendments are either not relevant to the Fund's operations or do not have significant impact on the Fund's financial statements other than certain additional disclosures.

## 2.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

## 2.4 IFRS 9 'Financial Instruments' Impact Assessment

IFRS 9 'Financial Instruments' was issued on July 24, 2014. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

## 2.4.1 Key requirements of IFRS 9 are as follows;

## Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- 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 amortised 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 "FVTOCI"
- 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) in other comprehensive income, with only dividend income generally recognised in profit or loss.

#### Classification and measurement of financial liabilities

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- 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.

#### Impairment of financial assets

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 recognised.

SECP through its SCD/AMC/IFRS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2020 and also considering facts and circumstances that exists at that date, the Management Company has assessed the impact of IFRS 9 on the financial statements as follows:

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 principal outstanding. These financial assets will qualify for designation as measured at amortised cost and will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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



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

#### 2.4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting and reporting standards requires management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 3.2 and 5); and
- (ii) impairment of financial assets (note 3.2.5)

#### 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets are carried at fair value.

#### 2.6 Functional and presentation currency

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### 3.1 Cash and cash equivalents

Cash comprises current and savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

#### 3.2 Financial assets

##### 3.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

**a) Investments at fair value through profit or loss - held-for-trading**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

**3.2.2 Regular way contracts**

"Regular purchases and sales of financial assets are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the assets."

**3.2.3 Initial recognition and measurement**

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognized at fair value and transaction costs are recognized in the income statement.

**3.2.4 Subsequent measurement****a) Financial assets as 'at fair value through profit or loss - held for trading'**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss-held-for-trading.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**3.2.5 Impairment of financial assets**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized whenever the carrying value of an asset exceeds its recoverable amount.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**3.2.6 Derecognition**

Financial assets are derecognised when the contractual rights to the cash flows from the



financial asset expire or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

**3.2.7 Offsetting of financial instruments**

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3.3 Financial liabilities**

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**3.4 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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. 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.

**Change in accounting policy - Element of income / (loss)**

"Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period was recognized in income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on available for sale securities was included in distribution statement.

Securities & Exchange Commission of Pakistan (SECP) through its SRO 756(B)/2017 (dated 03 August 2017) has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (83) sub-regulation (f) which excludes the element of income from "accounting income". As per 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. It also specifies 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 asset 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.

\*The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in reserves or unit holders' fund instead of income statement. Further, SRO requires an additional disclosure should be stated below income statement for allocation of net income for the year comprising of (a) Income already paid on units redeemed, and (b) accounting income available for distribution.\*

\*Mutual Funds Association of Pakistan (MUFAP) with the consultation of SECP has clarified that income already paid on redemption of units (element of income paid out) is determined on following basis:

- Income already paid on redemption of units (element of income) made during the year shall be on gross basis instead of element of income / loss on net basis.
- In situations where funds have remained profitable for part of the year and ended up in net profit, the income already paid on redemption of units (element of income) has been calculated from the date at which the fund was last broken.
- Income already paid on redemption of units (element of income) shall be calculated on FIFO method on redemption of units for identifying units redeemed with units issued.\*

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 disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Further the basis of estimation of income already paid on redemption has been established in line with the guidelines provided by MUFAP as stated above and accordingly the same has been disclosed in the additional disclosures. Element of income paid on redemption is Rs. 36,312 million. Had the change in accounting policy applied retrospectively, the income of the Fund for the year ended June 30, 2017 would have been higher by Rs. 60,675 million.

\*Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 11,975 million. However, the change in accounting policy does not have any impact on the 'statement of Cash flows', the 'net assets attributable to the units holders' and 'net assets value per unit' as shown in the statement of 'assets and liabilities' and 'statement of movement of unit holders' fund. 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.\*

### 3.6 Provisions

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

Provisions are regularly reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.7 Revenue recognition

- Realized capital gains / (losses) arising on sale of investments are included in the 'income



statement' on the date at which the transaction takes place.

- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the income statement in the year in which they arise.
- Income on government securities is accrued using the effective interest method.
- Mark-up / return on bank balances and term deposits are recognised on a time apportionment basis using the effective interest method.

### 3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend.

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

### 3.9 Dividend and bonus units

Dividend declared (including distribution in the form of bonus units) is recognised in the year in which it is declared.

### 3.10 Earnings per unit

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

		2020	2019
	Note	-(Rupees in '000)	
<b>4. BALANCES WITH BANKS</b>			
Saving accounts	4.1	1,054,210	518,143
4.1 These savings accounts carry mark-up at the rates ranging from 10.25% to 14.25% (30 June 2019: 4.50% to 13.10%) per annum.			
<b>4.2 Cash &amp; Cash Equivalent</b>			
	Note	2020	2019
		-(Rupees in '000)	
Bank Balance		1,054,210	518,143
Term Deposit Receipt		-	80,000
		<u>1,054,210</u>	<u>598,143</u>
<b>5. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Government securities	5.1	316,947	210,804
Term deposit receipt	5.2	-	80,000
		<u>316,947</u>	<u>290,804</u>

ASKARI CASH FUND

5.1 Government securities

Issue Date	Term	Face value			Market value as at June 30, 2020	Interest(s)	
		As at July 1, 2019	Purchased during the year	Sold/ redeemed during the year		Net costs	Market value of total investments

Rs in '000

Market Treasury bills

24-May-2019 (3 months)	50,000	25,000	50,000	-	-	-	-	-	-
16-Jun-2019 (3 months)	60,000	25,000	60,000	-	-	-	-	-	-
16-Jul-2019 (3 months)	-	120,000	120,000	-	-	-	-	-	-
21-Aug-2019 (3 months)	-	60,000	60,000	-	-	-	-	-	-
16-Aug-2019 (3 months)	-	140,000	140,000	-	-	-	-	-	-
26-Aug-2019 (3 months)	-	60,000	60,000	-	-	-	-	-	-
16-Oct-2019 (3 months)	-	60,000	60,000	-	-	-	-	-	-
16-Nov-2019 (4 months)	-	20,000	20,000	-	-	-	-	-	-
24-Dec-2019 (3 months)	-	1,70,000	1,70,000	-	-	-	-	-	-
07-Jan-2020 (3 months)	-	60,000	60,000	-	-	-	-	-	-
07-Feb-2020 (6 months)	-	50,000	50,000	-	-	-	-	-	-
27-Feb-2020 (3 months)	-	20,000	20,000	-	-	-	-	-	-
19-Mar-2020 (3 months)	-	70,000	70,000	-	-	-	-	-	-
02-Apr-2020 (3 months)	-	100,000	100,000	-	-	-	-	-	-
16-Apr-2020 (3 months)	-	50,000	50,000	-	-	-	-	-	-
30-Apr-2020 (3 months)	-	60,000	60,000	-	-	-	-	-	-
27-May-2020 (3 months)	-	60,000	60,000	-	-	-	-	-	-
12-Jun-2020 (3 months)	-	1,67,000	1,67,000	-	-	-	-	-	-
26-Jun-2020 (6 months)	-	20,000	20,000	-	-	-	-	-	-
06-Jul-2020 (3 months)	-	120,000	120,000	-	-	-	-	-	-
23-Aug-2020 (3 months)	-	1,67,000	1,67,000	-	-	-	-	-	-
16-Jul-2020 (3 months)	-	12,000	-	12,000	12.28	1.0%	8.65	-	-
16-Jul-2020 (6 months)	-	12,000	-	12,000	12,000	1.7%	8.65	-	-
26-Sep-2019 (12 months)	-	77,700	70,000	67,700	66,600	1.62%	2.42	-	-
		<u>25,000</u>	<u>5,27,700</u>	<u>5,240,000</u>	<u>27,700</u>	<u>25,047</u>	<u>2.42%</u>	<u>10,605</u>	

Carrying value before sent to market as at June 30, 2020

25,000

5.1.1 The effective yield on Market Treasury Bills is 7.0763% per annum

ASKARI CASH FUND

5.2 Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss - held for trading

	2020	2019
	(Rupees in '000)	
Market value of investments	310,947	310,508
Less: carrying value of investments before mark to market	(318,107)	(211,001)
	<u>8,840</u>	<u>(9,493)</u>

6. MARK-UP ACCRUED

Mark-up accrued on balance with banks	3,649	4,451
Mark-up accrued on term deposit receipt	-	199
	<u>3,649</u>	<u>4,650</u>

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	294	166
Advance tax	16,688	5,700
	<u>16,982</u>	<u>5,866</u>

8. PAYABLE TO ASSET MANAGEMENT COMPANY

	2020	2019
	(Rupees in '000)	
Remuneration of the Management Company	8.1	474
Sindh Sales Tax on remuneration of the Management Company	8.2	2,608
Federal Excise Duty on remuneration of the Management Company	8.3	17,757
Reimbursement of operational expenses	8.4	981
Self-tax payable	1	3
	<u>21,812</u>	<u>24,567</u>

8.1 On June 30, 2020 the Management Company is charging its remuneration at the rate of 0.25% (2019: 0.5%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on Management Company's remuneration through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011. This also includes Rs. 17,757 million 2019- Rs. 17,757 million) accrued on Federal Excise Duty (FED) on the remuneration of the Management Company as fully explained in note 9.2.

8.3 \*As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 18% on the remuneration of the Management Company was applied with effect from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED since June 13, 2013.

On 30 June 2016, the Honorable Sindh High Court of Pakistan 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 01 July 2011 is ultra vires to the Constitution of Pakistan. On 23 September 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 17.757 million until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Rs. 1.35 (June 30, 2019: Rs. 2.28) per unit.

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFI) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, no provision for FED has been recorded since July 1, 2017."

- 8.4 This represents reimbursement of certain expenses to the Management Company. As per regulation 60(3)(ix) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets being the lower amount to the Fund.

8.	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
			(Rupees in '000)	
	Remuneration of the Trustee	9.1	89	107
	Sindh Sales Tax on remuneration of the Trustee	9.2	12	14
			<u>101</u>	<u>121</u>

- 9.1 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 average annual net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

Tariff structure applicable to the Fund as of June 30, 2020 is 0.0065% per annum of net asset value.

- 9.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

#### 10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorized as 'Money Market Scheme' is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02% of the average annual net assets of the Fund. The fee is paid annually in arrears.

11.	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
			(Rupees in '000)	
	Withholding tax		58	8
	Capital gain tax		4,139	710
	Legal and professional charges payable		991	181
	Auditors' remuneration		370	358
	Provision for Sindh Workers' Welfare Fund	12	9,964	4,528
	Others		2,868	2,508
			<u>15,891</u>	<u>8,293</u>

#### 12. WORKERS' WELFARE FUND SINDH WORKERS' WELFARE FUND

"The Finance Act, 2008 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 / Mutual Funds (CISs) whose income exceeded Rs. 500,000 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."

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). On 10 November 2016 the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

"In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited), MUFAP has recommended to all its members to reverse the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded aggregate provision of Rs. 9,964 million (June 2019: Rs. 4,528 million)

Had the provision not been made, it would have resulted in an increase in the net assets value

per unit by Rs. 0.6913 per unit (30 June 2019: Rs. 0.581 per unit).\*

## 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at June 30, 2020 and June 30, 2019.

14. NUMBER OF UNITS IN ISSUE	2020	2019
	-----Number of units-----	
Total units in issue at the beginning of the year	7,794,115	4,349,930
Add: units issued during the year	58,337,640	47,583,451
Less: units redeemed during the year	(51,819,590)	(44,123,438)
<b>Total units in issue at the end of the year</b>	<b>13,312,165</b>	<b>7,794,115</b>

## 15. NET ASSET VALUE PER UNIT

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

## 16. TAXATION

The Fund's income is exempt from income tax as per clause 59 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 83 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund intends to distribute such accounting income for the year ended June 30, 2019 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

## 17. EARNINGS PER UNIT

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

## 18. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2018 dated July 20, 2018 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for year ended June 30, 2020 is 0.64% which includes 0.10% representing government levy i.e. Sindh Sales Tax, SECP fee and provision for Sindh Worker's Welfare Fund.

19. AUDITORS' REMUNERATION	2020	2019
	----- (Rupees in '000) -----	
Annual audit fee	275	275
Half yearly review fee	50	121
Review of statement of compliance with the Code of Corporate Governance	30	-
Income certificate	40	40
	<b>395</b>	<b>436</b>
Out of pocket expenses including government levies	21	34
	<b>417</b>	<b>470</b>

## 20. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

20.1 Connected persons and related parties include Pak Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Pak Oman Investment Company Limited being the Parent of the Management Company. It also includes associated companies of Management Company due to common directorship, subsidiaries and associated companies of the Parent of the Management Company, other collective investment schemes managed by the Management Company, directors, key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

20.2 The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.

20.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

20.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

20.5 Details of the transactions with connected persons and related parties are as follows:

	2020	2019
	----- (Rupees in '000) -----	
<b>Pak Oman Asset Management Company Limited (Management Company)</b>		
Remuneration of the Management Company	6,286	7,754
Sindh Sales Tax on remuneration of the Management Company	819	504
Remuneration of optional business to the Management Company	1,781	1,437
Issuance of 86 units (2019: 137,325 units)	-	13,800
Redemption of 766 units (2019: 137,325 units)	-	(13,570)
Dividend reinvested	-	38
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the Trustee	1,158	1,793
Sindh Sales Tax on remuneration of the Trustee	150	228
<b>Pak Oman Asset Management Company Limited (Employee Provident Fund)</b>		
Issuance of 86 units (2019: 1,384 units)	-	300
Dividend reinvested	-	12
<b>Pak Oman Micro Finance Bank Limited (Common Directorship)**</b>		
Units issued: 86 units (2019: 1,374,350 units)	-	136,700
Units redeemed: 86 units (2019: 1,274,350 units)	-	(136,471)
Dividend reinvested: 303 Units	38	2,570
<b>Fauji Fertilizer Bin Qasim Limited**</b> (Joint holder of 10% or more units of the Fund during the year)		
Units issued: 86 units (2019: 12,835,534 units)	-	1,350,759
Units redeemed: 86 units (2019: 12,835,534 units)	-	(134,823)
Dividend reinvested	-	25,480
<b>Askari Bank Limited</b>		
Dividend reinvested: 56,432 Units	9,487	-



## ASKARI CASH FUND

	2020	2019
	(Rupees in '000)	
<b>Habib Metropolitan Bank Limited</b>		
Issuance of 1,397,893 units (2019: Nil)	290,000	-
Dividend reinvested: 179,178 Units	18,138	-
<b>Fauji Oil Terminal &amp; Distribution Co. Ltd.</b>		
Issuance of 854,038 units (2019: 86)	85,000	-
Dividend reinvested: 188,717 Units	18,185	-
<b>Key Management Personnel</b>		
Issuance of 26,978 units (2019: 26,708 units)	4,238	3,884
Redemption of 41,857 units (2019: 58,284 units)	(4,508)	(5,235)
Dividend reinvested: 1,892 units	171	188
<b>22.6 Amounts outstanding at year end are as follows:</b>		
<b>Payable to Asset Management Company</b>		
Remuneration of the Management Company	474	399
Sindh Sales Tax on remuneration of the Management Company	2,688	2,787
Federal Excise Duty on remuneration of the Management Company	17,797	17,797
Reimbursement of operational expenses	881	3,844
Sale tax payable	1	0
<b>Central Depository Company of Pakistan Limited (Trustee)</b>		
Remuneration of the Trustee	88	107
Sindh Sales Tax on remuneration of the Trustee	12	14
<b>Fak Dean Asset Management Company Limited (Employee Provident Fund)</b>		
Outstanding units: 3,084 units (2019: Nil units)	311	311
<b>Fak Dean Micro Finance Bank</b>		
Outstanding units: 2,081 units (2019: 2,715 units)	213	214
Dividend payable - Retained	26	-
<b>Askari Bank Limited</b>		
Outstanding units: 1,285,203 units (2019: 1,284,715 units)	129,788	129,991
Dividend payable	6,685	-
<b>Habib Metropolitan Bank Limited</b>		
Outstanding units: 1,871,058 units (2019: Nil units)	291,238	-
Dividend payable	4,745	-
<b>Fauji Oil Terminal &amp; Distribution Co. Ltd.</b>		
Outstanding units: 1,871,058 units (2019: Nil units)	181,028	180,028
Dividend payable - Retained	8,888	-
<b>Key Management Personnel</b>		
Outstanding units: 15,204 units (2019: 22,274 units)	1,540	3,248
Dividend payable	1	-



## ASKARI CASH FUND

## 21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience
1	Mr. Sadaf Kazmi	Chief Executive Officer	MBA	19 years
2	Mr. Abdul Rehman	Chief Financial Officer	ACCA, CPA (Finalist)	8 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	18 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumaira Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer:

- Askari High Yield Scheme
- PakDaman Advantage Islamic Income Fund

## 22. TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission charged during the year June 30, 2019 and June 30, 2020:

S.No	Names	2020
1	Vector Capital (Pvt.) Limited	39.16%
2	Invest One Markets Limited	25.98%
3	SBPL Securities Limited	13.48%
4	Paramount Capital (Pvt.) Ltd.	7.44%
5	Continental Exchange (Pvt.) Limited	5.12%
6	Icon Securities (Pvt.) Limited	4.94%
7	First Capital Securities Corporation Limited	3.98%
		100%
		2019
1	SBPL Securities Limited	40.97%
2	Vector Capital (Pvt.) Limited	35.23%
3	Paramount Capital (Pvt.) Ltd.	11.81%
4	Invest One Markets Limited	8.59%
5	Icon Securities (Pvt.) Limited	2.88%
6	Continental Exchange (Pvt.) Limited	0.52%
		100%



## 23. PATTERN OF UNIT HOLDING

Category	As at June 30, 2020		
	Number of unit holders	Net asset value of the amount invested	Percentage of investment
		(Rupees in '000)	
Individuals	245	208,063	15.74%
Bank/DFIs	1	340,332	25.62%
Others	24	456,675	34.38%
Retirement funds	23	121,882	9.24%
	<b>293</b>	<b>1,127,952</b>	<b>100%</b>

Category	As at June 30, 2019		
	Number of unit holders	Net asset value of the amount invested	Percentage of investment
		(Rupees in '000)	
Individuals	210	349,597	44.48%
Other	21	340,541	43.63%
Retirement funds	11	93,427	11.89%
	<b>242</b>	<b>783,565</b>	<b>100%</b>

## 24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th & 75th Board meetings were held on August 31, 2019, October 24, 2019, February 12, 2020 and April 16, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S.No	Name	Designation	Qualification	Experience
1	Ms. Sadaf Kazmi	Chief Executive Officer	MBA	19 years
2	Mr. Abdul Rehman	Chief Financial Officer	ACCA, CPA (Finalist)	8 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	10 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years



## 25. Financial Instrument By Category

	As at June 30, 2020		
	Loans and receivables	At fair value through profit or loss - held for trading	Total
	(Rupees in '000)		
Financial assets			
Balances with banks	1,894,218	-	1,894,218
Investments	318,947	318,947	637,894
Mark-up accrued	3,849	-	3,849
Advances, prepayments and other receivables	288	-	288
	<b>1,269,212</b>	<b>318,947</b>	<b>1,688,159</b>

	As at June 30, 2020		
	At fair value through profit or loss	Other financial liabilities	Total
	(Rupees in '000)		
Financial liabilities			
Payable to the Management Company	-	21,913	21,913
Payable to the Trustee	-	598	598
Dividend payable	-	19,879	19,879
Accrued expenses and other liabilities	-	2,618	2,618
Net assets attributable to retirement units	-	1,327,953	1,327,953
	<b>-</b>	<b>1,371,613</b>	<b>1,371,613</b>

	As at June 30, 2019		
	Loans and receivables	At fair value through profit or loss - held for trading	Total
	(Rupees in '000)		
Financial assets			
Balances with banks	518,143	-	518,143
Investments	-	293,938	293,938
Mark-up accrued	4,658	-	4,658
Advances, prepayments and other receivables	-	-	-
	<b>522,799</b>	<b>293,938</b>	<b>816,737</b>

**ASKARI CASH FUND**

As at June 30, 2019

	At fair value through profit or loss	Other financial liabilities	Total
Rupees in '000			
Financial liabilities			
Payable to Asset Management Company	-	24,547	24,547
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	121	121
Dividend payable	-	-	-
Accrued expenses and other liabilities	-	3,045	3,045
Net assets attributable to scheme units	-	785,965	785,965
		<b>813,678</b>	<b>813,678</b>

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments classified as 'at fair value through profit or loss' which are tradable in an open market is based on the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying value as the items are short-term in nature.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The table below provides information on financial assets or liabilities carried at fair values, by valuation methods.

**ASKARI CASH FUND**

As at June 30, 2020

ASSETS	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>At fair value through profit or loss - fair for trading</b>				
Government securities	-	29,907	-	29,907
As at June 30, 2019				
ASSETS	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Investments - at fair value through profit or loss - not for trading</b>				
Government securities - National Treasury Bills	-	20,028	-	20,028

There were no transfers between above levels during the year.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The Fund has not disclosed the fair values for other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**27. FINANCIAL RISK MANAGEMENT**

The Fund invests primarily in a portfolio of government securities. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

**27.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

**27.1.1 Currency risk**

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, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

**27.1.2 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.

## a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing balances with banks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of the balances with banks, with all other variables held constant, the net income and net assets would have been higher / lower by Rs. 13.65 million (2019: Rs. 7.291 million)

## b) Sensitivity analysis for fixed rate instruments

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

Fair Interest rate	Total	As at June 30, 2020			Not exposed to yield interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
<b>On balance sheet financial instruments</b>					
%					
<b>Financial assets</b>					
Balances with banks	100-112	1,86,219	1,86,219	-	-
Investments		29,947	-	-	29,947
Receivables		1,689	-	-	1,689
Advance, deposits and other receivables		28	-	-	28
		<u>1,88,083</u>	<u>1,86,219</u>	-	<u>30,663</u>
<b>Financial liabilities</b>					
Payable to the Management Company		2,071	-	-	2,071
Payable to the Trustee		188	-	-	188
Debtors payable		11,071	-	-	11,071
Accrued expenses and other liabilities		1,361	-	-	1,361
Net assets attributable to investors units		<u>1,37,180</u>	-	-	<u>1,37,180</u>
On balance sheet net		<u>50,903</u>	<u>1,86,219</u>	-	<u>1,35,316</u>
Off balance sheet financial instruments		-	-	-	-
Off balance sheet net		-	-	-	-

Fair Interest rate	Total	As at June 30, 2019			Not exposed to yield interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
<b>On balance sheet financial instruments</b>					
%					
<b>Financial assets</b>					
Balances with banks	45-111	58,140	58,140	-	-
Investments	17%-26%	20,588	20,588	-	-
Receivables		4,859	-	-	4,859
Advance, deposits and other receivables		-	-	-	-
		<u>83,587</u>	<u>79,316</u>	-	<u>4,859</u>
<b>Financial liabilities</b>					
Payable to Askari Investment Management Limited		2,547	-	-	2,547
Payable to the Central Depository Company		-	-	-	-
Payable to the Trustee		21	-	-	21
Accrued expenses and other liabilities		1,943	-	-	1,943
Net assets attributable to investors units		<u>76,008</u>	-	-	<u>76,008</u>
On balance sheet net		<u>80,555</u>	<u>79,316</u>	-	<u>1,239</u>
Off balance sheet financial instruments		-	-	-	-
Off balance sheet net		-	-	-	-

## 27.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. As at June 30, 2020, the Fund does not hold any instrument that expose the Fund to price risk.

## 27.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on loans and receivables, balances with banks, mark-up accrued, deposits and prepayments.

The credit risk on liquid funds is limited because the counter parties are financial institutions and reputable companies with reasonably high credit ratings. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines

approved by the Investment Committee, its Trust Deed and the requirements of the NSFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'paid due but not impaired'.

The analysis below summarises the credit quality of the Fund's financial assets:

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows:

	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
Rupees in '000				
Balances with banks	1,054,218	1,054,218	516,141	516,141
Investments	216,947	216,947	295,338	295,338
Mark-to-market	3,849	3,849	4,850	4,850
Advances, provisions-indebtor securities	16,386	16,386	-	-
	<u>1,391,399</u>	<u>1,391,399</u>	<u>817,329</u>	<u>817,329</u>

The analysis below summarises the credit quality of the Fund's financial assets:

Bank balances by rating category

Name of bank	Balances held by the Fund as at June 30, 2020	Latest available published ratings at June 30, 2020	Rating agency
--------------	---	---	---------------

(Rs. in '000)

Allied Bank Limited	1,043,552		PADRA
Askari Bank Limited	5		PADRA
Bank Alfalah Limited	5,785		JCR-VIS
Dubai Islamic Bank Pakistan Limited	1,851		PADRA
Faysal Bank Limited	10		PADRA
Habib Metropolitan Bank Limited	12		PADRA
United Bank Limited	5		JCR-VIS
Zarai Taraqati Bank	9		PADRA
Khushhal Bank Limited	9		PADRA
HRSP Bank Limited	10		JCR-VIS
JS Bank Limited	9		PADRA
	<u>1,051,258</u>		

### Concentration of credit risk

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

The Fund's major bank balance is held with one bank. Management believes that such bank is a reputed institution.

### 27.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	June 30, 2020			
	Total	Upto three months	Over three months and upto one year	Over one year
Rupees in '000				
<b>Financial liabilities</b>				
Payable to the Asset Management Company	21,873	21,873	-	-
Payable to the Trustee	100	100	-	-
Dividend payable	19,879	19,879	-	-
Accrued expenses and other liabilities	2,639	2,639	-	-
Net assets attributable to redeemable units	<u>1,327,482</u>	<u>1,327,482</u>	-	-



	June 30, 2020			
	Total	Up to three months	Over three months and up to one year	Over one year
	Rupees in '000			
Financial liabilities:				
Payable to the Asset Management Company	24,547	24,547	-	-
Payable to the Trustee	121	121	-	-
Dividend payable	-	-	-	-
Accrued expenses and other liabilities	1,045	1,045	-	-
Net assets attributable to redeemable units	785,905	785,905	-	-
	<u>811,618</u>	<u>811,618</u>	<u>-</u>	<u>-</u>

### 28. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuances and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;"
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions, and"
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter."

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

29. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.



### 30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on 28 August, 2020.

### 31. GENERAL

- 31.1 Figures have been rounded off to the nearest thousand rupees.

For Falt Oases Asset Management Company Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



## CONTENTS

Mission & Vision Statement .....	01
Fund Information .....	02
Report of the Director of the Management Company (English) .....	03
Report of the Director of the Management Company (Urdu) .....	04
Report to the Fund Manager of the Management Company .....	09
Report of the Trustee .....	12
Independent Auditor's Review Report to the Unitholders .....	13
Statement of Compliance .....	15
Independent Auditor's Report .....	18
Statement of Assets and Liabilities .....	22
Income Statement .....	23
Statement of Comprehensive Income .....	24
Statement of Movement in Unit Holder's Fund .....	25
Cash Flow Statement .....	26
Notes to the Financial Statement .....	27



## Our Mission

"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."

## Our Vision

"ASKARI HIGH YIELD SCHEME aims to provide diversified portfolio and return that is risk-adjusted to suit investors at large, on a consistent basis."



## FUND INFORMATION

**Management Company**

Pak Oman Asset Management Company Limited  
 KORN House 83-C, 42nd Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web-site : www.pakomanfund.com

**Board of Directors of The Management Company**

H.E. Yaqub Bin Saïd Bin Abdallah Al-Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Huseayun Murad	Director
Mr. Jehangir Shah	Director
Mr. Rashid Ali Ibrahim Al Bahadri	Director
Ms. Saïd Karim	CEO

**Audit Committee**

Mr. Huseayun Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Ibrahim Al Bahadri	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hina Mir

**Asset Manager Rating**

Aa1+ (Stable Outlook)

**Trustee**

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

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beaumont Road,  
 Karachi-75530

**Bankers to The Fund**

Askari Bank Limited  
 AlBaraka Bank (Pakistan) Limited  
 Bank Alfalah Limited  
 Habib Bank Limited  
 Habib Metropolitan Bank Limited  
 SGB Bank Limited  
 JS Bank Limited  
 Khushali Bank Limited  
 Zamil Taseer Bank Limited  
 NISP Microfinance Bank Limited  
 Sumair Bank Limited  
 The First MicroFinanceBank Limited

**Legal Advisor**

Muhammad Tayyab Ali  
 Corporate & Commercial Law Firm  
 D-21, Block - 4,  
 KDA Scheme 5/C/15a, Karachi.

**Transfer Agent**

TEMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Shalban-e-Faisal, Karachi, 74000, Pakistan  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 34326040  
 Web-site : www.teminds.biz



## DIRECTORS REPORT TO THE UNIT HOLDERS

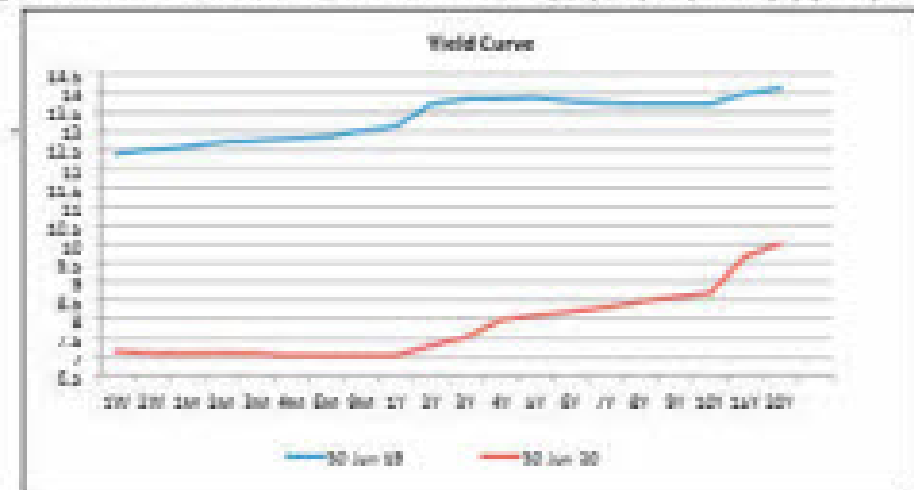
The Board of Directors of Pak Oman Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Askari High Yield Scheme (AHYS) for the Year ended 30th June 2020.

**Fixed Income Review FY20**

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 160bps, 50bps and 60bps and stood at 7.09%, 7.03% and 7.05% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields stood by 632bps, 577bps and 503bps and stood at 7.35%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdown. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 15bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,797 billion against the target of PKR 14,540 billion and maturity of PKR 11,292 billion. The last cut-off yields stood at 8.13%, 7.99% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY 20, participation was skewed towards 3M and 6M paper, however, during second half of FY 20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rated bonds, SBP raised PKR 1,982 billion. Cut-off yields stood at 7.97%, 8.42%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



**Economic Review FY20**

After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till 9M FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic during large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major boom with substantial decline in exports specially textiles (constituting approximately 96% of total yearly exports). Though government and Ministry of Finance announced various relief measures to incentivize export-oriented sectors in the form of reducing borrowing rates (625bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 19.74% as compared to 5.89% in same period last year. While SPI and WPI averaged at 13.74% and 10.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deterioration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP, decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e. 1.1% of GDP as compared to deficit of \$13.40 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

**AIYS**

In FY20, AIYS delivered a return of 7.83% as compared to its benchmark return of 12.26%. The fund underperformed its benchmark due to ease-off provisioning expense charged against TFCs in 1-Half FY20. However, during the 2-Half FY20, the fund delivered a return of 13.51% as compared to its benchmark of 10.89%, outperforming by 264bps. The outperformance was driven by capitalizing opportunities in the market and timely allocation in longer term government securities given the economic scenario and predicting a cut in the policy rate. Asset under management settled at PKR 1,167 million as compared to PKR 1,211 million in start of financial year.



By the end of June 20, exposure against TFCs stood at 38.07% of the fund size and exposure against this asset class averaged at 37.81% as compared to 79.25% in FY19. Exposure against T-Bills averaged at 11.40% as compared to a negligible exposure of 0.12% in comparable period last year. Exposure in placements with corporates and Financial institutions averaged at 8.35% as compared to 2.10% in FY19. In 2-Half of FY20, fresh exposure was taken against PIBs anticipating a cut in policy rate. Exposure was taken to the extent of 16.99% by end June 2020. In FY20, average exposure against this asset class totaled 4.28%. Retaining funds were invested as cash with A and above rated banks. Average cash exposure of the fund during FY-20 stood at 17.81%.

**Acknowledgment**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Director of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company.

For and on behalf of the Board  
Sadaf Karim  
Chief Executive Officer

26th August 2020  
Karachi - Pakistan.







After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. The IMF (20) there were reasonable improvements in economic front however, after the outbreak of corona virus pandemic denting large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major burn with substantial decline in exports (specialty textiles accounting approximately 74% of total yearly exports). Though government and Ministry of finance announced various relief measures to incentivize export oriented sectors in the form of reducing borrowing rates (425bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 8.80% in same period last year, while SPI and WPI averaged at 13.74% and 20.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policy announced during the period, SBP cumulatively slashed policy rate by 425bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e 1.3% of GDP as compared to deficit of \$3.49 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas workers remittances registered 6.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMIs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.



In Financial Year 2020, secondary market yields across short term paper headed downwards. Yields on 3m, 6m and 12m paper reduced by 500bps, 580bps and 600bps and stood at 7.09%, 7.65% and 7.65% respectively by end of June-20. On the other hand, yield on longer term bonds saw sharp decline. Yields shed by 600bps, 570bps and 500bps and stood at 7.58%, 8.11% and 8.49% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policy announced during the period, SBP cumulatively slashed policy rate by 425bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,546 billion and maturity of PKR 15,290 billion. The last cut-off yields stood at 8.11%, 7.58% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rate bonds, SBP raised PKR 1,982 billion. Cut-off yields settled at 7.97%, 8.44%, 8.09%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.

31<sup>st</sup> September 2020  
Karachi - Pakistan

Saima Shaukat  
Fund Manager



TRUSTEE DEPOSITARY COMPANY  
OF PAKISTAN LIMITED

**Head Office**  
117, Connaught Place, 10th Floor  
100, The Metropolitan Building  
Karachi - 74000 Pakistan  
Tel: 021-111-7711-028  
Fax: 021-111-7711-029  
E-mail: [info@tdcp.com.pk](mailto:info@tdcp.com.pk)  
[www.tdcp.com.pk](http://www.tdcp.com.pk)



TRUSTEE REPORT FOR THE YEAR END 2020


ASKARI HIGH YIELD SCHEME

Report of the Trustee pursuant to Regulation 4(B)(i) and clause (f) of Schedule V of the Non-Banking Finance Companies and Special Finance Regulations, 2000.

We, Capital Depository Company of Pakistan Limited, being the Trustee of Askari High Yield Scheme of the Board, one of the schemes of the Askari Asset Management Company Limited being the Management Company of the Fund, are in full material compliance with the provisions of Section 20(1)(b), inserted by Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Undertake required on the investment process of the Management Company with the continuous assistance of the Fund;
- (ii) The pricing, income and redemptions of units are carried out in accordance with the requirements of Administrative Document of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulatory) Rules, 2000, the Non-Banking Finance Companies and Special Finance Regulations, 2000 and the continuous assistance of the Fund.

We already highlighted our previous reports issued February 28, 2021 and September 30, 2021. In Fund limited increase was reported regarding the statement of the Askari High Yield Scheme during the period with the requirement of Regulation 15(b) of the Non-Banking Finance Companies and Special Finance Regulations, 2000 (NBFC and SF Regulations) which cover the expenses in respect equity debt, we received an amount equal to the full portion of the total the assets, as of June 30, 2020 (last reported in the Fund accounted for 70% of total assets).

  
**Nadeem Akbar**  
Chief Executive Officer  
Trustee/Depository Company of Pakistan Limited

Karachi, September 16, 2020



Chartered Accountants  
Certified Public Accountants

101, Regency Plaza, D-Block, 10th  
Floor, F-7/2, Islamabad

Tel: 011-35860000  
Fax: 011-35860001

[www.rsm.com.pk](http://www.rsm.com.pk)

Independent Auditor's Review Report to the Unit Holders of Askari High Yield Scheme Fund

Review Report on the Statement of Compliance contained in United Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the United Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Pak Orient Asset Management Company Limited (the Management Company of the Fund) for the year ended June 30, 2020. It accords with the requirements of regulation 20 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance processes and risks.

The Regulations require the Management Company to determine if the Audit Committee, an independent recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions. We are only required and have ensured compliance in the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirement(s) of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance.



Sl.	Paragraph reference	Description
1.	19	The position of the head of Internal Audit of the Fund is vacant since August 2019.
2.	19	The position of the Chief Financial Officer of the Fund is vacant since January 2020.

*Ali Asim Akhtar*  
 Chartered Accountant  
 Karachi

Dated 13 SEP 2020

#### Statement of Compliance with Annual Companies (Code of Corporate Governance) Regulations, 2019

##### Askari Asset Management Company Limited

Terminated June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:-

- The total number of directors is six as per the following:

a. Male: Five

b. Female: one

- The composition of the Board is as follows:

Independent directors	1.	Mr. Humayun Mansoor
	2.	Mr. Rashid Ali Bhattani A. Bhattani
Non-executive directors	1.	H.E. Yaqub Bin Saif Bin Abdullah Al-Jabri
	2.	Mr. Dilshad Khan
	3.	Mr. Humayun Mansoor
	4.	Mr. Rashid Ali Bhattani A. Bhattani
	5.	Mr. Ashfaq Nadeem
Executive directors	1.	Mr. Saad Ahmad
Female directors	1.	Ms. Saad Khatun

- The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
- The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that quarterly record of participation of the significant persons along with their dates of approval or updating is maintained by the company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board have a formal policy and transparent procedure for nomination of directors in accordance with the Act and these Regulations.

Mr. Saad Ahmad  
 Askari Asset Management Company Limited  
 14th Floor, 21-E, 22th Commercial Street, Phase 1 Government DDA, F-7/2



9. The Board has arranged Directors' Training program for the following:

Mr. Yaqub Khan (Mr. Yaqub Anwar) / Mr. Yaqub Khan	Completed / Confirmed
---	-----------------------

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Hameez Memon	Chairman
Mr. Hameez Khan	Member
Mr. Hameez Khan / Mr. Hameez Khan	Member

b) HR and Remuneration Committee:

Mr. Hameez Khan	Chairman
Mr. Hameez Memon	Member

c) Board Investment Committee:

Mr. Hameez Khan	Chairman
Mr. Hameez Khan	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the concerned for compliance.

14. The frequency of meetings quarterly/half yearly/ yearly of the committee was as per following:

a) Audit Committee: Quarterly

b) HR and Remuneration Committee: Annually

c) Board Investment Committee: Quarterly

15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are competent, suitably qualified and experienced for the purpose and are conversant with the affairs and processes of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm matched in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors of the persons associated with them have not been requested to provide other services except as inconsistent with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 17, 22, 23 and 24 of the Regulations have been complied with and.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 17, 22, 23 and 24 are below:

In August 2019, the Head of Internal Audit left Pak Urban Asset Management Company Limited. Right after she left we started the process of reviewing people for this position and a few candidates were also identified, but as this position directly reports to the Board Audit Committee, the candidates were reviewed by the Chairman Audit Committee and were rejected. We have constantly been reviewing people since then and have shortlisted a few. The candidate will be reviewed / interviewed by the Chairman Audit Committee or governing Board of Directors meeting and as soon as he gets a go ahead the position will be filled.

The Chief Financial Officer of PLASKI - Mr. Muhammad Faridul has resigned on January 06, 2020 and currently the acting charge has been given to Mr. Abdul Rehman. The management appreciates the stance to consider working situation for job positions and also keeps on monitoring their performance. Management also assess whether it is required to hire some other person for the key positions. The decision to finalize the permanent Chief Financial Officer position will be made by the Board of Directors or their governing Board of Directors meeting.

Chairman  
Board of Directors



**INDEPENDENT AUDITORS' REPORT**

To the unit holders of Askari High Yield Scheme Fund

Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of Askari High Yield Scheme Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of investment (or unit holders' fund) and cash flow statement for the year terminated, 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 financial position of the Fund as at June 30, 2020, and of its financial performance, its cash flows for the year terminated, in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**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 period. 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.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Net Asset Value (NAV)</b> (Refer note 4 and note 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2020 amounted to Rs. 743,096 million and balances with banks aggregated to Rs. 10,182 million.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- We tested the design and operating effectiveness of the key controls for acquisition, disposal and valuation of investments.</li> <li>- We obtained independent confirmations for verifying the existence of the investment portfolio and balances with</li> </ul>



The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.

Details as at June 30, 2020 and reconciled them with the books and records of the Fund. Where such corroborations were not available, alternative audit procedures were performed.

- We re-performed valuation to assess that investments are carried at per the valuation methodology specified in the accounting policies and

- We obtained bank reconciliation statements and tested reconciling items on a sample basis.

- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are complied with the relevant accounting requirements.

**Other matter**

The financial statements of Askari High Yield Scheme Fund for the year ended June 30, 2019, were audited by another auditor who expressed qualified opinion on those financial statements on August 28, 2019 on the following matters:

- Non-provision of Investment in Term Finance Certificate amounting to Rs. 16,248 million in view of Investment of Order 23 dated October 24, 2019 issued by Securities & Exchange Commission of Pakistan (SECP).
- Wrong recognition of Revaluation gain amounting to Rs. 11.7 million on property (acquired through settlement) which was recorded as "held for sale" as per "International Financial Reporting Standard (IFRS) 5".

Our report for the current year is not modified on the issues mentioned in (a) and (b) above because:

- The Fund has recorded appropriate provision in the current year financial statements as per investment of Order 23 dated October 24, 2019 issued by SECP.
- The Fund, in the current year financial statements has transferred the property as Investment Property as per International Accounting Standard (IAS) 40 "Investment Property" after approval from SECP, as disclosed in note 9 of the financial statements.



Information other than the financial statements and auditor's report thereon

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management, other than those charged with governance, or the audit committee, has no realistic alternative but to do so.

Those charged with governance of the management company are responsible for overseeing the Fund's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulatory practice prohibits 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

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Audited Entities Regulation, 2005.

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

Chartered Accountant  
 Karachi  
 Board



## STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2020

	Note	2020 ———— (Rupees) ————	2019 ———— (Rupees) ————
<b>ASSETS</b>			
Balances with banks	4	423,793,700	396,560,348
Investments	6	742,896,969	657,037,188
Accrued profit, prepayment's, advances and other receivables	7	48,951,674	30,362,767
Security deposits	8	3,850,000	3,850,000
Non-current assets classified as 'held-for-sale'		-	36,000,000
Investment property	9	36,830,000	-
<b>Total assets</b>		<b>1,257,712,263</b>	<b>1,326,809,303</b>
<b>LIABILITIES</b>			
Payable to Management Company	10	48,862,772	62,428,584
Payable to Trustee	11	80,514	164,382
Payable to Securities and Exchange Commission of Pakistan	12	180,948	1,458,381
Dividend payable		14,899,948	6,582,507
Accrued expenses and other liabilities	13	25,889,319	22,452,105
<b>Total liabilities</b>		<b>99,170,600</b>	<b>96,085,959</b>
Contingencies and Commitments	14 & 15		
<b>NET ASSETS</b>		<b>1,157,541,663</b>	<b>1,230,723,344</b>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<b>1,157,541,663</b>	<b>1,230,723,344</b>
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>11,566,714</b>	<b>12,070,398</b>
		———— (Rupees) ————	
<b>NET ASSET VALUE PER UNIT</b>		<b>100.061</b>	<b>101.978</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

For Pak Ocean Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
	Note	(Rupees)	
<b>INCOME</b>			
Profit on term advances and term deposit receipt		21,204,838	24,428,123
Income from government securities		12,945,828	2,472,123
Interest on term finance and sukuk certificates		73,893,822	102,281,244
Income from marginal lending system		-	-
Reversal of provision on collateral against sold securities		-	-
Capital gain on sale of investments - net (comprised: appreciation) + appreciation on remeasurement of investments - decrease in financial assets at fair value through profit or loss - net		249,172	2,138,227
Dividend income		-	3,234,728
Others income		(74,892,144)	141,228
		28,872	12,262,478
<b>Total income</b>		<b>128,714,524</b>	<b>246,874,824</b>
<b>EXPENSES</b>			
Remuneration of Management Company	12.1	12,874,787	20,158,128
Direct sales fee on the Management Company's remuneration	12.2	1,889,722	3,721,884
Accounting and operation charges	12.4	874,888	1,829,123
Remuneration of Trustees	13	882,222	2,828,221
Annual fee to the Securities and Exchange Commission of Pakistan		182,222	1,488,428
Securities transaction costs		872,222	1,128,778
Debit and bank charges		22,172	11,827
Auditor's remuneration	18	872,428	788,728
Justification of premium on FPA		128,222	-
Fee on subscription		422,222	288,222
Printing charges		22,222	124,128
Advertisement & Selling Expenses		2,278,242	1,728,228
Provision for Short-Term Sukuk Waqaf Fund		1,282,244	2,828,724
TDR Issuance		12,222	-
Provision against Debt Securities		12,242,244	1,878,222
Legal and professional charges		22,222	24,222
		37,592,278	62,128,427
<b>Net income from operating activities</b>		<b>91,122,246</b>	<b>184,746,397</b>
<b>Net income for the year before taxation</b>		<b>91,122,246</b>	<b>184,746,397</b>
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>91,122,246</b>	<b>184,746,397</b>
<b>Earnings per unit</b>	20		
<b>Allocation of Net Income for the period:</b>			
- Net income for the period after taxation		91,122,246	184,746,397
- Income already paid or unrecognised		(2,422,222)	(2,422,222)
		88,700,024	182,324,175
<b>Accumulated income available for distribution:</b>			
- Relating to capital (reserves) - prior		-	141,228
- Relating to capital (reserves) - prior		24,222,222	21,222,222
		24,222,222	21,363,450

The annexed notes 1 to 22 form an integral part of these financial statements.

For Pak Green Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees)	
Net income for the year after taxation	93,114,827	140,470,201
Other comprehensive income	-	-
<b>Items that may be reclassified subsequently to income statement</b>		
Unrealized appreciation on remeasurement of investments classified as 'available-for-sale' - net	-	-
<b>Total comprehensive income for the period</b>	<b>93,114,827</b>	<b>140,470,201</b>

The annexed notes 1 to 22 form an integral part of these financial statements.

For Pak Green Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	March 2020			March 2019		
	Subsidiary	Items	Total	Subsidiary	Items	Total
	Rupee			Rupee		
Net assets at beginning of the year	1,08,79,074	8,08,779	1,16,87,853	1,08,09,028	8,08,548	1,16,17,576
Receipts of 2020 (2019) of 100 units	89,88,28	-	89,88,28	1,08,09,028	-	1,08,09,028
Dividend income	7,48,88	-	7,48,88	7,48,88	-	7,48,88
The operations income/loss	87,41,9	-	87,41,9	(7,58,88)	-	(7,58,88)
Receipts of 2020 (2019) of 100 units	89,88,28	-	89,88,28	1,08,09,028	-	1,08,09,028
Dividend income	-	8,40,88	8,40,88	-	(8,40,88)	(8,40,88)
Net income/loss	(7,14,88)	-	(7,14,88)	8,08,548	-	8,08,548
The payments on redemption of unit	(1,07,81,18)	8,48,88	(1,16,29,18)	(1,07,81,18)	(8,48,88)	(1,16,29,18)
The operations income/loss for the year	-	8,14,87	8,14,87	-	14,48,88	14,48,88
Dividend income for the year	-	(7,34,88)	(7,34,88)	-	(8,78,88)	(8,78,88)
Net income for the year (accrual)	-	(7,18,88)	(7,18,88)	-	8,08,548	8,08,548
Net assets at end of the year	1,02,18,87	14,08,78	1,16,27,65	1,08,79,074	14,08,78	1,22,87,85
Dividend for the year		-Rupee-			-Rupee-	
Net assets at start of the year		11,728			11,728	
Net assets at end of the year		18,888			18,888	

For Pak Overseas Asset Management Company Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupee)	
Net income for the year before taxation	83,174,807	140,472,201
Adjustments for:		
Unrealised depreciation / (accrual) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	18,028,719	2,004,725
Capital loss on sale of investments - net	(248,173)	(2,188,881)
Reversal of provision against Workers Welfare Fund	-	-
Reversal of provision on settlement against debt securities	-	-
Provision against Workers Welfare Fund	1,187,844	2,066,739
Statement of loss and capital losses included in price of units issued less those in units redeemed - net	-	-
	18,868,390	2,726,710
(Increase) / decrease in assets:		
Reserve against Margin Trading System	-	-
Investments - net	100,286,139	1,109,221,189
Receivable against sale of investments	-	201,204,725
Investment property	-	(12,402,885)
Security deposits	1,000,000	888
Accrued profit, prepayments, advances and other receivables	(18,888,802)	24,408,284
	81,397,337	1,419,726,519
Increase / (decrease) in liabilities:		
Payable to Management Company	(12,789,812)	8,128,242
Payable to the Central Depository Company of Pakistan Limited - Trades	84,888	(171,912)
Payable to the Securities and Exchange Commission of Pakistan	(7,287,422)	(1,184,248)
Payable against conversion of units	-	-
Accrued expenses and other liabilities	8,824,811	82,112,785
	(7,187,535)	(74,741,885)
Net cash generated from operating activities	123,605,640	1,489,123,347
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issue of units	867,478,183	1,272,124,389
Payments against redemption of units	(7,518,614,188)	(8,822,127,784)
Cash distribution paid	(74,204,283)	(82,778,832)
Net cash generated from / (used in) financing activities	(715,340,288)	(7,632,782,227)
Net increase / (decrease) in cash and cash equivalents	(491,734,648)	(2,845,171,882)
Cash and cash equivalents at the beginning of the period	394,883,948	621,789,845
Cash and cash equivalents at the end of the period	103,149,300	(212,891,937)

The annexed notes 1 to 12 form an integral part of these financial statements.

For Pak Overseas Asset Management Company Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director



## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

## 1 LEGAL STATUS AND NATURE OF BUSINESS

Askari High Yield Scheme (the Fund) was established under a Trust Deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee on 5 December 2005. The Trust Deed was executed in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund was registered by the Securities and Exchange Commission of Pakistan (SECP) as a Notified Entity in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on 19 February 2006.

Pak Oran Asset Management Company Limited (POAMCL) has acquired 100% shares of Askari Investment Management Limited (AIML) from Askari Bank Limited on 31 May 2017 under share purchase agreement dated 10 April 2017. The acquisition was approved by the SECP vide its letter dated 06 April 2017. Further, AIML in its board meeting held on 31 May 2017 has approved amalgamation of AIML with and into POAMCL. The scheme has also been approved by the shareholders of AIML in Extra Ordinary General Meeting held on 21 June 2017.

The SECP on vide its letter No. SOCI/MCO/MERGER/AML-POAMCL/102/2017 dated 13 October 2017 sanctioned the scheme of merger of AIML with and into POAMCL effective 12 October 2017, resultantly AIML stands amalgamated with and into POAMCL. Further the rights of AIML to manage the CDSs stood transferred to POAMCL.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (SECP). The registered and Head Office of the Management Company is situated at Icon House, 83-C, 12th Commercial Street, Phase-II Extension, DHA, Karachi.

The Fund is an open-end collective investment scheme categorised as an 'Aggressive Fixed Income Scheme' by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs. 100 per unit. Thereafter, the units are being offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The objective of the Fund is to provide investors an opportunity to make competitive returns from fixed income securities while targeting a portfolio duration of six months.

The Pakistan Credit Rating Agency (PRICRA) has assigned management quality rating of AMQ+ to the Management Company as at 28 August 2020. Furthermore, PRICRA has assigned a rating of 'A(1)' to the Fund as at 6th Sep 2020.

Title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

## 3 BASIS OF PREPARATION

## 2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Such Standards comprises of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII of



the repeated Companies Ordinance, 1984;

- the NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of Trust Deed.

2.1.2 Where provisions of and directives issued under the Companies Act, 2017, part VIII of the repeated 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 VIII of the repeated Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

2.1.3 In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that the financial information gives a true and fair view of the state of the Fund's affairs as at 30 June 2020.

## 2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The Fund has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendment)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

## 2.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

IAS 1 - 'Presentation of financial statements' (amendment) January 1, 2020

IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment) January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of Fund's accounting policies. The estimates, judgments and associated assumptions are based on historical experience including expectation of future events and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.



The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to financial statements are as follows:

- i. Classification and valuation of financial assets (note 3.3)
- ii. Impairment of financial assets (note 3.3.5)
- iii. Provision for Sindh workers' welfare fund/workers' welfare fund (note 13.1)
- iv. Taxation (note 5.10 and 19)

### 3.5 Accounting Convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair values in accordance with the requirements of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'.

### 3.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except for as disclosed in note 2.2 and 3.1.

### 3.1 Change in accounting policy

#### 3.1.1 IFRS 9 - Financial Instruments

Effective from 1 July 2018, the Fund has adopted IFRS 9: 'Financial Instruments' which has replaced IAS 39: 'Financial Instruments: Recognition and Measurement'. The standard prescribes accounting and reporting requirements for recognition, classification, measurement and derecognition of financial assets and financial liabilities.

The IFRS 9 has replaced current categories of financial assets (Fair Value Through Profit or Loss (FVTPL), Available For Sale (AFS), held-to-maturity and amortised cost) by the following classifications of Financial Assets:

- 1) Debt instruments at amortised cost
- 2) Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI), with gains or losses recycled to profit or loss on derecognition<sup>1</sup>
- 3) Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- 4) Financial assets at Fair Value through Profit or Loss

The accounting for financial liabilities remains largely the same as it was under IAS 39. Under IFRS 9, the classification is based on two criteria, a) the entity's business model for managing the assets; and b) whether the instruments' contractual cashflows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The assessment of the Fund's business model was made as at the date of initial application i.e. 01 July 2018.



As a result of the above assessment, the management has concluded that all the investments in debt securities will continue to be classified as financial instruments 'At Fair Value Through Profit or Loss' as such investments are managed on a fair value basis and are held for trading purposes in accordance with the objectives of the Fund.

Investments in commercial paper, letter of placements (LOP), term deposit receipts and other similar investments are classified at Amortised cost as such these investments are short term in nature, not managed on a fair value basis and fall under SPPI criterion in accordance with the objectives of the fund.

While the SECP vide its letter dated 21 November 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions, accordingly, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than debt securities i.e. bank balances and other financial assets and concluded that the impact is not material to the condensed interim financial statements.

### IAS 40 - Investment Property

During the year, the management company has designated asset held for sale to investment property as mentioned in note 9 to these financial statements. There is no change in the fair value of these assets accordingly, no retrospective impact has been accounted for in these financial statements.

### 3.2 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. These include balances with banks and other short-term highly liquid investments with original maturities of three months or less.

### 3.3 Financial assets

#### 3.3.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are, currently, categorised as follows:

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category.

#### (b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### (c) Available-for-sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for the liquidity or change in price.

**3.3.2 Regular way contracts**

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

**3.3.3 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are expensed out in the Income Statement.

**3.3.4 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:

**a) Financial assets at fair value through profit or loss and available-for-sale financial assets****- Basis of valuation of debt securities**

The investment of the Fund in debt securities (comprising any security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital and includes term finance certificates, bonds, debentures, sukuk and commercial papers etc.) is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates the MUFAP takes into account the holding pattern of those securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**- Basis of valuation of government securities**

The investments of the Fund in (jira sukuk) issued by the Government of Pakistan (GoP) (jira sukuk) are valued on the basis of rates announced by the Financial Markets Association of Pakistan. The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

**- Basis of valuation of equity securities**

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising on changes in the fair values of 'financial assets at fair value through profit or loss' are taken to the income statement.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the other comprehensive income is shown as part of net income for the year.

**b) Loans and receivables**

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

**3.3.5 Impairment**

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is reclassified from the statement of comprehensive income to the income statement.

For financial assets classified as 'loans and receivable', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is measured as the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

**3.3.6 Derecognition**

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

**3.3.7 Derivatives**

Derivative financial instruments are initially recognised at fair value. Subsequent to initial measurement each derivative financial instrument is remeasured to its fair value as at that day. The resultant gain or loss is recognised in the income statement.

**3.4 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

**3.5 Offsetting of financial assets and liabilities**

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

**3.6 Collateral**

Cash collateral provided by the Fund is identified in the statement of assets and liabilities as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of assets and liabilities separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

**3.7 Preliminary expenses and flotation costs**

Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the



provisions contained in the NBFC Regulations.

### 3.8 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 amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

### 3.9 Net asset value per unit

The Net Asset Value (NAV) per unit as disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

### 3.10 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realized or unrealized is distributed among the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

### 3.11 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such distributions are declared.

### 3.12 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. 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, applicable to units for which the redemption applications are received during business hours on that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.



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

An equalisation account called the "element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed" is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemptions.

The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognized in income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement.

### 3.14 Revenue recognition

- Profit on savings and term deposits and money market placements is recognized taking into account the effective yield.
- Income on debt and government securities is recognized taking into account the effective yield.
- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Rental income on properties held-for-sale is recognized on an accrual basis.
- Income on reverse repo arrangements is recognized on an accrual basis.
- Unrealized gains / (losses) on remeasurement of investments classified as financial assets at fair value through profit or loss<sup>1</sup> are included in the Income Statement in the period in which they arise.
- Element income on issue and repurchase of units is recognized when the units are issued and redeemed at the transaction date.

### 3.15 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SEDCP and etc.) are recognized in the income statement on an accrual basis.

### 3.16 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3.17 Non-current assets classified as 'held-for-sale'

Non-current assets classified as 'held-for-sale' are those assets that meet the criteria of IFRS 5 - Non-current assets held for sale and discontinued operations. These are measured at the lower of carrying value and fair value less costs to sell.

4 BALANCES WITH BANKS

	Note	Rupees	
		2020	2019
In savings accounts	4.1	403,793,766	396,593,344

4.1 The rate of return on these accounts ranges between 10.25% and 12.90% (30 June 2019: 3.75% and 11.50%) per annum.

5 TERM DEPOSIT RECEIPTS

	Note	Rupees	
		2020	2019
<b>Performing</b>			
<b>Non - Performing</b>			
Trust Investment Bank Limited	5.1.2	-	129,111,798
Saudi Pak Leasing Company Limited	5.1.2	-	13,500,000
		-	142,611,798
Provision held at the beginning of the year		-	(142,611,798)
		-	-

5.1.1 The facilities have been classified as non-performing and have been fully provided in accordance with the Fund's provisioning policy.

6 INVESTMENTS

	Note	Rupees	
		2020	2019
<b>Financial assets at fair value through profit or loss - held for trading</b>			
<b>Government securities</b>			
- Market Treasury Bills	5.1.1.1	36,450,360	-
- Pakistan Investment Bonds		298,638,287	-
<b>Debt securities</b>			
- Term finance certificates - listed	5.1.1.2	306,808,898	307,250,487
- Term finance certificates - unlisted	5.1.2.1	-	698,000,768
- Sukuk Certificates - listed	5.1.1.3	87,717,175	114,887,037
- Sukuk certificates - unlisted	5.1.2.4	36,258,989	37,072,818
- Commercial Papers		60,818,188	-
		488,603,262	857,037,108
		742,868,869	857,037,108

5.1 Financial assets at fair value through profit or loss - held for trading

5.1.1 Government securities

5.1.1.1 Market Treasury Bills

Issue Date	Term	Face Value			Increase/Decrease			Market value as a percentage of face value	Market value as a percentage of net assets
		At beginning of the period	Purchase during the period	Settlement during the period	At 30 June 2020	Carrying value	Market value		
5-Jun-19	3/Mon	-	16,00,00	16,00,00	-	-	-	100%	100%
14-Jul-19	3/Mon	-	25,00,00	25,00,00	-	-	-	100%	100%
21-Aug-19	3/Mon	-	9,00,00	9,00,00	-	-	-	100%	100%
10-Sep-19	3/Mon	-	10,00,00	9,00,00	-	10,51,17	1,49,18	105%	105%
20-Sep-19	3/Mon	-	13,00,00	13,00,00	-	-	-	100%	100%
30-Oct-19	3/Mon	-	20,00,00	20,00,00	-	-	-	100%	100%
30-Nov-19	3/Mon	-	12,00,00	12,00,00	-	-	-	100%	100%
Jan-20	3/Mon	-	5,00,00	5,00,00	-	-	-	100%	100%
27-Feb-20	3/Mon	-	7,00,00	7,00,00	-	-	-	100%	100%
04-Mar-20	3/Mon	-	10,00,00	10,00,00	-	-	-	100%	100%
20-Mar-20	3/Mon	-	7,00,00	7,00,00	-	-	-	100%	100%
14-Apr-20	3/Mon	-	7,00,00	7,00,00	-	-	-	100%	100%
20-Apr-20	3/Mon	-	7,00,00	7,00,00	-	-	-	100%	100%
14-May-20	3/Mon	-	8,00,00	8,00,00	-	-	-	100%	100%
5-Jun-20	3/Mon	-	10,00,00	10,00,00	-	-	-	100%	100%
5-Jul-20	3/Mon	-	10,00,00	10,00,00	-	-	-	100%	100%
<b>Total - 30 June 2020</b>			<b>142,611,798</b>	<b>142,611,798</b>		<b>10,51,17</b>	<b>1,49,18</b>		<b>105%</b>
<b>Total - 30 June 2019</b>			<b>142,611,798</b>	<b>142,611,798</b>					

5.1.1.2 Pakistan Investment Bonds

Issue Date	Term	Face value			Balance as at 30 June 2020		Percentage of		
		At the beginning of the period	Purchased during the period	Disposed during the period	At the end of the period	Carrying value	Market value	Total investment	Net Assets
18-Sep-19	3/Year	-	57,00,00	43,00,00	16,00,00	17,20,68	17,07,75	21.7%	5.6%
18-Sep-19	3/Year	-	10,00,00	9,00,00	9,00,00	11,28,70	10,84,70	6.8%	4.9%
			<b>67,00,00</b>	<b>52,00,00</b>	<b>25,00,00</b>	<b>28,49,38</b>	<b>27,92,45</b>	<b>28.5%</b>	<b>10.5%</b>

8.1.2 Debt securities

8.1.2.1 Term Finance Certificates - unlisted

Term Finance Certificates	Interest income			Net 2.0% (₹)	Interest expense			Interest on savings deposits (₹)	Interest on deposits (₹)	Interest on other deposits (₹)
	Net 2.0% (₹)	Forward 3m/6m/9m	Backward 3m/6m/9m		Forward 3m/6m/9m	Backward 3m/6m/9m	Other			

Carrying amount  
₹100 crores

Securities held	100	-	100	-	-	-	-	-	-	-
Securities sold	100	-	100	-	-	-	-	-	-	-
Securities held	100	-	100	-	-	-	-	-	-	-
Securities sold	100	-	100	-	-	-	-	-	-	-
Net 2.0% (₹)	100	-	100	-	-	-	-	-	-	-
Net 2.0% (₹)	100	-	100	-	-	-	-	-	-	-

Net 2.0% (₹)

Net 2.0% (₹)

Net 2.0% (₹)

8.1.2.2 Term Finance Certificates - listed

Term Finance Certificates	Interest income			Net 2.0% (₹)	Interest expense			Interest on savings deposits (₹)	Interest on deposits (₹)	Interest on other deposits (₹)
	Net 2.0% (₹)	Forward 3m/6m/9m	Backward 3m/6m/9m		Forward 3m/6m/9m	Backward 3m/6m/9m	Other			

Carrying amount  
₹100 crores

Securities held	100	-	100	4,12,07	-	4,12,74	1,00,00	175	145	10
Securities sold	100	-	100	4,12,07	-	4,12,74	1,00,00	175	145	10
Securities held	100	-	100	-	-	4,12,74	1,00,00	175	145	10
Securities sold	100	-	100	-	-	4,12,74	1,00,00	175	145	10
Net 2.0% (₹)	100	-	100	-	-	4,12,74	1,00,00	175	145	10
Net 2.0% (₹)	100	-	100	-	-	4,12,74	1,00,00	175	145	10

8.1.2.3 Equity participations - listed

Equity participations	Interest income			Net 2.0% (₹)	Interest expense			Interest on savings deposits (₹)	Interest on deposits (₹)	Interest on other deposits (₹)
	Net 2.0% (₹)	Forward 3m/6m/9m	Backward 3m/6m/9m		Forward 3m/6m/9m	Backward 3m/6m/9m	Other			

Carrying amount  
₹100 crores

Securities held	10	-	10	85	1,12,74	1,12,74	1,00,00	145	105	10
Securities sold	10	-	10	85	1,12,74	1,12,74	1,00,00	145	105	10
Securities held	10	-	10	-	-	1,12,74	1,00,00	145	105	10
Securities sold	10	-	10	-	-	1,12,74	1,00,00	145	105	10
Net 2.0% (₹)	10	-	10	-	-	1,12,74	1,00,00	145	105	10
Net 2.0% (₹)	10	-	10	-	-	1,12,74	1,00,00	145	105	10

8.1.2.4 Equity participations - unlisted

Equity participations	Interest income			Net 2.0% (₹)	Interest expense			Interest on savings deposits (₹)	Interest on deposits (₹)	Interest on other deposits (₹)
	Net 2.0% (₹)	Forward 3m/6m/9m	Backward 3m/6m/9m		Forward 3m/6m/9m	Backward 3m/6m/9m	Other			

Carrying amount  
₹100 crores

Securities held	10	-	10	1,00,00	1,00,00	1,00,00	100	100	10	10
Securities sold	10	-	10	1,00,00	1,00,00	1,00,00	100	100	10	10
Securities held	10	-	10	-	-	1,00,00	1,00,00	100	100	10
Securities sold	10	-	10	-	-	1,00,00	1,00,00	100	100	10
Net 2.0% (₹)	10	-	10	-	-	1,00,00	1,00,00	100	100	10
Net 2.0% (₹)	10	-	10	-	-	1,00,00	1,00,00	100	100	10

8.1.2.4 Commercial Papers

Commercial Papers	Interest income			Net 2.0% (₹)	Interest expense			Interest on savings deposits (₹)	Interest on deposits (₹)	Interest on other deposits (₹)
	Net 2.0% (₹)	Forward 3m/6m/9m	Backward 3m/6m/9m		Forward 3m/6m/9m	Backward 3m/6m/9m	Other			

Carrying amount  
₹100 crores

Securities held	10	-	10	4,00,00	4,00,00	-	100	100	-	-
Securities sold	10	-	10	4,00,00	4,00,00	-	100	100	-	-
Securities held	10	-	10	-	-	-	-	-	-	-
Securities sold	10	-	10	-	-	-	-	-	-	-
Net 2.0% (₹)	10	-	10	-	-	-	-	-	-	-
Net 2.0% (₹)	10	-	10	-	-	-	-	-	-	-

8.1.2.5 The following securities have been classified as non-performing or equivalent with the criteria specified by the MCD, and the funds provisioning policy for non-performing exposures. Accordingly, the carrying value stated below have been arrived at after taking into account provisions as under:

	31-Jun-20		30-Jun-20		Carrying value
	Carrying value	Provision held	Carrying value	Provision held	
<b>Term Finance Certificates - listed</b>					
Net 2.0% (₹)	1,00,00	1,00,00	-	1,00,00	1,00,00
Forward 3m/6m/9m (₹)	4,75,74	4,75,74	-	4,75,74	4,75,74
<b>Term Finance Certificates - unlisted</b>					
Net 2.0% (₹)	10,00,00	10,00,00	-	10,00,00	10,00,00
Forward 3m/6m/9m (₹)	1,12,74	1,12,74	-	1,12,74	1,12,74
Backward 3m/6m/9m (₹)	1,00,00	1,00,00	-	1,00,00	1,00,00
Commercial Papers (₹)	1,00,00	1,00,00	-	1,00,00	1,00,00
Commercial Papers (₹)	4,00,00	4,00,00	-	4,00,00	4,00,00
Equity participations (₹)	1,12,74	1,12,74	-	1,12,74	1,12,74
Equity participations (₹)	1,12,74	1,12,74	-	1,12,74	1,12,74
<b>Total</b>	<b>7,00,74</b>	<b>7,00,74</b>	<b>-</b>	<b>7,00,74</b>	<b>7,00,74</b>



10.3 The Finance Act, 2013 entered the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On 4 September 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various Asset Management Companies, together with their representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

During the previous year, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from 1 July 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2015.

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 1 July 2016. However, as a matter of abundant caution the provision for FED made prior to this period has been maintained by the Fund which at 30 June 2020 aggregated to Rs 33.37 million (2019: Rs 33.37 million). Had the provision for FED not been recorded in the financial statements of the Fund, the Net Asset Value of the Fund as at 30 June 2020 would have been higher by Rs. 2.93 per unit (2019: Rs 2.76 per unit).

10.4 In accordance with the provisions of the NBFC Regulations, 2008 (amended vide S.R.O 1160(i) / 2015 dated 25 November 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual whichever is less. Accordingly, the Management Company has charged accounting and operational charges to the Fund in respect of the back office accounting function @ 0.1% of average annual assets of the scheme to an independent service provider.

10.5 SECP vide Circular No. 11 of 2019 dated July 05, 2019 has superseded circular 40 of 2016, 05 of 2017 and 05 of 2018 and has prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. Selling and Marketing expenses has been allowed on all categories of Open end mutual funds except fund of funds at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of daily net assets of the Fund, being the lower amount.

11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN	Note	2020 (Rupees)	2019
	Trustee Fee	11.1	<u>69,514</u>	<u>164,382</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 average daily Net Assets Value (NAV) of the Fund.

The tariff structure applicable to the Fund as at 30 June 2020 is 0.075% of Net Asset Value.

11.2 During the year, sales tax at the rate of 13% (30 June 2019: 13%) was charged on the remuneration of trustee.

12	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2020 (Rupees)	2019
	Annual Fee	12.1	<u>160,348</u>	<u>1,458,381</u>

12.1 Under the provisions of the amended Non-Banking Finance Companies and Notified Entities Regulations 2008, on 25 November 2015 a collective investment scheme categorised as an aggressive fixed income scheme is required to pay an annual fee to the SECP, an amount equal to 0.02% of the average annual net assets of the Scheme. Provided that for Collective Investment Schemes which on quarterly average basis have at least 1,000 retail investors and more than 50% of Net Assets are held by individual investors, provided that the maximum investment by a single retail investor (considered eligible for calculating the threshold of 1,000) does not exceed 1% of the Net Asset shall pay the annual fee at the rate 0.075% for the next three years from the date of notification of these regulations.

During the year, fees charged at the rate of 0.075%. The fee is payable to the SECP within three months of the close of the financial year.

13	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020 (Rupees in '000)	2019
	Withholding Tax and Capital Gain Tax		239,013	301,759
	Auditors Remuneration Payable		761,949	670,324
	Printing charges payable		212,263	320,638
	Other Payables		7,961,497	6,206,901
	Transaction and CDS Charges Payable		146,171	41,654
	Provision for Sindh Workers' Welfare Fund	13.1	<u>16,298,436</u>	<u>15,019,091</u>
			<u>25,669,329</u>	<u>22,453,106</u>

### 13.1 SINDH WORKERS' WELFARE FUND AND WORKERS' WELFARE FUND

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 and their CIsS whereby it was contended that mutual funds should be excluded from the ambit of the SWWF Act as those 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. However, it may be stated that under companies Act, 2017 mutual funds are explicitly excluded from the definition of financial institution. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CIsS / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CIsS/ mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from 21 May 2015).

Had the provision of Sindh Workers' Welfare Fund not been made, the net asset value per unit as at June 30, 2020 would have been higher by Rs. 1.4314 per unit (30 June 2019: Rs. 1.2436). The status of Sindh Workers' Welfare Fund is the same as disclosed in the annual financial statements of the Fund for the year ended June 30, 2019.

**14 CONTINGENCIES**

There were no contingencies outstanding as at 30 June 2020 and 30 June 2019.

**15 COMMITMENTS**

There were no commitments outstanding as at 30 June 2020.

<b>16 AUDITORS' REMUNERATION</b>	Note	2020		2019	
		(Rupees in '000)			
Annual audit fee		605,000		605,000	
Half yearly review fee		125,000		342,000	
Fee for review of compliance with the Code of Corporate Governance		-		55,000	
Fee for income certification		40,000		55,000	
Out of pocket expenses & SST		308,458		-	
		<u>978,458</u>		<u>657,000</u>	
<b>17 CASH AND CASH EQUIVALENTS</b>					
Balances with banks		423,793,700		391,593,348	
Term Deposits		-		-	
Market Treasury bills having original maturity of three months or less	6.1.1.1	-		-	
		<u>423,793,700</u>		<u>391,593,348</u>	

**18 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at 30 June 2020 is 2.76% which includes 0.30% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an aggressive fixed income scheme.

**19 TAXATION**

The Fund's income is exempt from income tax as per clause (59) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance. Since the management company has distributed the income earned by the fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

**20 EARNINGS PER UNIT (EPU)**

Earnings per unit has not been disclosed as in the opinion of the management, determination of weighted average number of outstanding units is not practicable.

**21 FINANCIAL INSTRUMENTS BY CATEGORY**

	As at June 30 2020		
	At Fair Value through profit or loss	Loans & Receivables	Total
<b>Financial Assets</b>			
Balances with banks	-	423,793,700	423,793,700
Investments	742,688,000	-	742,688,000
Accrued profit and other receivables	-	48,851,574	48,851,574
Security deposits	-	2,850,000	2,850,000
	<u>742,688,000</u>	<u>475,695,274</u>	<u>1,218,383,274</u>

	As at June 30 2019		
	At Fair Value through profit or loss	At amortized cost	Total
	(Rupees in '000)		
<b>Financial Liabilities</b>			
Payable to Management Company	-	48,862,772	48,862,772
Payable to Trustees	-	68,514	68,514
Dividend payable	-	14,869,048	14,869,048
Accrued expenses and other liabilities	-	25,868,319	25,868,319
	-	<u>90,068,653</u>	<u>90,068,653</u>

	As at June 30 2019			
	Available for sale	At Fair Value through profit or loss	Loans & Receivables	Total
<b>Financial Assets</b>				
Balances with banks	-	391,593,348	391,593,348	
Investments	857,037,188	-	857,037,188	
Accrued profit and other receivables	-	53,637,541	53,637,541	
Security deposits	-	3,450,000	3,450,000	
	<u>857,037,188</u>	<u>438,680,889</u>	<u>1,295,718,077</u>	

ASKARI HIGH YIELD SCHEME

As at June 30 2019

At Fair Value through profit or loss	At amortized cost	Total
(Rupees in '000)		
Financial Liabilities		
Payable to Management Company	42,428,584	42,428,584
Payable to Trustee	164,382	164,382
Dividend payable	9,592,507	9,592,507
Accrued incomes and other liabilities	22,452,105	22,452,105
	74,637,578	74,637,578

22 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties among others include Pak. Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Pak. Oman Asset Management Company Limited (POAMCL) holds 100% ordinary shares of the company at the aforesaid period. Therefore, all subsidiaries and associated undertakings of POAMCL are related parties of the Company. Other related parties comprise Collective Investment Schemes (CISs) being managed by the Company, directors, key management personnel, entities over which directors are able to exercise influence and employee benefit schemes, entities having 10% or more of the unit holding of the fund and the key management personnel of the Management Company.

Transactions with connected persons essentially comprise issue and redemption of units, fee on account of managing the affairs of the Fund, sales load and other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration to the Management Company is determined in accordance with the provisions of the NSFC Regulations and the Trust Deed. Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

Details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

	30 June 2019	30 June 2018
22.1 Transactions during the period		
<b>Management Company</b>		
Remuneration for the Period	12,874,787	28,168,168
Allocated Expenses related to Registrar services, accounting, operations and other related services	844,898	1,828,120
With Sales Tax on Management Company's remuneration	1,889,722	3,791,822
T Bills Purchased	1,742,917,845	-
TBills Purchased	128,848,198	-

ASKARI HIGH YIELD SCHEME

	30 June 2019	30 June 2018
<b>Nisbat Mills Limited Employees Provident Fund Trust</b>		
Issuance of 1,024,175 (2018: 18) units	167,481,888	-
Redemption of 18 (2018: 18) units	881,202	-
<b>Pak. Oman Investment Company Limited (Parent of the Management Company)</b>		
Purchase of investment - Market Treasury Bills	1,742,917,845	1,949,938,938
Purchase of investment - Pakistan Investment Bonds	128,848,198	-
<b>Barrett Hodgson Pakistan (Pvt) Ltd*</b>		
Redemption of 18 (2018: 84,728) units	-	6,627,728
Redemption of 18 (2018: 2,991,284) units	-	422,818,378
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	881,202	2,028,221
CDS Charges	21,718	-
<b>Pak. Oman Micro Finance Bank</b>		
Redemption of (2018: 1,148,801) units	-	198,528,527
Redemption of 18 (2018: 25,628) units	-	2,928,772
<b>Key Personnel of Management Company</b>		
Issue of 18 (2018: 18) units	1,888	-

22.2 Amounts outstanding as at period end

	2019	2018
	(Rupees)	
<b>Management Company</b>		
Remuneration payable to management company	1,234,388	1,224,282
Federal Excise Duty on Management Company's remuneration	22,588,257	22,388,227
With-Sales Tax payable on Management Company's remuneration	4,841,827	5,294,382
Allocated Expenses related to Registrar services, accounting, operations and other related services	384,172	8,222,927
Front-end load payable	471,382	228,015
Outstanding 18 units (June 2018: 18 units)	-	-
<b>Askari Bank Limited</b>		
Outstanding 1,742,944 (June 2018: 1,742,944) units	178,828,288	177,843,079
Cash Dividend	13,128,888	-
<b>Sindh Province Pension Fund</b>		
Outstanding 1,742,944 (June 2018: 1,742,944) units	128,248,845	122,008,242
Redemption (172,922 Units)	8,798,898	-
<b>The Bank of Punjab Employees Provident Gratuity Fund</b>		
Outstanding 1,742,944 (June 2018: 1,742,944) units	178,728,580	168,182,882
Redemption (79,922 Units)	7,871,522	-
<b>Nisbat Mills Limited Employees Provident Fund Trust</b>		
Outstanding 1,742,944 (June 2018: 18) units	168,874,712	-
Redemption (112,888 Units)	881,202	-

	2019	2018
	(Rupees)	
<b>Central Depository Company of Pakistan Limited - Trades</b>		
Remuneration payable	88,214	164,332
Security deposit	198,000	100,000
<b>Key Personnel of Management Company</b>		
Outstanding 1st June 2019 (1) units	1,128	102
Reservement (Units: 1)	89	-

\* These represent transactions and balances pertaining to staff and directors who are considered key management personnel as at the close of the period.

\*\* These represent unit holders, holding 10% or more of the units in the fund at the close of the period.

### 23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of the members of the investment committee of the Fund as on 30 June 2019 are as follows:

S.No	Name	Designation	Qualification	Experience
1	Mr. Sadaf Kazmi	Chief Executive Officer	MBA	10 years
2	Mr. Abdul Rehman	Chief Financial Officer	ACCA, CPA (Finalist)	8 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	10 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumaira Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer.

- Askari High Yield Scheme
- PakOman Advantage Islamic Income Fund

### 24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION EXPENDED

2020	
1	BMA Capital Management Ltd. 21.56%
2	Continental Exchange (Pvt.) Limited 4.10%
3	Icon Securities (Pvt.) Limited 2.73%
4	Invest One Markets Limited 29.37%
5	Neat Capital Limited 7.09%
6	Vedor Capital (Pvt.) Limited 12.24%
7	Paramount Capital (Pvt.) Ltd. 8.19%
8	BIFL Securities Limited 14.22%
9	Mazenta Capital (Pvt.) Ltd. 6.63%

2019	
1	Neat Capital 33.31%
2	BMA Capital Management Ltd. 28.30%
3	Paramount Capital (Pvt.) Ltd. 17.22%
4	JS Global Capital Limited 11.73%
5	BIFL Securities Limited 5.64%
6	Pearl Securities Limited 3.78%
7	Vedor Capital (Pvt.) Ltd. 0.92%
8	Bright Capital (Pvt.) Ltd. 0.85%
9	Invest One Markets Ltd. 0.06%

### 25 PATTERN OF UNIT HOLDING

Category	As at 30 June 2020			
	Number of unit holders	Number of units held	Investment amount (Rupees)	Percentage
Banks & CFI's	3	1,772,191	181,711,772	15.96%
Individuals	358	3,898,854	315,898,838	27.96%
Insurance Companies	2	998,858	92,963,391	7.99%
Others	22	752,251	77,132,111	6.81%
Retirement funds	15	4,874,798	-	0.00%
Public Listed Companies	-	-	499,632,733	42.81%
	400	11,396,752	1,167,544,845	100.00%

Category	As at 30 June 2019			
	Number of unit holders	Number of units held	Investment amount (Rupees)	Percentage
Banks & CFI's	3	7,638,912	779,072,432	15.85%
Individuals	432	7,278,798	751,439,858	15.29%
Insurance Companies	3	1,762,495	179,680,863	3.64%
Others	31	8,498,189	882,479,233	13.68%
Retirement funds	15	2,388,499	2,033,089,222	41.38%
Public Listed Companies	1	4,885,281	588,242,857	11.16%
	485	30,542,174	4,973,423,765	100.00%

### 26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 72nd, 73rd, 74th & 75th Board meetings were held on August 31, 2019, October 24, 2019, February 12, 2020 and April 18, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	M.E. Yousaf Bin Saif Bin Abdulla Al-Jabri	4	4	-	-
2	Mr. Farooq Ali Iqbal A. Saqani	2	2	-	-
3	Mr. Sohailuddin Khan	4	4	-	-
4	Mr. Faysal Muneer	4	4	-	-
5	Mr. Subhan Hameed Ali Hafeez	2	2	-	-
6	Mr. Saif Saif Saif A. Yaqub	2	1	1	72%
7	Mr. Jehangir Shah	4	4	-	-
8	Mr. Saif Kazmi	4	4	-	-

## 27 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 27.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

#### 27.1.1 Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

#### 27.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Fund is mainly exposed to interest rate risk on its investments in government and debt securities, money market placements and balances maintained with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within acceptable limits.

#### a) Sensitivity analysis for variable rate instruments

As at 30 June 2020, the Fund holds KIBOR based interest bearing term finance and sukuk certificates classified as 'financial assets at fair value through profit or loss' which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance and sukuk certificates, with all other variables held constant, the net income for the year and net assets would have been higher / lower by Rs. 11,5081 million (2019: Rs. 8,570 million).

#### b) Sensitivity analysis for fixed rate instruments

As at 30 June 2020, the Fund holds Market Treasury Bills exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association of Pakistan on 30 June 2020, with all other variables held constant, the net income for the year and net assets would be lower by Rs. nil (2019: Rs. Nil million) for market treasury bill. In case of 100 basis points decrease in rates announced by Financial Markets Association on 30 June 2020, with all other variables held constant, the net income for the year and net assets would be higher by Rs. nil (2019: Rs. Nil million).

The composition of the Fund's investment portfolio, KIBOR and rates announced by the Financial Market Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

	As at 30 June 2020				
	Gross fair value	Exposure yield / interest rate risk		Net exposure to interest / yield	Total
		Up to three months	Over three months up to one year		
<b>On-balance sheet financial instruments</b>					
<b>Fixed rate</b>					
Debt securities	1627461085	4278730	-	-	4278730
Investment	1407461085	-	-	7036400	7036400
Interest profile and other variables	-	-	-	4091204	4091204
Security deposit	-	-	-	200000	200000
<b>Subtotal</b>		4278730	-	7427604	1,78,78,024
<b>Fixed liability</b>					
Payable to Government of Punjab	-	-	-	630270	630270
Payable to State	-	-	-	8044	8044
Payable upon conversion of debt	-	-	-	-	-
Debt payable	-	-	-	1488108	1488108
Accrued interest on derivatives	-	-	-	200000	200000
<b>Subtotal</b>				630270	630270
<b>On-balance sheet gp</b>		4278730		7427604	1,78,78,024
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gp</b>					
<b>Total interest rate sensitivity gp</b>		4278730			
<b>Carrying amount of interest rate sensitivity gp</b>		1627461085	4278730	80,78,024	

As at 30 June 2020

Financial instrument	As at 30 June 2020				Total
	Plotted yield interest	Exposure yield interest	Interest rate	Net spread/interest yield	
	Up to three months	Three to six months	Six to twelve months	More than one year	
	(Rupees)				
<b>Financial assets</b>					
Balances with banks	17161385	283034	-	-	283034
Term deposit accounts	-	-	-	-	-
Finance receivables	-	-	-	-	-
Accounts receivable	54554751	-	-	673718	673718
Accrued profit and other receivables	-	-	-	747256	747256
Security deposits	-	-	-	18828	18828
Assets	<u>283034</u>	-	-	<u>283034</u>	<u>283034</u>
<b>Financial liabilities</b>					
Payables	-	-	-	22636	22636
Payable to banks	-	-	-	7432	7432
Payable to other parties	-	-	-	-	-
Interest payable	-	-	-	5367	5367
Accrued expenses and liabilities	-	-	-	21628	21628
Liabilities	-	-	-	<u>22636</u>	<u>22636</u>
<b>Net asset</b>					
Financial assets	<u>283034</u>	-	-	<u>283034</u>	<u>283034</u>
Financial liabilities	-	-	-	-	-
Net asset	<u>283034</u>	-	-	<u>283034</u>	<u>283034</u>
Capital and reserves	<u>283034</u>	-	-	<u>283034</u>	<u>283034</u>
Capital	<u>283034</u>	-	-	<u>283034</u>	<u>283034</u>
Reserves	-	-	-	-	-

**27.1.3 Price risk**

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

**27.2 Credit risk**

Credit risk represents the risk of loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investments in money market placements, debt securities and balances maintained with banks in the form of savings and term deposits. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government while bank balances are maintained with the banks having reasonably credit ratings.

For investments in debt securities (other than those which have already been classified as non-

performing), the risk of default is considered minimal since the securities have considerably high instrument ratings as disclosed in note 6.1.2.8.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk, as at 30 June 2020 and 30 June 2019 are tabulated below:

Financial assets exposed to credit risk	2020 (Rupees)	2019 (Rupees)
Balances with banks	423,793,700	396,593,348
Accrued profit and other receivables	49,951,874	30,362,767
Security deposits	<u>2,850,800</u>	<u>3,653,000</u>
	<u>3,281,604,889</u>	<u>3,281,604,889</u>

**Balances with banks by rating category**

Short term to long term	Rating Agency	2020	
		Amount	Percentage
AA+	JCR-VIS, PACRA	6,416,710	1.04%
A	JCR-VIS, PACRA	368,760,091	87.01%
AAA	JCR-VIS, PACRA	50,011,918	11.80%
A-	JCR-VIS, PACRA	42,433	0.01%
AA-	JCR-VIS, PACRA	160,315	0.02%
AA	JCR-VIS, PACRA	420,869	0.10%
A+		10,600	0.00%
Others		<u>29,558</u>	<u>0.01%</u>
		<u>423,793,700</u>	<u>100%</u>

**27.2.1 Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is diversified into investments made in money market placements, debt and government securities and deposits maintained with commercial banks having reasonable short-term credit ratings (as disclosed above) thereby minimizing any chances of credit risk.

**27.2.3 Collateral**

The Fund does not hold any collateral against its financial assets.

**27.3 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to the daily cash redemptions, if any, at the option of the unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

The Fund has the ability to borrow in the short-term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets of the scheme at the time of borrowing payable within a period of ninety days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current year.

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

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	As at 30 June 2020			
	Up to three months	More than three months and up to one year	More than one year	Total
	(Rupees)			
<b>Liabilities</b>				
Payable to Management Company	10,852,742	-	-	10,852,742
Payable to Trustee	69,814	-	-	69,814
Dividend Payable	14,868,848	-	-	14,868,848
Accrued expenses and other liabilities	21,382,957	-	-	21,382,957
	<b>47,094,361</b>			<b>47,094,361</b>

	As at 30 June 2019			
	Up to three months	More than three months and up to one year	More than one year	Total
	(Rupees)			
<b>Liabilities</b>				
Payable to Management Company	23,905,945	-	-	23,905,945
Payable to Trustee	164,382	-	-	164,382
Dividend Payable	9,582,507	-	-	9,582,507
Accrued expenses and other liabilities	22,153,386	-	-	22,153,386
	<b>55,843,198</b>			<b>55,843,198</b>

## 28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (i.e. listed equity shares) are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurement' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

	June 20								
	Instruments	Group 1			Total	Group 2			Net
		Other available	Defaulted	Partial		Level 1	Level 2	Level 3	
<b>Financial assets measured at the fair value</b>									
<b>Debt Securities</b>									
- Government securities - USD	20,000	-	-	20,000	20,000	-	-	20,000	
- Government securities - PKR	-	-	-	-	-	-	-	-	
- Corporate bonds - USD	67,025	-	-	67,025	67,025	-	-	67,025	
- Corporate bonds - PKR	3,500	-	-	3,500	-	3,500	-	3,500	
<b>Financial assets measured at the fair value</b>									
Equity shares	-	-	42,020	42,020	-	-	-	-	
Preference	-	-	-	-	-	-	-	-	
Investment in other companies	-	-	-	-	-	-	-	-	
Investment in other entities	-	48,024	-	48,024	-	-	-	-	
Other assets	-	3,500	-	3,500	-	-	-	-	
	<b>47,025</b>	<b>51,524</b>	<b>42,020</b>	<b>140,569</b>	<b>47,025</b>	<b>33,500</b>		<b>80,525</b>	
<b>Financial liabilities measured at the fair value</b>									
Payable to Management Company	-	-	10,853	10,853	-	-	-	10,853	
Payable to Trustee	-	-	67	67	-	-	-	67	
Dividend payable	-	-	14,869	14,869	-	-	-	14,869	
Investment in other entities	-	-	3,500	3,500	-	-	-	3,500	
			<b>19,289</b>	<b>19,289</b>				<b>19,289</b>	

	30 June 2020				30 June 2019			
	Investment Securities	Other Assets	Financial Liabilities	Net Assets	Investment Securities	Other Assets	Financial Liabilities	Net Assets
<b>Financial assets measured at fair value</b>								
<b>Government Securities</b>								
- State Treasury Bills	-	-	-	-	-	-	-	-
- Government Bonds	-	-	-	-	-	-	-	-
<b>Debt Securities</b>								
- Sukr Bonds	18,521.91	-	-	18,521.91	18,521.91	-	-	18,521.91
- Non-Sukr Bonds	47,244.07	-	-	47,244.07	47,244.07	-	-	47,244.07
- Sukr Deposits	11,304.07	-	-	11,304.07	14,812.07	3,172.00	-	11,304.07
<b>Financial assets measured at cost</b>								
- Sukr Deposits	-	-	-	-	-	-	-	-
<b>Financial assets measured at fair value</b>								
- Shares of Issuers	-	-	30,000.00	30,000.00	-	-	-	-
- Real Estate Assets	-	-	-	-	-	-	-	-
- Real Estate Assets	-	-	-	-	-	-	-	-
- Other Assets	-	-	14,125.00	14,125.00	-	-	-	-
- Other Assets	-	-	-	-	-	-	-	-
- Other Assets	-	-	24,000.00	24,000.00	-	-	-	-
<b>Total Assets</b>	<b>76,070.95</b>	<b>-</b>	<b>68,125.00</b>	<b>144,195.95</b>	<b>68,367.98</b>	<b>3,172.00</b>	<b>-</b>	<b>71,540.98</b>
<b>Financial liabilities measured at fair value</b>								
- Sukr Deposits	-	-	224,224.00	224,224.00	-	-	-	-
- Sukr Deposits	-	-	14,125.00	14,125.00	-	-	-	-
- Sukr Deposits	-	-	344.07	344.07	-	-	-	-
- Other Assets	-	-	67,000.00	67,000.00	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>305,693.07</b>	<b>305,693.07</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 28.1 Financial instruments in level 2

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

### 28.2 Financial instruments in level 3

Currently, no financial instruments are classified through level 3.

### 29 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund's objective when managing the unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of

the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open-end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to unit holders; and
- redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to raise redemptions and require certain minimum holdings and issuances.

30 The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

### 31 GENERAL

31.1 Figures have been rounded off to the nearest rupee unless otherwise stated.

31.2 Units are rounded off to the nearest whole number.


31.3 Corresponding figures have been reclassified and rearranged in these financial statement, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statement.

### 32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 26 August, 2020 by the Board of Directors of the Management Company.

For Askari Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



# CONTENTS

Mission & Vision Statement ..... 01

Fund Information ..... 02

Report of the Director of the Management Company (English) ..... 03

Report of the Director of the Management Company (Urdu) ..... 04

Report to the Fund Manager of the Management Company ..... 09

Report of the Trustee ..... 12

Independent Auditor's Review Report to the Unitholders ..... 13

Statement of Compliance ..... 15

Independent Auditor's Report ..... 18

Statement of Assets and Liabilities ..... 22

Income Statement ..... 23

Statement of Comprehensive Income ..... 24

Statement of Movement in Unit Holder's Fund ..... 25

Cash Flow Statement ..... 26

Notes to the Financial Statements ..... 27



# Our Mission

*"To provide higher risk-adjusted returns to investors at large by investing into a diversified range of investment assets on consistent basis."*

# Our Vision

*"ASKARI SOVEREIGN YIELD ENHANCER FUND aims to provide diversified portfolio and access that is risk-adjusted to our investors at large on a consistent basis."*



## FUND INFORMATION

**Management Company**

Pak Ocean Asset Management Company Limited  
 KDN House 83-C, 42nd Commercial Street,  
 Phase-II Extension, DHA, Karachi.  
 Phone : +92 - 21 - 3599641-44  
 Fax : +92 - 21 - 3599644  
 Web site : www.pakomanfund.com

**Board of Directors of The Management Company**

H.E. Yaqub Bin Saïd Bin Abdallah Al-Jabri	Chairman
Mr. Bahaudin Khan	Director
Mr. Huseayun Murad	Director
Mr. Jehangir Shah	Director
Mr. Rashid Ali Beshir Al Beshir	Director
Ms. Saeed Karim	CEO

**Audit Committee**

Mr. Huseayun Murad	Chairman
Mr. Bahaudin Khan	Member
Mr. Rashid Ali Beshir Al Beshir	Member

**Chief Financial Officer**

Mr. Abdul Rehman

**Company Secretary**

Ms. Hina Mir

**Asset Manager Rating**

Aa1+ (Stable Outlook)

**Trustee**

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

**Auditors**

RSM Avais Hyder Liaquat Noorani  
 Chartered Accountants  
 407, Progressive Plaza, Beasant Road,  
 Karachi-75530

**Bankers to The Fund**

Askari Bank Limited  
 Bank Al-Malah Limited  
 Habib Bank Limited  
 Habib Metropolitan Bank Limited  
 JS Bank Limited  
 Khushal Bank Limited  
 Summit Bank Limited  
 NISP Microfinance Bank Limited  
 The First Microfinance Bank Limited  
 Zarai Taraqati Bank Limited  
 Dubai Islamic Bank Pakistan Limited

**Legal Advisor**

Mikalis Tareeb Ali  
 Corporate & Commercial Law Firm  
 D-21, Block - 4,  
 KDA Scheme 5, Clifton, Karachi.

**Transfer Agent**

ITMINDS Limited - A Subsidiary of CDC  
 CDC House, 99-B, S.M.C.H.S  
 Main Station e-Paloo, Karachi-74600, Pakistan  
 Phone : +92 - 21 - 111 - 111 - 500  
 Fax : +92 - 21 - 34326040  
 Web site : www.itmindshq



## DIRECTORS REPORT TO THE UNIT HOLDERS

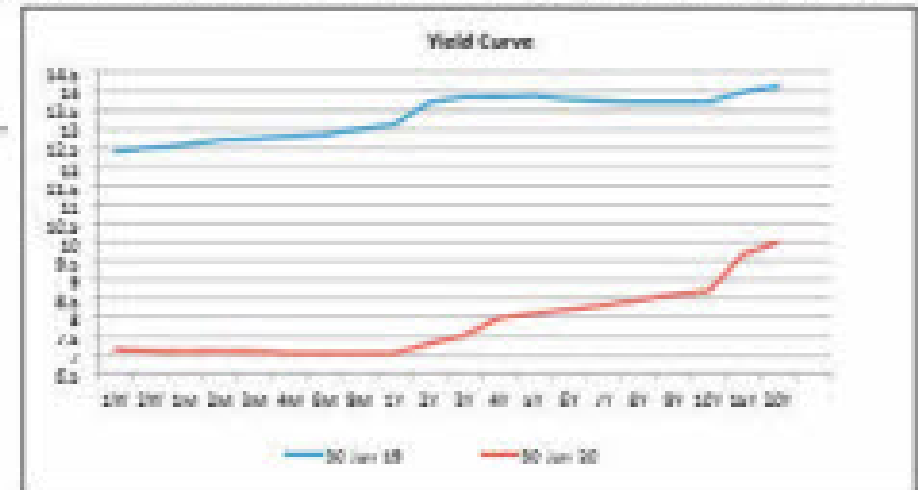
The Board of Directors of Pak Ocean Asset Management Company Limited ("the Management Company" or "POAMCL" or "the Company") is pleased to present the annual report of the Askari Sovereign Yield Enhancer (ASYE) for the Year ended 30th June 2020.

**Fixed Income Review FY20**

In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 160bps, 50bps and 60bps and stood at 7.09%, 7.03% and 7.05% respectively by end of June 20. On the other hand, yield on longer term bonds saw sharp decline. Yields stood by 632bps, 577bps and 508bps and stood at 7.33%, 8.11% and 8.69% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer term instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdown. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 15bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 out-break in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,797 billion against the target of PKR 14,540 billion and maturity of PKR 15,292 billion. The last cut-off yields stood at 8.13%, 7.99% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY 20, participation was skewed towards 3M and 6M paper, however, during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the PIB auction for fixed rate bonds, SBP raised PKR 1,982 billion. Cut-off yields stood at 7.97%, 8.42%, 8.99%, 9.90% and 10.51%, for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.



**Economic Review FY20**

After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of mix developments. Till VMFY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic during large economic IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major frims with substantial decline in exports specially textiles (constituting approximately 50% of total yearly exports). Though government and Ministry of finance announced various relief measures to incentivize export oriented sectors in the form of reducing borrowing rates (425bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 6.80% in same period last year. While SPI and WPI averaged at 13.74% and 10.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to elevate in FY21.

In the Monetary Policies announced during the period, SRP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SRP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SRP announced multiple emergency MPC meetings in the month of April and May in which SRP decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e 1.1% of GDP as compared to deficit of \$13.43 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.3% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving handful of relief packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.

**ASVE**

In FY20, unit prices of ASVE appreciated by 14.02% as compared to the benchmark return of 12.07%. The fund outperformed its benchmark by 195bps during the year due to realized and un-realized valuation gains on government securities. Assets under management of the fund closed the year at PKR 242 million as compared to PKR 167 million in start of financial year.

During the period, exposure against Banking sector (FCIs) was eased completely as compared to 9.43% in FY19. It was strategized to ease exposure against this asset class to avoid any valuation downside and provide the investors with a stable and moderate return. Exposure against Treasury Bills averaged at 60.27% as



compared to 54.41% in FY19. During the 2 Half of FY20, fresh exposure was taken against FCIs, anticipating a cut in policy rate. Exposure against this asset class settled at 28.09% by end June 2020, while average exposure against this asset class stood at 10.82% as compared to 22.47% in FY19. Remaining funds were invested in cash with A above rated banks. Cash exposure during the year averaged at 30.90% of the asset size.

**Acknowledgment**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Director of the Fund and the management of the Pakistan Stock Exchange. We also wish to place on record our appreciation for the employees of the Management Company.

26th August 2020  
Karachi - Pakistan.


For and on behalf of the Board  
Sadaf Kazmi  
Chief Executive Officer



2020 کے آغاز میں 200 ملین روپے کی رقمیں اس فنڈ کے اکاؤنٹس میں جمع ہوئی تھیں۔ 2020 کے آغاز سے لے کر 30 جون 2020 تک اس فنڈ کی مجموعی اثاثوں کی قیمت 10.82 ملین روپے سے کم ہو گئی ہے۔

**تفصیلات**

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔

  
**مینیجر**  
 30 جون 2020  
 2020



**تفصیلات**

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔

**ASYE**

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔

اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔ اس فنڈ کے اثاثوں میں 100 فیصد روپے کی رقمیں جمع ہیں۔



### پرٹ ہولڈرز کو انڈیکسٹران کی رپورٹ

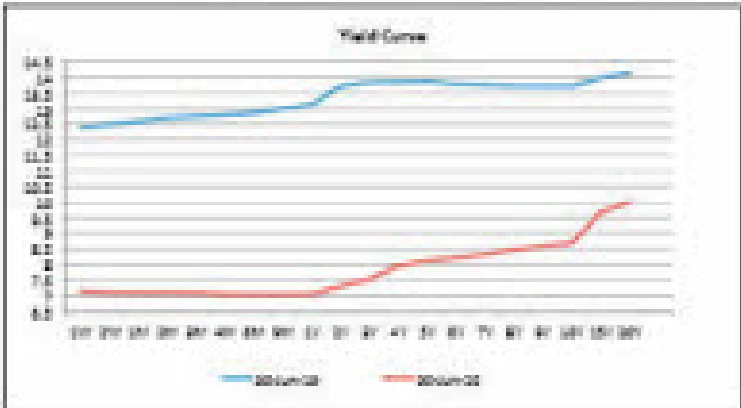
بانک برائے منجست کوئی ایچ آر پی ۲۰۲۰ (ASSTC) کی رپورٹ ہے۔ اس کے تحت ۱۰۰ کروڑ کے ہولڈرز کو انڈیکسٹران کی رپورٹ ہے۔

### مستویں اور ہولڈرز کی رپورٹ

۲۰۲۰ سال سے ۲۰۲۱ سال تک ہولڈرز کی رپورٹ ہے۔ اس کے تحت ۱۰۰ کروڑ کے ہولڈرز کو انڈیکسٹران کی رپورٹ ہے۔

۲۰۲۰ سال سے ۲۰۲۱ سال تک ہولڈرز کی رپورٹ ہے۔ اس کے تحت ۱۰۰ کروڑ کے ہولڈرز کو انڈیکسٹران کی رپورٹ ہے۔

۲۰۲۰ سال سے ۲۰۲۱ سال تک ہولڈرز کی رپورٹ ہے۔ اس کے تحت ۱۰۰ کروڑ کے ہولڈرز کو انڈیکسٹران کی رپورٹ ہے۔



### Askari Sovereign Yield Enhancer

June 2020



Asset	100%
Liability	0%

Investment	2019	2020	2021	2022	2023	2024
Asset	100%	100%	100%	100%	100%	100%
Liability	0%	0%	0%	0%	0%	0%

Net Assets (PKR)	100,000,000
Net Assets (USD)	1,000,000

Micro-fund Distribution (PKR)	100,000,000
Micro-fund (USD)	1,000,000
Micro-fund (PKR)	100,000,000

Unit	# of Unit Holders
0-1000	10
1000-10000	10
10000-100000	1
100000-1000000	1
1000000-10000000	0

Category	Value
Asset	100%
Liability	0%
Net Assets	100%

Investment Objective	The objective of the fund is to generate relatively higher returns than the conventional bank deposits from a portfolio consisting of highly quality sovereign instruments and banking sector fixed income instruments and deposits.
Type of Shares	Open-ended
Scheme of Shares	Single Scheme
Investment Date	01-April-20
Benchmark	Askari Yield Index
Rating Agency of the	BBB - Investment Grade
Rating Mechanism	Forward
Minimum Investment	PKR 1000
Redeem Fee	0.00%
Exit Fee	0.00%
Management Fee	0.00%
Entry & Marketing Expenses	0%
Trustee	Central Depository Company of Pakistan (CICD)
Admin	Askari Asset Management Services
Registrar	IF Trade Pakistan
Listing	Exchange Not Available



After two years of fiscal consolidation and a period of monetary tightening, FY20 turned out to be a period of risk developments. Till 8th FY20, there were reasonable improvements on economic front however, after the outbreak of corona virus pandemic denting large economies, IMF significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments also led to a sharp fall in international trade. On the domestic front, after the lockdowns imposed nationwide, the economy witnessed major burnt with substantial decline in exports specially textiles (constituting approximately 50% of total yearly exports). Though government and Ministry of finance announced various relief measures to incentivize export oriented sectors in the form of reducing borrowing rates (825bps emergency cut in policy rates), various export re-financing schemes, deferrals and loan rescheduling, and reliefs in taxation.

In FY20, CPI averaged at 10.74% as compared to 6.80% in same period last year. While SPI and WPI averaged at 13.74% and 23.24% respectively. On YoY basis, higher inflation was recorded due to higher food inflation (both perishable and non-perishable food), increase in housing, fuel and electricity prices. However, post Jan-20, YoY inflation started to ease off with decline in fuel prices, in line with decline in international oil prices. Going forward, with the energy sector reforms set to be incorporated, increase in international oil prices and subsequent increase in domestic fuel prices, inflation is expected to moderate in FY21.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June 2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which SBP decided to cumulatively reduce policy rate further to 7.00%.

On the external front, in FY20, CAD settled at \$2.96 billion i.e 0.1% of GDP as compared to deficit of \$13.43 billion in FY19, which constituted 4.8% of GDP. CAD has seen significant improvement over a year backed by sharp decline in trade and services deficit while overseas worker's remittances registered 6.1% growth over a year. During the year, trade deficit showed significant recovery on the back of reduction in imports as they declined as a result of slowing demand, imposition of additional regulatory duties and government's increased documentation drive.

Going forward, major challenge for the government will be to bring SMEs and Large Scale Manufacturing Industries back to normal after lockdowns held to curtail covid-19. Though government has provided a breakthrough by giving benefit of retail packages to various industries and has substantially decreased cost of borrowing by reducing policy rate as a whole.



In Financial Year 2020, secondary market yields across short term papers headed downwards. Yields on 3m, 6m and 12m paper reduced by 544bps, 580bps and 608bps and stood at 7.00%, 7.05% and 7.05% respectively by end of June-20. On the other hand, yield on longer tenor bonds saw sharp decline. Yields shed by 602bps, 577bps and 505bps and stood at 7.53%, 8.11% and 8.09% for 3yr, 5yr and 10yr bond respectively. During the quarter, greater activity was witnessed in longer tenor instruments, after SBP decided to reduce the policy rate aggressively, as a relief measure for economic revival post outbreak of corona virus pandemic and subsequent lockdowns. Following an aggressive cut in policy rate, yields across all tenors adjusted themselves accordingly.

In the Monetary Policies announced during the period, SBP cumulatively slashed policy rate by 625bps and brought discount rate to 7.00% by end of June-2020. Initially, SBP adopted a cautious stance and reduced discount rate by 75bps considering recent deceleration in CPI, sharp fall in global oil prices, and slowdown in external and domestic demand side pressures. However, following Covid-19 outbreak in Pakistan and current lock-down situation, SBP announced multiple emergency MPC meetings in the month of April and May in which the cumulatively reduce policy rate further to 7.00%.

In the T-Bill auctions held during the period, SBP raised a total of PKR 14,597 billion against the target of PKR 14,346 billion and maturity of PKR 13,292 billion. The last cut-off yields stood at 8.13%, 7.90% and 7.71% for 3m, 6m and 12m paper respectively. In the first half of FY-20, participation was skewed towards 3M and 6M paper, however during second half of FY20, major participation was witnessed in 6M and 12M tenors, considering monetary easing. In the F18 auction for fixed rate bonds, SBP raised PKR 1,962 billion. Cut-off yields settled at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for 3yr, 5yr, 10yr, 15yr and 20yr paper respectively.

3<sup>rd</sup> September 2020  
Karachi - Pakistan

Saima Sheikh  
Fund Manager

GENERAL INFORMATION SHEET  
OF THE FUND

**Head Office:**  
101, Connaught Place, 6th Floor  
10000 Dhaka, Bangladesh  
Phone: +880 2 956 1000  
Fax: +880 2 956 1001  
www.askarimf.com  
askari@askarimf.com



**FINANCIAL REPORT TO THE UNIT HOLDERS**

**ASKARI MUTUAL FUND YIELD ENHANCER**

Report of the Trustee pursuant to Regulation 13(1) read clause 7(a) Subsection 1 of the Trust, Banking Finance Companies and Non-Bank Finance Institutions Act, 2000

We (Trustee) (Askari Investment Company of Pakistan Limited, being the Trustee of Askari Sovereign Yield Enhancer (the Fund)) call on the attention that the Trust Asset Management Company Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) All activities engaged in by the authorized officers of the Management Company comply with the constitution/instruments of the Fund.
- (ii) The pricing, valuation and redemptions of units are carried out in accordance with the requirements of the constitution/instruments of the Fund, and.
- (iii) The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2007, the Non-Banking Finance Companies and Prudential Control Regulations, 2008 and the constitution/instruments of the Fund.

  
**Hudaibul Akbar**  
Chief Executive Officer  
Trust Asset Management Company of Pakistan Limited  
Karachi September 26, 2020



Rajiv Mehta (Chartered Accountant)  
Chartered Accountant

101, Connaught Place, 6th Floor  
Karachi, 75000, Pakistan

T: +92 21 35555554  
F: +92 21 35555555

www.rsmgroup.com

**Independent Auditor's Review Report to the Unit Holders of Askari Sovereign Yield Enhancer**

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2009**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2009 (the Regulations) prepared by the Board of Directors (the Board) of Pak Ocean Asset Management Company Limited, the Management Company of Askari Sovereign Yield Enhancer (the Fund) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' personnel or internal control covers all areas and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirement (a) of the Regulations as reflected in the paragraphs/paragraphs where these are stated in the Statement of Compliance:



No	Paragraph reference	Description
1	10	The position of the Board of Internal Audit of the fund is vacant since August 2020.
2	10	The position of the Chief Financial Officer of the fund is vacant since January 2020.

*Asif Iqbal*  
 Director  
 RSM  
 Dated: 1 SEP 2020

#### Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2009

Askari Asset Management Company Limited

Year ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors is as per the following:

a. Male: six

b. Female: one

2. The composition of the Board is as follows:

Independent directors	1	Mr. Hamzaan Miral
	2	Mr. Raheel /B Executive /A /Bakshi
Non-executive directors	1	H.E. Yaqub Khan Saad (Mr. Shabbir Ali Khan)
	2	Mr. Manzoor Khan
	3	Mr. Hamzaan Miral
	4	Mr. Raheel /B Executive /A /Bakshi
Executive directors	1	Mr. Jahangir Nadeem
	2	Mr. Nadeem Saad
Female directors	1	Ms. Saima Khan

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.

4. The company has required a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a remuneration statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board have a formal policy and procedure for nomination of directors in accordance with the Act and these Regulations.

Asif Iqbal, Director  
 Askari Asset Management Company Limited  
 20th Floor, 21-C, 20th Commercial Street, Phase-1, Dammam, DHA, Ghalib  
 Karachi-75200, Pakistan



9. The Board has arranged Directors' Training program for the following:

Mr. Yaqub Khan (Mr. Yaqub Anwar Khan)	Completed
Mr. Haseebullah Khan	Completed

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit including their remuneration and terms and conditions of appointment and complied with relevant requirements of the Regulations.

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member
Mr. Haseebullah Khan / Mr. Haseebullah Khan	Member

b) HR and Remuneration Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member

c) Board Investment Committee

Mr. Haseebullah Khan	Chairman
Mr. Haseebullah Khan	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the concerned for compliance.

14. The frequency of meetings quarterly/half yearly/ yearly of the committees was as per following:

a) Audit Committee: Quarterly

b) HR and Remuneration Committee: Annually

c) Board Investment Committee: Quarterly

15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are competent, suitably qualified and experienced for the purpose and are conversant with the affairs and processes of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of



ASKARI SOVEREIGN YIELD ENHANCER (Company Limited)  
 10th Floor, B-4, 27th Commercial Street, F-7/1, Islamabad, P.O. Box 10000



Pakistan and registered with Audit Oversight Board of Pakistan, for they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the partners associated with them have not been appointed to provide other services except in accordance with the law, these Regulations or any other regulatory requirement and the auditors have confirmed that they have obtained in writing confirmation in this regard.

18. We confirm that all requirements of regulations 3.4, 3.8, 3.11, 3.12, 3.13 and 3.14 of the Regulations have been complied with and.

19. Explanation for non-compliance with requirements, other than regulations 3.4, 3.8, 3.11, 3.12, 3.13 and 3.14 are given below:

In August 2019, the Board of Internal Audit left Pak Green Asset Management Company Limited. Right after the left we started the process of reviewing people for this position and a few candidates were also identified, but as the position directly reports to the Board Audit Committee, the candidates were reviewed by the Chairman Audit Committee and were rejected. We have continuously been reviewing people since then and have identified a few. The candidate will be reviewed / interviewed by the Chairman Audit Committee in upcoming Board of Director meeting and as soon as he gives a go ahead the position will be vacant.

The Chief Financial Officer of PSEMMI - Mr. Muhammad Farhan has resigned on January 08, 2020 and currently the acting charge has been given to Mr. Nadeem Rehman. The management appreciate the need to consider existing resources for key positions and thus began to re-evaluate their performance. Management also assess whether it is required to hire with other resources for the key positions. The decision to finalize the previous Chief Financial Officer position will be made by the Board of Directors in their upcoming Board of Directors meeting.

Chairman  
Board of Directors



ASKARI SOVEREIGN YIELD ENHANCER (Company Limited)  
 10th Floor, B-4, 27th Commercial Street, F-7/1, Islamabad, P.O. Box 10000

**INDEPENDENT AUDITOR'S REPORT**

To the Unit Holders of Askari Sovereign Yield Enhancer

Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of Askari Sovereign Yield Enhancer (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year terminated, annexed 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 financial position of the Fund as at June 30, 2020 and of its financial performance, its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basic for Opinion**

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

**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 period. 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.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<b>Net Asset Value (NAV)</b> (Refer note 4 and note 5 to the financial statements)	Our key audit procedures included the following: <ul style="list-style-type: none"> <li>- We tested the design and operating effectiveness of the key controls for acquisition, disposal and valuation of investments.</li> <li>- We obtained independent confirmations for verifying the existence of the investment portfolio and balances with</li> </ul>



Rs. 282 million.	<p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Balance as at June 30, 2020 and reconciled them with the books and records of the Fund. Where such confirmations were not available, alternative audit procedures were performed.</p> <ul style="list-style-type: none"> <li>- We also performed valuation to ensure that investments are carried as per the valuation methodology specified in the accounting policies and</li> <li>- We obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulators and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
------------------	--	---

**Other matter**

The financial statements of Askari Sovereign Yield Enhancer for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on December 21, 2019.

Information other than the financial statements and auditor's report thereon

Management 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 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as



management does find it necessary to make the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the management company are responsible for overseeing the Fund's financial reporting process.

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

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 period 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 view of our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2001 and Non-Banking Finance Companies and Societies (Enforcement) Regulations, 2008.

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

  
 Chartered Accountant  
 Name:  
 Date: 03 SEP 2020



## STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2020

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
<b>ASSETS</b>			
Securities with tenure	4	48,387	4,771
Investments	5	255,678	178,587
Mark to market	6	1,186	2,489
Deposits and prepayments	7	1,823	1,886
<b>Total assets</b>		<b>271,099</b>	<b>187,293</b>
<b>LIABILITIES</b>			
Payable to the Management Company	8	8,187	8,719
Payable to Central Depository Company Limited (Trustee)	9	19	37
Payable to the Securities and Exchange Commission of Pakistan	10	43	139
Dividend payable		15,734	7,049
Accrued expenses and other liabilities	11	3,878	2,182
<b>Total liabilities</b>		<b>28,969</b>	<b>36,105</b>
<b>NET ASSETS</b>		<b>242,130</b>	<b>151,187</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>242,130</b>	<b>151,187</b>
Contingencies and commitments	12		
		(Number of units)	
Number of units in issue	13	1,298,428	1,698,138
		(Rupees)	
Net asset value per unit		182,828	102,154

The annexed notes form 1 to 32 form an integral part of these financial statements.

For Pak Overseas Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
	Rs.	Rupees in '000	
<b>Income</b>			
Return / interest on			
- government securities		12,242	13,273
- bank deposits		6,194	1,873
- term finance certificates		707	1,740
- Pakistan Investment Bonds		3,000	-
- sale of government		714	142
Net Gain on sale of investments		1,427	(1,228)
Other Income		-	72
Net unrealized loss on re-measurement of investments at fair value through profit/loss -		-	72
Net loss on equity	14	(204)	(1,767)
<b>Total Income</b>		<b>18,260</b>	<b>14,713</b>
<b>EXPENSES</b>			
Compensation of the Management Company	7 + 8 + 9	1,220	1,271
Sub-Commission of operations expenses to the Management Company	10	271	284
Gifts / Donor Tax on remuneration of the Management Company	11	274	284
Compensation of Service Representative Company Limited - Trustees	12	116	247
Gifts / Donor Tax on remuneration of the Trustees	13	21	27
Annual fees to the Securities and Exchange Commission of Pakistan	14 + 15	46	109
Auditor remuneration	16	482	572
Legal and professional charges	17	109	217
Legal and professional charges	18	34	182
Securities transaction cost	19	270	24
Bank, settlement and other charges	20	44	271
Amortisation of premium on FVBI	21	44	-
Printing and stationery expenses	22	20	-
<b>Total expenses</b>		<b>4,271</b>	<b>4,867</b>
<b>Net income from operating activities</b>		<b>14,270</b>	<b>10,144</b>
Net income of unlisted equity issues included in		-	-
prices of units issued less issue & under-issued		-	-
Reversal of provision of stock holders' welfare Fund		250	250
Provision for stock holders' welfare Fund		(250)	(250)
<b>Net income for the year before taxation</b>		<b>14,270</b>	<b>10,144</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>
<b>Net income for the year after taxation</b>		<b>14,270</b>	<b>10,144</b>
Allocation of net income for the year		14,270	10,144
Net income for the year		14,270	10,144
Income directly paid on redemption of units		1,799	211
Accounting income available for distribution		<b>16,069</b>	<b>10,355</b>
- Reserves to equity gains		1,277	-
- Reserves to equity gains		(11,994)	(4,927)
<b>Net income for the year after taxation</b>		<b>4,812</b>	<b>5,428</b>
<b>Gain/loss per unit</b>	23		
Financial statement 1 to 30 form an integral part of these financial statements			

For Pak Oases Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	For the year ended June 30,	
	2020	2019
	(Rupees in '000)	
Net income for the year after taxation	27,640	9,928
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to income statement	-	-
Items that will not be reclassified subsequently to income statement	-	-
<b>Total comprehensive income for the year</b>	<b>27,640</b>	<b>9,928</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Pak Oases Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	2019			2020		
	Capital Units	Investment Income	Total	Capital Units	Investment Income	Total
At the start of the year	10,000	14,000	24,000	10,000	14,000	24,000
Issue of 1,00,000 units (2019: 20,000 units)						
- Capital value of the issue (at par) at the beginning of the year	10,000	-	10,000	20,000	-	20,000
- Expense of income	(200)	-	(200)	(100)	-	(100)
Total proceeds in issue of the year	9,800	-	9,800	19,900	-	19,900
Redemption of 20,000 units (2019: 20,000 units)						
- Capital value of the issue (at par) at the beginning of the year	(20,000)	-	(20,000)	(20,000)	-	(20,000)
- Amount paid and interest of income (including unit holders for the year also included)	(20)	(1,000)	(1,020)	(20)	(20)	(40)
Total payments in redemption of units	(20,020)	(1,000)	(21,020)	(20,020)	(20)	(20,040)
Effect of sale and capital gains included in profit of individual unit holders and retained	-	-	-	-	-	-
Total comprehensive income for the year	-	2,000	2,000	-	1,000	1,000
Total payments for the year (see also Note 20)	-	(2,000)	(2,000)	(10)	(1,000)	(1,010)
Net income for the year less distribution	-	(2,000)	(2,000)	(10)	1,000	(90)
At the end of the year	10,000	14,000	24,000	10,000	14,000	24,000
Individual unit holders' fund:						
- Netted		10,000			14,000	
- Unnetted		(1,000)			(10)	
		9,000			13,990	
Accounting income available for distribution:						
Netted to capital gains		1,000			-	
Unnetted capital gains		(1,000)			1,000	
Distribution paid to the unit		(1,000)			(1,000)	
Individual income earned for the year		1,000			1,000	
Netted to the year:						
- Netted		1,000			10,000	
- Unnetted		(20)			(1,000)	
		980			9,000	
At the end of the year per unit holder of the year		2,400			2,400	
At the end of the year per unit holder of the year		2,400			2,400	

Trustee's role for 1 to 30 form an integral part of these financial statements.

For Pak Overseas Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
DirectorCASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2019	2020
		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		27,940	9,320
<b>Adjustments:</b>			
Net unrealized gain / (loss) on re-measurement of investments held for trading		221	1,797
Net realized loss on sale of investment		(7,637)	1,009
		20,524	12,126
<b>Decrease in assets:</b>			
Investments net		(69,674)	(1,242)
Market Accrued		(937)	(914)
Deposits and prepayments		(469)	(1,120)
		(71,080)	(3,276)
<b>Decrease in liabilities:</b>			
Payable to the Management Company		(532)	(77)
Payable to the Trustee		(9)	(1)
Payable to the Securities and Exchange Commission of Pakistan		(84)	(87)
Accrued expenses and other liabilities		9,281	(214)
		8,756	(369)
<b>Net cash generated from operating activities</b>		(41,607)	8,290
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received on issuance of units		117,419	29,991
Amounts paid on redemption of units		(29,275)	(21,217)
Distributions paid		(26,836)	(9,241)
<b>Net cash used in financing activities</b>		47,108	(12,377)
<b>Net decrease in cash and cash equivalents during the year</b>		5,610	(4,087)
Cash and cash equivalents at the beginning of the year		4,771	8,858
Cash and cash equivalents at the end of the year	4	10,381	4,771

The annexed notes from 1 to 30 form an integral part of these financial statements.

For Pak Overseas Asset Management Company Limited  
(Management Company)  
Chief Executive Officer  
Chief Financial Officer  
Director



## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Askari Sovereign Yield Enhancer (the Fund) was established under a Trust deed executed between Askari Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee on December 09, 2011. The Fund was registered as a Notified Entity under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in December 23, 2011.

Pak Oman Asset Management Company Limited (POAMCL) has acquired 100% shares of Askari Investment Management Limited (AIML) from Askari Bank Limited on May 31, 2017 under share purchase agreement dated April 10, 2017. POAMCL has filed amalgamation scheme, under Section 262 (L) of the Companies Ordinance 1984, which has been approved by SECP via its order dated October 12, 2017. The effective date of merger of POAMCL and AIML is October 30, 2017 as per the above mentioned order.

The Management Company is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules. The registered office of the Management Company is situated at Icon House, 8B-C, 12th Commercial Street, Phase-8 Extension, DHA, Karachi.

The Fund is an open-ended mutual fund classified as an "income scheme" by the Management Company and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.

The objective of the Fund is to generate relatively higher yield than the conventional bank deposits, from a portfolio constituted of credit worthy sovereign instruments and banking sector fixed income instruments and deposits.

The Pakistan Credit Rating Agency Limited has assigned an asset manager rating of "AM3+" to the Management Company dated 26th August 2020. Furthermore, JCR-VIS has assigned a rating of "A+(1)" to the Fund as at 26th Nov 2019.

Title to the assets of the Fund is held in the name of CDC as a trustee of the Fund.

## 2. BASIS OF PREPARATION

## 2.1 Statement of compliance

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

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

## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund.

## 2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 1, 2020. However, these are considered either to be not relevant or to not have any significant impact on the Fund's financial statements.

## 2.4.3 IFRS 9 'Financial Instruments' Impact Assessment

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

## 2.4.3.1 Key requirements of IFRS 9 are as follows:

## Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised 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 "FVTOCI"
- 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) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### Classification and measurement of financial liabilities

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- 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.

#### Impairment of financial assets

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.

SECP through its SC/DIAMC/WR/S&M/JFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### 3.4.3.2 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:

Government securities and term finance certificates are 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 change continue to recognize in profit or loss.

#### 3.5 Estimates and judgements

The preparation of financial statements in conformity with approved accounting and reporting standards requires management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management

to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (a) classification and valuation of financial assets (Note 3.2.1 & 5)
- (c) impairment of financial assets (Note 3.2.5)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the years presented unless otherwise stated.

##### 1.1 Cash and cash equivalents

Cash comprises Current and Saving accounts with Banks. Cash Equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant change in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purpose.

##### 1.2 Financial assets

###### 1.2.1 Classification

The management of the Fund determines appropriate classification of investments at the time of purchase and classifies these investments at fair value through profit or loss, loans and receivables or available-for-sale.

###### a) Investments at fair value through profit or loss - held-for-trading

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short term profit making exists.

###### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

###### c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit and loss.

##### 1.2.2 Regular way contracts

"Regular purchases and sales of financial assets are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the assets."

**3.2.3 Initial recognition and measurement**

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognized at fair value and transaction costs are recognized in the income statement.

**3.2.4 Subsequent measurement****a) Financial assets as 'at fair value through profit or loss - held for trading':****1) Debt securities (other than government securities)**

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of valuation rates, the MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**2) Government securities**

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

**b) Loans and receivables**

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortized cost using the effective interest method. Gains or losses are also recognized in the 'income statement and other comprehensive income' when financial assets carried at amortized cost are derecognized or impaired, and through the amortization process.

**3.2.5 Impairment of financial assets**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the 'income statement and other comprehensive income'.

**a) Debt securities**

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. Impairment losses recognized on debt securities can be reversed through the 'income statement'.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by the SECP, the management may also make provision against debt securities over and above the minimum



provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and determined by the Management Company on its website.

**b) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

**3.2.6 Derecognition**

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

**3.2.7 Offsetting of financial instruments**

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3.3 Financial liabilities**

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost.

**3.4 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevailing on the date on which the distributors receive redemption application during business hours on that date. The redeemed price represents the net assets value per unit less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

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. 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.

**Change in accounting policy - Element of income / (loss)**

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the price of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period was recognized in income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on available for sale securities was included in distribution statement.

Securities & Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (f) which excludes the element of income from "accounting income". As per 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. It also specifies that element of income is a transaction of capital return and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of Movement in Reserves or unit holders' fund instead of income statement. Further, SRO requires an additional disclosure should be stated below income statement for allocation of net income for the year comprising of (a) Income already paid on units redeemed, and (b) accounting income available for distribution.

\*Mutual Funds Association of Pakistan (MUFAP) with the consultation of SECP has clarified that income already paid on redemption of units (element of income paid out) is determined on following basis:

- Income already paid on redemption of units (element of income) made during the year shall be on gross basis instead of element of income / loss on net basis.
- In situations where funds have remained profitable for part of the year and ended up in net profit, the income already paid on redemption of units (element of income) has been calculated from the date at which the fund was last breakeven.
- Income already paid on redemption of Units (element of income) shall be calculated on FIFO method on redemption of Units for identifying units redeemed with units issued.

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 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Further the basis of estimation of income already paid on redemption has been established in line with the guidelines provided by MUFAP as stated above and accordingly the same has been disclosed in the additional disclosure. Had the change in accounting policy applied retrospectively, the income of the Fund for the year ended June 30, 2017 would have been higher by Rs. 14,458 million.

\*Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 2,610 million. However, the change in accounting policy does not have any impact on the 'Statement of Cash flows', the 'net assets attributable to the units holders' and 'net assets value per unit' as shown in the statement of 'assets and liabilities' and 'statement of movement of unit holders' fund'. 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.\*

### 3.6 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a

result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made. Provisions are regularly reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.7 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'Income Statement' on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held for trading' are included in the income statement in the year in which they arise.
- Mark-up / return on government securities, term finance certificates, sukuk, commercial papers, clean placements, bank balances and term deposits are recognised on a time apportionment basis using the effective interest method.

### 3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend.

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

### 3.9 Dividend and bonus units

Dividend declared (including distribution in the form of bonus units) is recognised in the year in which it is authorised or approved.

		2020	2019
	Note	(Rupees in '000)	
<b>4. BALANCE WITH BANKS</b>			
Saving accounts	4.1	16,350	4,771

- 4.1 These saving accounts carry mark-up at the rates ranging from 6.50% to 14.25% (2019: 3.75% to 8.00%) per annum.

		2020	2019
	Note	(Rupees in '000)	
<b>5. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Government securities	5.1	179,476	161,275
Term finance certificate	5.2	-	17,312
Pakistan Investment Bonds	5.3	71,262	-
		<u>250,738</u>	<u>178,587</u>

5.1 Government securities

Issue Date	Term	Face value				Market value as at June 30, 2020	Investment as a	
		As at July 1, 2019	Purchased during the year	Sold/ matured during the year	As at June 30, 2020		Net worth	Market value of total investments
		Rupees in '000				Rs. in '000	%	
<b>Marked Treasury bills</b>								
18-Jul-2019	12 Months	-	30,000	30,000	-	-	-	-
01-Aug-2019	12 Months	-	10,000	10,000	-	-	-	-
28-Aug-2019	12 Months	-	180,000	180,000	-	-	-	-
12-Sep-2019	12 Months	-	80,000	80,000	-	-	-	-
12-Sep-2019	18 Months	-	50,000	50,000	-	-	-	-
28-Sep-2019	12 Months	-	200,000	200,000	-	-	-	-
28-Oct-2019	18 Months	-	50,000	50,000	-	-	-	-
28-Oct-2019	12 Months	-	200,000	200,000	-	-	-	-
07-Nov-2019	12 Months	-	100,000	100,000	-	-	-	-
07-Nov-2019	18 Months	-	200,000	200,000	-	-	-	-
21-Feb-2020	12 Months	-	200,000	200,000	-	-	-	-
21-Feb-2020	18 Months	-	50,000	50,000	-	-	-	-
12-Mar-2020	12 Months	-	120,000	120,000	-	-	-	-
26-Mar-2020	12 Months	-	120,000	120,000	-	-	-	-
05-Apr-2020	12 Months	-	270,000	270,000	-	-	-	-
05-Apr-2020	18 Months	-	270,000	270,000	-	-	-	-
24-Apr-2020	12 Months	-	180,000	-	180,000	178,471	14.08%	10.35%
01-May-2020	18 Months	-	120,000	120,000	-	-	-	-
						<u>178,471</u>		
Carrying value before mark to market as at June 30, 2020						<u>178,471</u>		

5.1.1 These Governmental treasury bills carry purchase yields ranging to 7.3214% to 14.2200% per annum and will mature in July 2020.

5.2 Term finance certificate - issued

Name of the investor company	Rate	Number of certificate				Market value as at June 30, 2020	Investment as a percentage of		
		As at July 01, 2019	Purchased during the year	Sold/matured during the year	As at June 30, 2020		Net worth	Market value of total investments	Term
		Rupees in '000					%		
<b>The Bank of Punjab Limited (S-121 Dec-2018)</b>									
		10	-	10	-	-	-	-	-
						<u>-</u>			
Carrying value before mark to market as at June 30, 2020						<u>-</u>			

5.3 Portfolio Investment Bonds

Issue Date	Term	Face value				Market value as at June 30, 2020	Investment as a	
		As at July 1, 2019	Purchased during the year	Sold/ matured during the year	As at June 30, 2020		Net worth	Market value of total investments
		Rupees in '000					%	
12-Jul-19	3 Years	70,000	130,000	200,000	-	-	0.00	-
12-Jul-19	12 Years	-	70,000	-	70,000	70,000	2.48%	28.65%
16-Sep-19	3 Years	-	340,000	340,000	-	-	0.00	-
12-Jul-19	3 Years	-	200,000	200,000	-	-	0.00	-
16-Sep-19	3 Years	-	100,000	100,000	-	-	0.00	-
						<u>70,000</u>		
Carrying value before mark to market as at June 30, 2020						<u>70,000</u>		

5.4 Net unrealized (loss) / gain on re-measurement of investments at fair value through profit or loss - net of tax effect

	2019	2018
Rs.	(Rupees in '000)	
Market value of investments	244,818	1,04,687
Less: Carrying value of investments before mark to market	(200,000)	(78,000)
	<u>44,818</u>	<u>26,687</u>
<b>MARKET-UP ACCOUNT</b>		
Market-up received on government securities	-	0,380
Market-up received on term finance certificate	-	16
Market-up received on Portfolio Investment Bonds	2,810	-
Market-up received on balance with banks	22	31
	<u>2,832</u>	<u>2,427</u>
<b>ADVANCE, DEPOSIT &amp; OTHER RECEIVABLES</b>		
Advance tax	1,811	100
Deposit with GUC	166	1,231
Prepaid rating fee	206	100
Other receivables	1	-
	<u>2,184</u>	<u>1,431</u>
<b>PROVISION TO THE MANAGEMENT COMPANY</b>		
Remuneration of the Management Company	0.1	104
Sindh Sales tax on remuneration of the Management Company	0.2	1,126
National Income Tax on remuneration of the Management Company	0.3	1,489
Reimbursement of operational expenses to the Management Company	0.4	212
	<u>0.9</u>	<u>2,931</u>

5.1 The Management Company has changed its remuneration at the rate of 1.35% (2019: 1.1%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

5.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on Management Company's remuneration through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.

8.3 "As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 15% on the remuneration of the Management Company was applied with effect from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. This matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED since June 13, 2013.

On June 30, 2016, the Honorable Sindh High Court of Pakistan had passed a Judgment that after the 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 Honorable Supreme Court of Pakistan (SCP) against above judgment, which is pending adjudication. Pending the adjudication in the SCP, the Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 7,469 million. Had the provision of FED not been made, the net asset value per unit as at June 30, 2020 would have been higher by Rs.3.16 per unit (2019: Rs. 4.55 per unit).

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFI) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, no provision for FED has been recorded after June 30, 2016."

8.4 This represents reimbursement of certain expenses to the Management Company. As per regulation 50(2)(c) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets being the lower amount to the Fund.

	Note	2020 (Rupees in '000)	2019
<b>9. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration of the Trustee	9.1	17	24
Sindh Sales Tax on remuneration of the Trustee	9.2	3	3
		<u>19</u>	<u>27</u>

9.1 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 average annual net assets of the Fund. The remuneration is payable to the Trustee monthly in arrears.

9.2 The Sindh Provincial Government levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

## 10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as "Income Scheme" is required to pay an annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02 percent of the average annual net assets of the Fund. The fee is paid annually in arrears.

	Note	2020 (Rupees in '000)	2019
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Withholding tax		43	44
Capital gain tax		4	-
Auditors' remuneration		435	418
Legal and professional charges		88	105
Provision for Sindh Workers' Welfare Fund	11.1	3,672	2,502
Others		297	113
		<u>4,539</u>	<u>3,182</u>

## 11.1 PROVISION FOR SINDH WORKERS' WELFARE FUND

The Finance Act, 2008 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 / Mutual Funds (CISs) whose income exceeded Rs. 500,000 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.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). On 10 November 2016, the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited), MUFAP has recommended to all its members to revoke the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded provision of Rs. 3,672 million as at June 30, 2020 (June 30, 2019: Rs. 2,502 million).

**12. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at June 30, 2020 and June 30, 2019.

	2020	2019
	Number of units	
<b>13. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	1,636,138	1,677,200
Add: units issued during the year	1,881,837	252,465
Less: units redeemed during the year	(157,536)	(293,527)
<b>Total units in issue at the end of the year</b>	<b>2,360,439</b>	<b>1,636,138</b>

**14. NET ASSET VALUE PER UNIT**

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

**15. TAXATION**

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders (excluding distribution made by issuance of bonus units). Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Fund is required to distribute ninety percent of accounting income other than capital gains whether realised or unrealised to the unit holders. The Fund has distributed such accounting income for the year ended June 30, 2020 to its unit holders. Accordingly, no provision in respect of taxation has been made in these financial statements.

**16. EARNINGS PER UNIT**

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

**17. TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for year ended June 30, 2020 is 2.13% which includes 0.49% representing government levy i.e. Sindh Sales Tax, SECP fee and provision for Sindh Worker's Welfare Fund.

	2020	2019
	Number of units	
<b>18. AUDITORS' REMUNERATION</b>		
Annual audit fee	330	330
Half yearly review fee	50	121
Income certification	50	40
	430	491
Out of pocket expenses including government levies	75	88
	<b>505</b>	<b>579</b>

**19. TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES**

19.1 Connected persons and related parties include Pak Oman Asset Management Company Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Pak Oman Investment Company Limited being the Parent of the Management Company. It also includes associated companies of Management Company due to common directorship, subsidiaries and associated companies of the Parent of the Management Company, other collective investment schemes managed by the Management Company, directors, key management personnel of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

19.2 The transactions with connected persons and related parties are carried out in the normal course of business, at contracted rates and terms determined in accordance with the market norms.

19.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations.

19.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

19.5 Details of the transactions with connected persons and related parties are as follows:

	2020	2019
	(Rupees in '000)	
<b>Asset Management Company</b>		
Remuneration of the Management Company	2,854	2,275
Reimbursement of operational expenses to the Management Company	251	169
Sindh Sales Tax on remuneration of the Management Company	271	286
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	158	286
Sindh Sales Tax on remuneration of the Trustee	21	37
ODS charges	22	7
<b>Askari Bank Limited*</b>		
Profit on bank deposits	14	17
Bank charges	23	1
Cash dividend	14,865	-
<b>Honoria Jamshed Nusserwanjee Charitable Trust</b>		
Issue of 29,069 units (2019: Nil units)	2,983	-
Cash dividend (Reinvest)	271	-
<b>Key Management Personnel of the Management Company</b>		
Issue of 2,345 units (2019: Nil units)	251	-
Redemption of 2,535 units (2019: Nil units)	251	-

2020                      2019  
 (Rupees in '000)

**19.6 Amounts outstanding as at year end are as follows:****Asset Management Company**

Remuneration of the Management Company	298	194
Reimbursement of operational expenses to the Management Company	371	918
South Sales Tax on remuneration of the Management Company	1,849	1,128
Federal Excise Duty on remuneration of the Management Company	7,459	7,459

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration of the Trustee	17	24
South Sales Tax on remuneration of the Trustee	2	3
Security deposit	100	100

**Askari Bank Limited\***

Outstanding 1,000,000 units (2019: 1,000,000 units)	162,621	162,584
Dividend payable	14,992	8,408
Balance with bank	211	1,231
Profit receivable on bank deposits	-	-

**Hormia Jamshed Hussainwanjee Charitable Trust**

Outstanding 270,786 units (2019: 52,261 Nil units)	27,766	5,348
--	--------	-------

**Key Management Personnel of the Management Company**

Outstanding 16 units (2019: Nil units)	1	-
--	---	---

\* This represents 10% or more of the unit holding of the fund at the close of the period

\*\* These represents transactions and balances pertaining to staff who are considered key management personnel at the close of the year.

\*\*\*Current year transactions with these persons have not been disclosed as they did not remain connected persons during the year.

**20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

Details of members of the investment committee of the Fund are as follows:

S.No	Name	Designation	Qualification	Experience
1	Ms. Sadaf Kazmi	Chief Executive Officer	MPA	19 years
2	Mr. Abdul Rahman	Chief Financial Officer	ACCA, CPA (Finalist)	6 years
3	Mr. Mustafa Kamal	Chief Investment Officer	MBA	15 year
4	Ms. Sumaira Shaukat	Manager - Fixed Income	ACCA	5 years

Ms. Sumaira Shaukat is the manager of the following Funds. Other funds being managed by the Chief Investment Officer:

- Askari High Yield Scheme
- PakOman Advantage Islamic Income Fund

**21. TRANSACTIONS WITH BROKERS / DEALERS**

List of brokers by percentage of commission charged during the year June 30, 2020 and June 30, 2019:

S.No/Names	2020	2019
1 Invest One Markets Limited	45.87%	43.08%
2 Vector Capital (Pvt.) Limited	27.04%	28.16%
3 BFL Securities Limited	7.83%	15.45%
4 Paramount Capital (Pvt.) Ltd.	6.38%	13.31%
5 BMA Capital Management Ltd.	4.79%	0.00%
6 Continental Exchange (Pvt.) Limited	4.26%	0.00%
7 Next Capital Limited	3.71%	0.00%
	<u>100.00%</u>	<u>100.00%</u>

**22. PATTERN OF UNIT HOLDING**

As at June 30, 2020

Category	Number of unit holders	Net asset value of the amount invested	Percentage of investment
(Rupees in '000)			
Bank/Ofis	1	162,621	42.36%
Individuals	189	11,490	4.74%
Others	12	78,325	32.33%
Retirement funds	5	48,792	20.58%
	<u>127</u>	<u>242,228</u>	<u>100.00%</u>

**23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 72nd, 73rd, 74th & 75th Board meetings were held on August 31, 2019, October 24, 2019, February 12, 2020 and April 16, 2020 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	H.E. Yousaf Bin Saad Bin Abdullah Anjum	4	4	-	-
2	Mr. Raouf Ali Iqbal A. Saqib	2	2	-	-
3	Mr. Sanaullah Khan	4	4	-	-
4	Mr. Humayun Bhatti	4	4	-	-
5	Mr. Saqib Farooq A. Hady	2	2	-	-
6	Mr. Saif Saad Saif A. Yousaf	2	1	1	72nd
7	Mr. Jamali Shah	4	4	-	-
8	Ms. Sadaf Kazmi	4	4	-	-

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2020		
	Loans and receivables	At fair value through profit or loss - held for trading	Total
	Rupees in '000		
<b>Financial assets</b>			
Balance with banks	10,360	-	10,360
Investments	255,478	255,478	510,956
Mark-up accrued	3,199	-	3,199
Deposits & prepayments	1,823	-	1,823
	<u>271,660</u>	<u>255,478</u>	<u>527,138</u>

	As at June 30, 2019		
	At fair value through profit or loss	Other financial liabilities	Total
	Rupees in '000		
<b>Financial liabilities</b>			
Payable to the Management Company	-	9,187	9,187
Payable to the Trustee	-	79	79
Dividend payable	-	15,734	15,734
Accrued expenses and other liabilities	-	760	760
	-	<u>25,699</u>	<u>25,699</u>

	As at June 30, 2019		
	Loans and receivables	At fair value through profit or loss - held for trading	Total
	Rupees in '000		
<b>Financial assets</b>			
Balance with banks	4,771	-	4,771
Investments	-	178,587	178,587
Mark-up accrued	2,469	-	2,469
Deposits	100	-	100
	<u>7,349</u>	<u>178,587</u>	<u>185,936</u>

	As at June 30, 2019		
	At fair value through profit or loss	Other financial liabilities	Total
	Rupees in '000		
<b>Financial liabilities</b>			
Payable to the Management Company	-	9,719	9,719
Payable to the Trustee	-	27	27
Dividend payable	-	7,046	7,046
Accrued expenses and other liabilities	-	638	638
	-	<u>17,430</u>	<u>17,430</u>

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. Consequently, differences can arise between carrying value and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments classified as 'at fair value through profit or loss' which are tradable in an open market is based on the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying value as the items are short-term in nature.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The table below provides information on financial assets or liabilities carried at fair values, by valuation methods.

	As at June 30, 2020			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>ASSETS</b>				
At fair value through profit or loss - held for trading				
Government Securities	-	255,878	-	255,878
Term finance certificates	-	-	-	-

As at June 30, 2019

ASSETS	Level 1	Level 2	Level 3	Total
	(Rupees in 100)			
Investments - at fair value through profit or loss - held for trading				
Government securities	-	161,275	-	161,275
Term finance certificates	-	17,212	-	17,212

There were no transfers between various levels of fair value hierarchy during the year.

## 26. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

The management of these risks is carried out by the Management Company under policies approved by its Board of Directors.

The Fund invests primarily in a portfolio of government securities and term finance certificates. The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

### 26.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the SECP.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

#### 26.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

At present, the Fund has no exposure to currency risk as there are no financial assets or financial liabilities denominated in foreign currencies.

#### 26.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

##### a) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund holds KIBOR based interest bearing market treasury bills,

term finance certificates and balances with banks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these market treasury bills, term finance certificates and balances with banks, with all other variables held constant, the net income and net assets would have been higher / lower by Rs. 2.6 million (2019 - 1.80 million).

##### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund hold 109.57% of the portfolio to fair value interest rate risk.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

As at June 30, 2020

Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
%		Rupees in 100			

#### On-balance sheet financial instruments

##### Financial assets

Balance with banks	3.75 - 7.00	10,383	10,383	-	-	-
Investments	5.85 - 6.62	295,679	295,679	-	-	-
Hold-up accrued		3,165	-	-	-	3,165
Deposits and payments		1,823	-	-	-	1,823
		<u>271,889</u>	<u>296,061</u>	-	-	<u>5,008</u>

##### Financial liabilities

Payable to the Management Company	6,187	-	-	-	-	6,187
Payable to the Trustee	19	-	-	-	-	19
Dividend payable	15,734	-	-	-	-	15,734
Accrued expenses and other liabilities	799	-	-	-	-	799
	<u>22,839</u>	-	-	-	-	<u>22,839</u>
On-balance sheet net go		<u>249,050</u>	<u>296,061</u>	-	-	<u>(47,071)</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet net go		-	-	-	-	-

As at June 30, 2020

Yield Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	

## On-balance sheet financial instruments

Rs. in '000

## Financial assets

	%				
Balance with banks	1.75 - 8.00	4,771	-	-	-
Investments	6.23 - 14.50	178,587	99,389	17,312	62,186
Profit receivable		2,468	-	-	2,468
Security deposit		100	-	-	100
		<u>185,926</u>	<u>99,389</u>	<u>17,312</u>	<u>64,754</u>

## Financial liabilities

Payable to the Management Company		8,716	-	-	8,716
Payable to the Trustee		27	-	-	27
Dividend payable		7,048	-	-	7,048
Accrued expenses and other liabilities		638	-	-	638
Net assets attributable to redeemable units		<u>187,387</u>	-	-	<u>187,387</u>
		<u>188,238</u>	-	-	<u>188,238</u>
On-balance sheet gap		<u>1,302</u>	<u>99,389</u>	<u>17,312</u>	<u>183,658</u>

## Off-balance sheet financial instruments

## Off-balance sheet gap

## 26.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. As at June 30, 2020, the Fund does not hold any instrument that expose the Fund to price risk.

## 26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on balances with banks, mark-up accrued, deposits and prepayments.

For banks and financial institutions, the Fund keeps deposits with reputed financial institutions with reasonably high credit ratings. Credit risk on account of dividend receivable is minimal due to the statutory protection. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NSFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 is the carrying amount of the financial assets. None of those assets are 'impaired' nor 'past due but not impaired'.

The analysis below summarises the credit quality of the Fund's financial assets:

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is as follows:

	June 30, 2020		June 30, 2019	
	Amount of financial assets	Maximum exposure	Amount of financial assets	Maximum exposure
	Rupees in '000			
Balance with banks	10,383	10,383	4,771	4,771
Investments	258,478	76,200	178,587	17,312
Mark-up accrued	3,100	3,100	2,468	2,468
Security Deposit	100	100	100	100
	<u>269,261</u>	<u>89,783</u>	<u>185,926</u>	<u>24,651</u>

## Bank balances by rating category

Rating agency	2020		
	(Rs. in '000)	(%)	
AAA	JCR-VIS, PACRA	90	0.87%
AA+	JCR-VIS, PACRA	360	3.47%
AA-	JCR-VIS, PACRA	9,626	94.84%
A+	JCR-VIS, PACRA	10	0.10%
AA	JCR-VIS, PACRA	76	0.73%
Others	JCR-VIS, PACRA	21	0.20%
		<u>10,383</u>	<u>100%</u>

## Concentration of credit risk

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

## 26.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy

is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

For the purpose of making redemptions, the Fund has the ability to borrow in the short term. However, such need did not arise during the year. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

The following table analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	June 30, 2020			
	Total	Upto three months	Over three months and upto one year	Over one year
	Rupees in '000			
<b>Financial liabilities</b>				
Payable to the Management Company	9,187	9,187	-	-
Payable to the Trustees	19	19	-	-
Dividend payable	15,734	15,734	-	-
Accrued expenses and other liabilities	768	768	-	-
	<b>25,698</b>	<b>25,698</b>		

	June 30, 2019			
	Total	Upto three months	Over three months and upto one year	Over one year
	Rupees in '000			
<b>Financial liabilities</b>				
Payable to the Management Company	9,719	9,719	-	-
Payable to the Trustees	27	27	-	-
Dividend payable	7,049	7,049	-	-
Accrued expenses and other liabilities	528	528	-	-
Net assets attributable to redeemable units	187,187	186,621	-	-
	<b>197,092</b>	<b>193,323</b>		

## 27. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the statement of movement in unit holders' fund.

The Fund has no restrictions on the issuance and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 25, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests which would be augmented by short-term borrowings or disposal of investments where necessary.

28. The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also impacted the economy. On March 24, 2020, the Government announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Fund's operations were not affected as it were operated under all necessary Standard Operating Procedures (SOPs) issued by the Government to ensure safety and smooth and adequate continuation of its business. Due to this, management company has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on 28 August, 2020.

## 29. GENERAL

29.1 Figures have been rounded off to the nearest thousand rupees.

For Askari Asset Management Company Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director