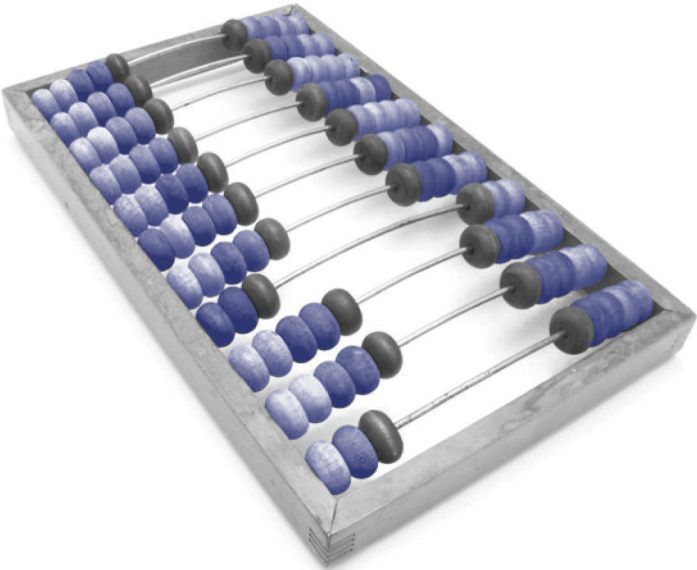


Faysal Asset Management

Income & Growth Fund

Financial Statements
For The Year Ended June 30, 2020



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FUND INFORMATION

Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

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

Chief Executive Officer

Mr. Khaldoon Bin Latif

Chief Financial Officer Company Secretary of the Management Company

Mr. Faisal Ali Khan

Audit Committee

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

HR Committee

Mr. Nadir Rehman, Chairman
Mr. Salman Ahmed Usmani, Member
Mr. Osman Asghar Khan, Member

Trustee to the Fund

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

Bankers to the Fund

MCB Bank Limited
Soneri Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited
Allied Bank Limited
Habib Bank Limited
JS Bank Limited
Zarai Taraqiati Bank Limited
Sindh Bank Limited
Silk Bank Limited

Auditors

A.F. Ferguson & Co. Chartered Accountants

Legal Advisor

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

Registrar

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

FUND MANAGER'S REPORT

ECONOMIC REVIEW

Pakistan faced unprecedented economic shocks from the rapid spread of the Covid-19 towards the last quarter of FY20. The headline inflation for June 2020 slightly increased to 8.6% vs. 8.2% in May 2020; however, the declining aggregate demand is softening outlook for inflation. Although, energy prices are volatile, economic deterioration will keep inflation range bound. Therefore, we expect inflation momentum to remain below 10% by FY21.

In response, during FY20 the State Bank of Pakistan has cut the policy rate 5 times by 625 bps to 7.0% with a priority of supporting growth and employment amidst these challenging times. During last rate cut, it was expecting 1) moderation in inflation expectations and 2) increasing downside risk to growth. Current very low real rate (monetary stimulus) can provide cushion against demand and supply shocks. We believe that Central Bank has undertaken the required monetary easing to balance declining economic growth. However, the policy rate can hover in range of 9% - 10% in medium term.

Furthermore, the Current Account Deficit for June 2020 has reduced to USD 96mn compared to USD 981mn in June 2019. The external accounts continue to benefit from lower imports and resilient remittances. Overall, during FY20, CAD has clocked in at USD 2.97bn/1.1% of GDP vs. USD 13.43bn in FY19. We expect CAD to remain favorable over foreseeable future due muted growth environment. Towards the end of FY20 the PKR/USD was hovering at 168, with REER at 93 and FX reserves of USD 11.23bn.

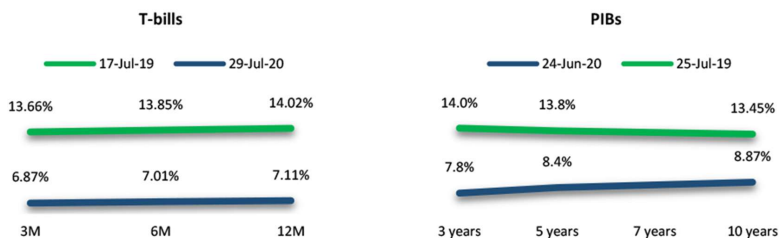
Fiscal Deficit for FY20 has clocked in at 8.1% vs. 8.9% of GDP in FY19. Total Revenue increased by 27.98% YoY to PKR 6.27tn compared to PKR 4.90tn in FY20. The increase was led by Non-Tax Revenue recorded at PKR 1.52tn in FY20 vs. PKR 427bn in FY19. Going forward, we expect deficit to remain on higher side as Government shall face difficulty in revenue mobilization.

The situation on ground is improving as Pakistan has found a bright spot on COVID-19 curve. The Government, in line with other economies, has further eased the smart lockdown. However the economic outlook remains challenging with expectation of meager real GDP growth in 2021.

MONEY MARKET REVIEW

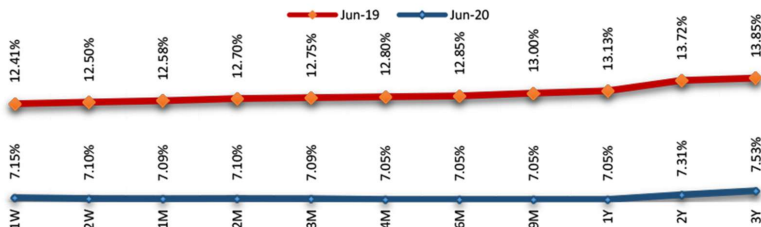
During FY20, Government borrowed 1) PKR 14.75tn in Treasury Bills and 2) PKR 2.07tn in Pakistan Investment Bonds. The weighted average yields declined as Central bank, in a series of meetings, reduced policy rate by 625bps to 7.0%. TTM fiscal deficit for March 2020 has clocked in at 7.2% vs. 5.0% of GDP in March 2019 as Ministry of Finance underperformed on revenue targets and privatization process. Going forward, we expect deficits to remain on higher side as Government shall face difficulties in revenue mobilization.

Weighted average yields



Yield curve

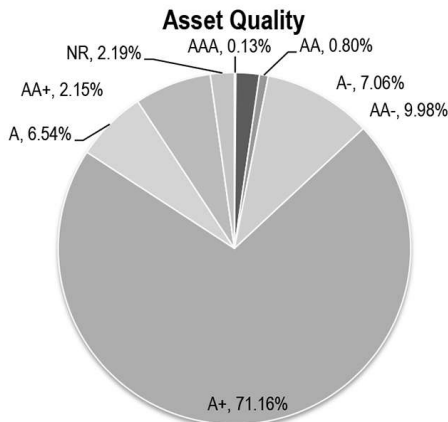
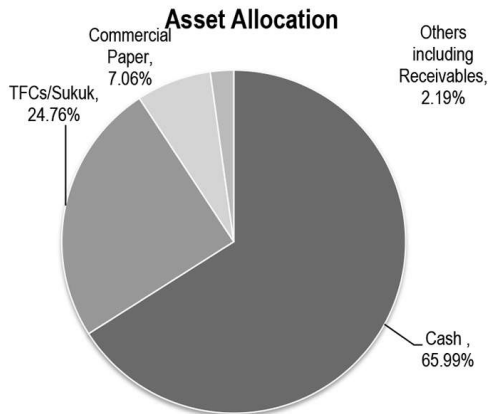
During the year, the entire yield curve shifted downward in 2HFY20 as Central bank undertook rounds of monetary easing. It remained inverted at shorter end because of expectations of subdued inflation due to COVID-19.



As of March 2020, Pakistan total debt stands at PKR 40.5trn or 93% of GDP. The domestic/external debt ratio is 38%/62% of GDP respectively. Central bank is making proactive approach to promote growth and employment by conducting monetary easing. The current macro-environment is expected to continue until the Country fully recovers from COVID-19.

Fund Information	
Fund Type	Open Ended
Category	Aggressive Income Fund
Stability Rating	A(f) (PACRA)
Risk Profile	Medium
Launch Date	October 10, 2005
Custodian/Trustee	CDC
Auditor	A.F. Ferguson & Co.
Management Fee	Upto 1.5% of Average Annual N.A. (Actual Rate of Management Fee Charged is 0.80%)
Selling and Marketing Expense	0.70%
Front/Back end Load	FEL up to 2% of NAV & BEL 0%
Min Subscription	PKR. 5,000
Benchmark	One year KIBOR rates
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM2 (VIS)
NAV per Unit (PKR)	106.57
Net Assets (PKR mn)	773.49
Leverage	Nil

Fund Returns (% p.a)		
	FY20	FY19
YTD	11.19%	7.81
Benchmark (YTD)	12.26%	10.73



FUND PERFORMANCE

Faysal Income and Growth Fund (FIGF) yielded an annualized return of 11.19% during FY20 relative to its benchmark of 12.26%. By the end of the period, your fund's exposure in TFCs and commercial paper stood at 24.76% and 7.06% respectively whereas exposure in cash was 65.99%. Going forward, your fund will strive to maximize returns in a competitive macroeconomic landscape.

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED****Head Office**

CDC House, 99-B, Block 'B'
S.M. C.H.S. Main Shahrā-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****FAYSAL INCOME & GROWTH FUND****Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of Faysal Income & Growth Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

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

A handwritten signature in blue ink, appearing to read 'Badiuddin Akber', is written over a light blue circular watermark.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 28, 2020



A.F.FERGUSON & Co.

INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of Faysal Income & Growth Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Faysal Income & Growth Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 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 and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund 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 is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Net Asset Value (Refer notes 4 and 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 255.164 million and balances with banks aggregated to Rs 521.263 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>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Tested the design and operating effectiveness of the key controls for valuation of investments; ▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; ▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and ▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
 State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



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Other Matter

The financial statements of the Fund for the year ended June 30, 2019, were audited by another firm of Chartered Accountants who expressed an unmodified opinion thereon vide their report dated September, 26 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 the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these 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.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.



A.F.FERGUSON & Co.

- 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 board of directors 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 board of directors 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 board of directors 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 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 and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Shahbaz Akbar**.

A handwritten signature in blue ink, appearing to read "A. Ferguson & Co.", is written over a light blue horizontal line.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: September 28, 2020

Statement of Assets and Liabilities

As at June 30, 2020

	Note	2020	2019
		----- (Rupees) -----	
Assets			
Balances with banks	4	521,263,300	289,764,669
Investments	5	255,163,629	276,756,210
Deposits and other receivables	6	12,286,401	10,690,160
Total assets		<u>788,713,330</u>	<u>577,211,039</u>
Liabilities			
Payable to Faysal Asset Management Limited - the Management Company	7	3,408,422	1,125,906
Payable to Central Depository Company of Pakistan Limited - the Trustee	8	73,203	88,341
Payable to the Securities and Exchange Commission of Pakistan	9	130,595	543,533
Accrued and other liabilities	10	11,609,725	10,999,961
Dividend payable		-	19,620,910
Total liabilities		<u>15,221,945</u>	<u>32,378,651</u>
Net assets		<u>773,491,385</u>	<u>544,832,388</u>
Unit holders' fund (as per statement attached)		<u>773,491,385</u>	<u>544,832,388</u>
Contingencies and commitments	11		
		----- (Number of units) -----	
Number of units in issue		<u>7,257,969</u>	<u>5,122,712</u>
		----- (Rupees) -----	
Net assets value per unit		<u>106.57</u>	<u>106.36</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Income Statement

For The Year Ended June 30, 2020

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
Income			
Profit on debt securities		44,079,064	32,652,787
Profit on balances with banks		42,817,836	39,890,087
Loss on investments			
- Capital gain on disposal of investments - net		2,768,550	-
- Unrealised loss on revaluation of investments - net		(5,043,391)	(2,877,508)
		(2,274,841)	(2,877,508)
Other income		-	5,000
Total income		84,622,059	69,670,366
Expenses			
Remuneration of Faysal Asset Management Limited			
- the Management Company	7.1	7,384,836	10,897,206
Sindh sales tax on remuneration of the Management Company	7.2	960,029	1,416,637
Allocated expenses	7.4	736,123	726,298
Selling and marketing charges	7.3	2,398,612	-
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	8.1	490,040	1,232,379
Sindh sales tax on remuneration of the Trustee	8.2	63,705	160,211
Bank charges		14,523	28,840
Annual fees to the Securities and Exchange Commission of Pakistan	9	130,595	543,558
Auditors' remuneration	12	588,610	563,925
Fees and subscriptions		288,821	291,064
Transaction charges		479,769	499,204
Printing and other expenses		-	3,071
Total operating expenses		13,535,663	16,362,393
Net profit from operating activities		71,086,396	53,307,973
Provision for Sindh workers' welfare fund (SWWF)	10.1	(1,421,728)	(1,066,159)
Net profit for the year before taxation		69,664,668	52,241,814
Taxation	14	-	-
Net profit for the year after taxation		69,664,668	52,241,814
Earnings per unit	3.15		
Allocation of net profit for the year			
Net profit for the year		69,664,668	52,241,814
Income already paid on units redeemed		(9,898,094)	(11,329,909)
		<u>59,766,574</u>	<u>40,911,905</u>
Accounting income available for distribution			
-Relating to capital gains		-	-
-Excluding capital gains		59,766,574	40,911,905
		<u>59,766,574</u>	<u>40,911,905</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Statement of Comprehensive Income

For The Year Ended June 30, 2020

	2020	2019
	----- (Rupees) -----	-----
Net profit for the year after taxation	69,664,668	52,241,814
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>69,664,668</u>	<u>52,241,814</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Cash Flows Statement

For The Year Ended June 30, 2020

	Note	2020	2019
		----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year before taxation		69,664,668	52,241,814
Adjustments for non-cash and other items:			
Profit on debt securities		(44,079,064)	(32,652,787)
Profit on balances with banks		(42,817,836)	(39,890,087)
Loss on investments			
- Capital gain on disposal of investments - net		(2,768,550)	-
- Unrealised loss on revaluation of investments - net		5,043,391	2,877,508
		<u>(14,957,391)</u>	<u>(17,423,552)</u>
Decrease in assets			
Investments		-	-
Deposits and other receivables		-	410,347
		-	410,347
(Decrease) / increase in liabilities			
Payable to Faysal Asset Management Limited - the Management Company		2,282,516	(1,128,383)
Payable to Central Depository Company of Pakistan Limited - the Trustee		(15,138)	(54,513)
Payable to the Securities and Exchange Commission of Pakistan		(412,938)	(222,490)
Accrued and other liabilities		609,764	2,144,918
		2,464,204	739,532
Proceeds from redemption of investments		16,600,199	53,388,732
Payments made against purchase of investments		55,617,070	-
Profits and returns received		32,401,130	70,152,872
Net cash generated from operating activities		<u>92,125,212</u>	<u>107,267,931</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received against issuance of units		2,491,746,462	429,846,730
Payments made against redemption of units		(2,253,217,901)	(779,719,381)
Dividends paid		(99,155,142)	(40,247,886)
Net cash generated from / (used in) financing activities		<u>139,373,419</u>	<u>(390,120,537)</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>231,498,631</u>	<u>(282,852,606)</u>
Cash and cash equivalents at beginning of the year		289,764,669	572,617,275
Cash and cash equivalents at the end of the year	4	<u>521,263,300</u>	<u>289,764,669</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Statement of Movement in Unit Holders' Fund

For The Year Ended June 30, 2020

	June 30, 2020			June 30, 2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees)			(Rupees)		
Net assets at beginning of the year	697,249,798	5,185,830	702,435,628	103,999,671	6,672,282	110,671,953
Issuance of 77,931,950 units (2019: 23,695,163 units)						
- Capital value (at ex-dividend net assets value per unit at the beginning of year)	7,932,693,191	-	7,932,693,191	2,519,506,682	-	2,519,506,682
- Element of income / (loss)	651,012,594	-	651,012,594	(16,108,844)	-	(16,108,844)
Total proceeds on issuance of units	8,583,705,785	-	8,583,705,785	2,503,397,838	-	2,503,397,838
Redemption of 74,222,624 units (2019: 17,835,297 units)						
- Capital value (at ex-dividend net assets value)	(7,555,120,897)	-	(7,555,120,897)	(1,896,427,130)	-	(1,896,427,130)
- Element of loss / (income)	(534,165,624)	(115,046,068)	(649,211,692)	12,158,294	(18,726,272)	(6,567,978)
Total payments on redemption of units	(8,089,286,521)	(115,046,068)	(8,204,332,589)	(1,884,268,836)	(18,726,272)	(1,902,995,108)
Total comprehensive income for the year	-	169,775,388	169,775,388	-	41,247,723	41,247,723
Final cash distribution for the year ended June 30, 2018						
@ Rs. 3.50 per unit (declared on July 6, 2018)	-	-	-	(1,215,752)	(3,645,159)	(4,860,911)
Final cash distribution for the year ended June 30, 2019						
@ Rs. 8.82 per unit (declared June 25, 2019)	-	-	-	(24,663,123)	(20,362,744)	(45,025,867)
Final cash distribution for the year ended June 30, 2020						
@ Rs. 12.96 per unit (declared June 25, 2020)	(116,868,884)	(52,716,636)	(169,585,520)	-	-	-
Net income for the year less distribution	(116,868,884)	117,058,752	189,868	(25,878,875)	17,239,820	(8,639,055)
Net assets at end of the year	1,074,800,178	7,198,514	1,081,998,692	697,249,798	5,185,830	702,435,628
Undistributed income brought forward						
- Realised income		5,485,810			6,454,188	
- Unrealised (loss) / income		(299,980)			218,094	
		5,185,830			6,672,282	
Final cash distribution for the year ended June 30, 2018						
@ Rs. 3.50 per unit (declared on July 6, 2018)		-			(3,645,159)	
Final cash distribution for the year ended June 30, 2019						
@ Rs. 8.82 per unit (declared on June 25, 2019)		-			(20,362,744)	
Final cash distribution for the year ended June 30, 2020						
@ Rs. 12.96 per unit (declared on June 25, 2020)		(52,716,636)			-	
Accounting income available for distribution						
- Relating to capital gains		5,482,603			-	
- Excluding capital gains		49,246,717			22,521,451	
		54,729,320			22,521,451	
Undistributed income carried forward		7,198,514			5,185,830	
Undistributed income carried forward						
- Realised income		7,386,610			5,485,810	
- Unrealised loss		(188,096)			(299,980)	
		7,198,514			5,185,830	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			101.79			106.33
Net assets value per unit at end of the year			101.98			101.79

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

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Notes to the Financial Statements

For The Year Ended June 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Faysal Income & Growth Fund (the Fund) is an open-end income fund constituted under a trust deed entered into on April 27, 2005 between Faysal Asset Management Limited (FAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The investment activities and administration of the Fund are managed by the Management Company.
- 1.2 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 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Faysal House, ST-02, Main Shahrah-e-Faisal, Karachi, Pakistan. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.3 The Fund has been categorised as an open end 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 the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs. 10 per unit. Thereafter, the units were being offered for public subscription on a continuous basis from October 10, 2005 and are transferable and redeemable by surrendering them to the Fund.
- 1.4 The Pakistan Credit Rating Agency Limited (PACRA) has assigned "A(f)" fund stability rating to Faysal Income & Growth Fund as of April 17, 2020 (2019: "A(f)" as of April 17, 2019). VIS Credit Rating Company Limited has awarded an "AM2" asset manager rating to the Management Company as of February 18, 2020 (2019: "AM3+" as of June 24, 2019).

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

Notes to the Financial Statements

For The Year Ended June 30, 2020

- 2.2** Standards, interpretations and amendments to the accounting and reporting standards that are effective in the current period:

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and are, therefore, have not been detailed in these financial statements.

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

- 2.3.1** 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

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

- 2.3.2** There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. 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 estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5) and taxation (notes 3.14 and 14).

Notes to the Financial Statements

For The Year Ended June 30, 2020

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as at fair value through profit or loss which are measured at their respective fair values.

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

3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented.

3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- at amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL)

based on the business model of the entity.

However, IFRS 9 also provides an option whereby securities managed as a portfolio or a group of assets and whose performance is measured on a fair value basis, to be recognised as FVPL. The Fund is primarily focused on fair value information and uses that information to assess the asset's performance and to make decisions. Therefore the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

3.3.2 Impairment

The Fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The Fund

Notes to the Financial Statements

For The Year Ended June 30, 2020

recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.3.3 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the income statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors.

3.3.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

3.3.5 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 are recognised in the income statement.

3.3.6 Subsequent Measurement

a) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are subsequently measured at amortised cost.

b) Fair value through other comprehensive income (FVOCI):

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not

Notes to the Financial Statements

For The Year Ended June 30, 2020

designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

c) Fair value through profit or loss (FVPL):

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the income statement in the period in which it arises.

3.3.7 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. Any gain or loss on derecognition of financial assets is taken to the income statement.

3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 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. Any gain or loss on derecognition of financial liabilities is taken to the income statement.

3.6 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 to realise the assets and settle the liabilities simultaneously.

3.7 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.

Notes to the Financial Statements

For The Year Ended June 30, 2020

3.8 Net asset value per unit

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

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the net asset value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges, if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges.

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

3.12 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

Notes to the Financial Statements

For The Year Ended June 30, 2020

- Profit on balances with banks, income on sukuk certificates, placements, commercial papers and government securities is recognised on a time proportionate basis using the effective yield method.
- Other income is recognised on an accrual basis.

3.13 Expenses

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

3.14 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.

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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that, 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).

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse.

3.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net profit / loss of the year after taxation of the Fund by the weighted average number of units outstanding during the year.

Notes to the Financial Statements

For The Year Ended June 30, 2020

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

3.16 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

4	BALANCES WITH BANKS	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
	Cash at bank - PLS savings accounts	4.1	<u>521,263,300</u>	<u>289,764,669</u>

4.1 These carry mark-up ranging between 6.5% to 14.60% (June 30, 2019: 5% to 13.40%) per annum and include a balance of Rs. 5.054 million (June 30, 2019: Rs. 5.972 million) held with Faysal Bank Limited, a related party.

5	INVESTMENTS	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
	At fair value through profit or loss			
	Term - finance certificates / Sukuks	5.1	195,139,548	276,756,210
	Commercial papers	5.1	<u>60,024,081</u>	-
			<u>255,163,629</u>	<u>276,756,210</u>

5.1 Debt securities - at fair value through profit or loss

Name of investee company	Issue date	----- Number of certificates -----				-- As at June 30, 2020 --			Market value as percentage of total investment	Market value as percentage of net assets	Market value as percentage of size of issue	
		As at July 01, 2019	Purchased during the period	Redeemed during the period	Disposed off during the period	As at June 30, 2020	Carrying value	Market value				Unrealised loss on revaluation
----- (Rupees) -----												
----- % -----												
Microfinance bank												
Khushali Microfinance Bank- TFC* (VIS: A)	19-Mar-18	500	-	-	-	500	50,000,000	50,000,000	-	19.60	6.46	5.00
Banks												
JS Bank Limited - PPTFC ** (PACRA: A+)	14-Dec-16	12,000	-	-	-	12,000	60,175,600	58,798,328	(1,377,272)	23.04	7.60	1.96
The Bank of Punjab - TFC* (PACRA: AA-)	23-Dec-16	660	-	-	-	660	65,264,744	64,669,064	(595,680)	25.34	8.36	2.59
JS Bank Limited -TFC* (PACRA: A+)	29-Dec-17	250	-	-	-	250	24,742,595	21,672,156	(3,070,439)	8.49	2.80	0.72
Fertilizer												
Dawood Hercules Corporation Limited - Sukuk (PACRA: AA)	01-Mar-18	500	-	-	500	-	-	-	-	-	-	-
							<u>200,182,939</u>	<u>195,139,548</u>	<u>(5,043,391)</u>	<u>76.48</u>	<u>25.23</u>	
June 30, 2020							<u>277,530,668</u>	<u>276,756,210</u>	<u>(774,458)</u>			
June 30, 2019												

* Term finance certificates

** Privately placed term finance certificates

Notes to the Financial Statements

For The Year Ended June 30, 2020

5.2 Commercial Paper - at fair value through profit or loss

Name of investee company	Issue date	Number of certificates				-- As at June 30, 2020 --			Maturity Date	Markup Rate	Market value as percentage of total investments	Market value as percentage of net assets	
		As at July 01, 2019	Purchased during the period	Disposed off during the period	Matured during the period	As at June 30, 2020	Carrying value	Market value					Unrealised gain / (loss) on revaluation
TPL Trakker Limited (PACRA: A-)	31-Dec-19	-	55,617,070	-	-	55,617,070	60,024,081	60,024,081	-	30-Jun-20	15.98	23.52	7.76
(Rupees)												%	

5.3 Details of non-compliant investments

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

Name of non-compliant investment under NBFC Regulation 55	Note	Issue date	Type of instrument	Market value of investment	Provision held if any	Market value of investment after provision	% of net assets	% of gross assets
(Rupees)								
Non-compliance under NBFC Regulation 55 (5)								
JS Bank Limited	5.1 & 5.3.1	14-Dec-16	TFC	58,798,328	-	58,798,328	10.40%	10.20%
JS Bank Limited	5.1 & 5.3.1	29-Dec-17	TFC	21,672,156	-	21,672,156	10.40%	10.20%
				80,470,484	-	80,470,484	10.40%	10.20%

5.3.1 As per the NBFC and NE Regulations, 2008, regulation 55 sub-regulation (5), the exposure of collective investment scheme to any single entity shall not exceed the lower of an amount equal to 10% of the total net assets of the collective investment scheme or 10% of the debt issue. As at year end investment exceeds 10% of net assets value.

Note 2020 2019
----- (Rupees) -----

6 DEPOSITS AND OTHER RECEIVABLES

Prepayments		-	77
Security deposits:			
- National Clearing Company of Pakistan Limited		2,500,000	2,500,000
- Central Depository Company of Pakistan Limited		100,000	100,000
		2,600,000	2,600,000
Profit receivable on debt securities		2,235,913	4,664,624
Profit receivable on balances with banks	6.1	6,904,685	3,258,354
Advance tax	6.2	545,803	167,182
		12,286,401	10,690,160

6.1 This includes profit receivable amounting to Rs. 138,793 (June 30, 2019: Rs. 243,498) on bank balance held with Faysal Bank Limited, a related party.

6.2 As per clause 47(B) 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 150. However, withholding tax on dividend and profits paid to the Fund was

Notes to the Financial Statements

For The Year Ended June 30, 2020

deducted by various withholding agents based on the interpretation issued by the FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profits on debt securities amounts to Rs 0.546 million.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds 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 the FBR. On January 28, 2016, the Board of Directors of AMCs 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 Funds together with other CISs whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on dividends and profits received by the Fund 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.

	Note	2020	2019
		----- (Rupees) -----	
7	PAYABLE TO FAYSAL ASSET MANAGEMENT LIMITED		
	- THE MANAGEMENT COMPANY		
	Management fee payable	7.1	718,865
	Front end load payable		-
	Sales tax on management fee	7.2	93,452
	Selling and marketing charges	7.3	1,540,484
	Allocated expenses	7.4	1,055,621
			<u>319,498</u>
			<u>3,408,422</u>
			<u>1,125,906</u>

- 7.1** As per regulation 61 of the NBFC Regulations, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the offering document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company was charging its remuneration at the rate of 1.5% per annum of the average net assets of the Fund till January 12, 2020 (1.5% from July 1, 2018 till June 30, 2019).

During the year ended June 30, 2020, via a circular resolution of the Board of Directors dated December 16, 2019, the Management Company has changed its remuneration structure from the one mentioned above to a variable fee structure where the Management Company has defined a maximum fee level in the Fund's offering document at the rate of 1.5% of net assets. The Trustee has consented this revision via its letter CDC/T&C-S II/DH/0560/2019. The Board of the Management Company has also defined a minimum threshold of 0.6% of net assets through the aforementioned circular resolution. As a consequence thereof, the Management Company is now charging its remuneration variably keeping in view the overall return of the Fund and subject to the maximum percentage approved by the Board, the Trustee and the SECP and the minimum percentage approved by the Board and subject always to the total expense ratio of the Fund as defined under the NBFC Regulations.

Notes to the Financial Statements

For The Year Ended June 30, 2020

The Management Company charged management fee at 0.80% of net assets for the period from January 13, 2020 to June 30, 2020

7.2 During the year, an amount of Rs. 960,029 (2019: Rs 1,416,637) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011.

7.3 The SECP has allowed asset management companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the fund or actual expenses whichever is lower.

During the current year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

As a consequence thereof, the Board of Directors of the Management Company has approved the annual plan for charging of selling and marketing expenses to the funds under the management of the Management Company through a circular resolution dated December 16, 2019. Furthermore, the Board, through the same circular resolution, has given a discretion for charging of selling and marketing expenses directly to the Fund as proposed by the management. Therefore, the Management Company is now charging the selling and marketing expenses variably keeping in view the overall return of the Fund and subject to the total expense ratio of the Fund as defined under the NBFC Regulations.

The Management Company charged selling and marketing expenses at 0.70% of net assets for the period from January 13, 2020 to June 30, 2020.

7.4 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a collective investment scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The Management Company has charged such expenses to the Fund at the rate of 0.1% from July 1, 2019 to February 26, 2020 of the net assets (0.1% from July 1, 2018 to June 30, 2019 of the net assets).

During the year ended June 30, 2020, the Board of Directors of the Management Company, in its 106th meeting held on April 17, 2020, has given a discretion for charging of allocated expenses directly to the Fund as proposed by the management. Therefore, the Management Company is now charging the allocated expenses variably keeping in view the overall return of the Fund and subject to the total expense ratio of the Fund as defined under the NBFC Regulations.

The Management Company has charged allocated expenses to the Fund at the rate of 0.15% from April 28, 2020 to June 30, 2020.

Notes to the Financial Statements

For The Year Ended June 30, 2020

8	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE	Note	2020	2019
			----- (Rupees) -----	
	Remuneration to the Trustee	8.1	64,782	78,178
	Sales tax on the Trustee fee	8.2	8,421	10,163
			<u>73,203</u>	<u>88,341</u>

8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:

The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed at the rate of 0.075% per annum of net assets, (June 30, 2019 were as follows:

On net assets:	Fee
- up to Rs. 1 billion	0.17% per annum of net assets
- exceeding Rs. 1 billion up to Rs. 5 billion	Rs. 1.7 million plus 0.085% per annum of net assets, on amount exceeding Rs. 1 billion.
- exceeding Rs. 5 billion	Rs. 5.1 million plus 0.07% per annum of net assets, on amount exceeding Rs. 5 billion).

8.2 During the year, an amount of Rs 63,705 (2019: Rs. 160,211) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011

9	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2020	2019
			----- (Rupees) -----	
	Annual fee	9.1	<u>130,595</u>	<u>543,533</u>

9.1 In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from July 1, 2019, the SECP vide SRO No. 685(1)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

10	ACCRUED AND OTHER LIABILITIES	Note	2020	2019
			----- (Rupees) -----	
	Accrued liabilities		915,863	759,000
	Withholding tax and zakat payable		1,063,673	2,032,962
	Provision for Sindh workers' welfare fund (SWWF)	10.1	5,579,472	4,157,282
	Provision for federal excise duty (FED)	10.2	4,050,717	4,050,717
			<u>11,609,725</u>	<u>10,999,961</u>

Notes to the Financial Statements

For The Year Ended June 30, 2020

10.1 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 CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had 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, 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).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2020, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Re. 0.77 per unit (June 30, 2019: Re. 0.81 per unit).

10.2 The Finance Act, 2013 enlarged the scope of Federal excise duty (FED) on financial services to include asset management companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by with various asset management companies challenging the levy of FED.

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.

During the year ended June 30, 2017, 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.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the Fund has charged FED and sales tax on service thereon in its financial statements till June 30, 2016 amounting to Rs. 4.05 million being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs. 0.56 (2019: Rs. 0.79).

Notes to the Financial Statements

For The Year Ended June 30, 2020

11 CONTINGENCIES AND COMMITMENTS

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

	2020	2019
	----- (Rupees) -----	
12 AUDITORS' REMUNERATION		
Audit fee	315,340	346,500
Review and other certifications	171,275	115,000
Out of pocket expenses	58,394	65,505
	<u>545,009</u>	<u>527,005</u>
Sales tax	43,601	36,920
	<u>588,610</u>	<u>563,925</u>

13 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund as at June 30, 2020 is 2.30% (2019: 2.39%) which includes 0.40% (2019: 0.43%) representing government levies on the Fund such as provision for Sindh workers' welfare fund, sales taxes, federal excise duties, 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 income scheme.

14 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2020 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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 Finance Act, 2015 is also not applicable on Funds as per Income Tax Ordinance, 2001.

15 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Notes to the Financial Statements

For The Year Ended June 30, 2020

15.2 Connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons.

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

Transactions during the year	2020	2019
	----- (Rupees) -----	-----
Faysal Asset Management Limited (the Management Company)		
Remuneration of Faysal Asset Management Limited - the Management Company	7,384,836	10,897,206
Sindh sales tax on remuneration of the Management Company	960,029	1,416,637
Accounting and operational charges	736,123	726,298
Selling and marketing charges	2,398,612	-
Issuance of 3,172,729 units (2019: 3,547,637 units)	362,105,214	390,119,838
Redemption of 1,959,233 units (2019: 3,546,586 units)	225,390,389	390,478,535
Faysal Bank Limited (group / associated company)		
Profit on balances with banks	517,954	932,914
Redemption of Nil units (2019: 117,378 units)	-	12,437,358
Cash dividend paid	-	19,430,606
Bank Charges	-	572
Central Depository Company of Pakistan Limited (the Trustee)		
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	490,040	1,232,379
Sindh sales tax on remuneration of the Trustee	63,705	160,211
Unit holders holding 10% or more units		
Issuance of 1,017,795 units (2019: 73,988 units)	117,338,895	7,855,594
Outstanding balances		
	2020	2019
	----- (Rupees) -----	-----
Faysal Asset Management Limited (the Management Company)		
Management fee payable	718,865	712,667
Front end load payable	-	1,091
Sales tax on management fee	93,452	92,650
Selling and marketing charges	1,540,484	-
Allocated expenses	1,055,621	319,498
Units in issue 1,214,625 units (2019: 1,128 units)	129,442,562	119,974
Faysal Bank Limited (group / associated company)		
Units in issue 2,413,740 units (2019: 2,413,740 units)	257,232,272	256,725,386
Balance in PLS savings accounts	5,054,312	5,971,856
Return receivable on PLS savings accounts	138,793	243,498
Central Depository Company of Pakistan Limited (the Trustee)		
Remuneration to the Trustee	64,782	78,178
Sales tax on the Trustee fee	8,421	10,163
Security deposit	100,000	100,000
Unit holder holding 10% or more units		
Units in issue: 1,668,429 units (2019: 650,634 units)	177,804,451	69,201,432

Notes to the Financial Statements

For The Year Ended June 30, 2020

16 FINANCIAL INSTRUMENTS BY CATEGORY

----- 2020 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial assets			
Balances with banks	521,263,300	-	521,263,300
Investments	-	255,163,629	255,163,629
Deposits and other receivables	11,740,598	-	11,740,598
	<u>533,003,898</u>	<u>255,163,629</u>	<u>788,167,527</u>

----- 2020 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial liabilities			
Payable to Faysal Asset Management Limited - the Management Company	3,408,422	-	3,408,422
Payable to Central Depository Company of Pakistan Limited - the Trustee	73,203	-	73,203
Accrued and other liabilities	915,863	-	915,863
	<u>4,397,488</u>	<u>-</u>	<u>4,397,488</u>

----- 2019 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial assets			
Balances with banks	289,764,669	-	289,764,669
Investments	-	276,756,210	276,756,210
Deposits and other receivables	10,522,978	-	10,522,978
	<u>300,287,647</u>	<u>276,756,210</u>	<u>577,043,857</u>

----- 2019 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Financial liabilities			
Payable to Faysal Asset Management Limited - the Management Company	1,125,906	-	1,125,906
Payable to Central Depository Company of Pakistan Limited - the Trustee	88,341	-	88,341
Accrued and other liabilities	759,000	-	759,000
Dividend payable	19,620,910	-	19,620,910
	<u>21,594,157</u>	<u>-</u>	<u>21,594,157</u>

Notes to the Financial Statements

For The Year Ended June 30, 2020

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk, interest rate risk and currency risk, credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Risks managed and measured by the Fund are explained below:

17.1 Market risk

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of June 30, 2020, the Fund's exposure to the risk of changes in market interest rates relates primarily to balances with banks. The balances with banks and floating rate debt securities are subject to profit rates as declared by the respective bank / institutions on periodic basis. As at June 30, 2020, approximately 98.51% (June 30, 2019: 98.18%) of the Fund's financial assets are subject to profit rates risk.

In case an increase of 100 basis points in the interest rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs. 7.764 million (June 30, 2019: Rs. 5.665 million) and a decrease of 100 basis points would result in a decrease of the Fund's income and the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

Notes to the Financial Statements

For The Year Ended June 30, 2020

----- 2020 -----					
Effective profit rate (%)	Exposed to interest rate risk			Not exposed to interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees -----

Financial assets

Balances with banks	6.5% - 14.6%	521,263,300	-	-	-	521,263,300
Investments		255,163,629	-	-	-	255,163,629
Deposits and other receivables		-	-	-	11,740,598	11,740,598
		776,426,929	-	-	11,740,598	788,167,527

Financial liabilities

Payable to Faysal Asset Management Limited - the Management Company		-	-	-	3,408,422	3,408,422
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	73,203	73,203
Accrued and other liabilities		-	-	-	915,863	915,863
		-	-	-	4,397,488	4,397,488

On-balance sheet gap (a)

	776,426,929	-	-	7,343,110	783,770,039
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Off-balance sheet financial instruments

	-	-	-	-	-
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Off-balance sheet gap (b)

	-	-	-	-	-
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Total profit rate sensitivity gap (a+b)

	776,426,929	-	-		
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Cumulative profit rate sensitivity gap

	776,426,929	776,426,929	776,426,929		
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----- 2019 -----					
Effective profit rate (%)	Exposed to interest rate risk			Not exposed to interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

----- Rupees -----

Financial assets

Balances with banks	5% to 13.4%	289,764,669	-	-	-	289,764,669
Investments		276,756,210	-	-	-	276,756,210
Deposits and other receivables		-	-	-	10,522,978	10,522,978
		566,520,879	-	-	10,522,978	577,043,857

Financial liabilities

Payable to Faysal Asset Management Limited - the Management Company		-	-	-	1,125,906	1,125,906
Payable to Central Depository Company of Pakistan Limited - the Trustee		-	-	-	88,341	88,341
Accrued and other liabilities		-	-	-	759,000	759,000
Dividend payable		-	-	-	19,620,910	19,620,910
		-	-	-	21,594,157	21,594,157

On-balance sheet gap (a)

	566,520,879	-	-	(11,071,179)	555,449,700
--	-------------	---	---	--------------	-------------

Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

Off-balance sheet gap (b)

	-	-	-	-	-
--	---	---	---	---	---

Total profit rate sensitivity gap (a+b)

	566,520,879	-	-		
--	-------------	---	---	--	--

Cumulative profit rate sensitivity gap

	566,520,879	566,520,879	566,520,879		
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Notes to the Financial Statements

For The Year Ended June 30, 2020

(ii) Foreign 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) 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 profit 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.

17.2 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 settlement of equity securities and daily 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. 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 disposed and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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.

For maturity profile of the Fund's financial instrument, refer note 17.1 to these financial statements.

17.3 Credit risk

17.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed.

Credit risk arises from balances with banks and financial instruments, profit receivable on balances with banks, receivable against conversion of units and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

Notes to the Financial Statements

For The Year Ended June 30, 2020

The table below analyses the Fund's maximum exposure to credit risk:

	2020	2019
	----- (Rupees) -----	
Balances with banks	521,263,300	289,764,669
Investments	255,163,629	276,756,210
Deposits and other receivables	<u>11,740,598</u>	<u>10,522,978</u>
	<u><u>788,167,527</u></u>	<u><u>577,043,780</u></u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

17.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its balances with banks and profit accrued thereon and receivable against conversion of units and against investments. The credit rating profile of balances with banks is as follows:

	2020	2019
	----- % -----	
A	0.291%	0.823%
A+	92.356%	0.012%
AA	0.972%	2.061%
AA-	2.928%	1.651%
AA+	3.257%	95.362%
AAA	<u>0.196%</u>	<u>0.091%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Ratings of investments are being given under note 5.1 and 5.2 to these financial statements.

17.3.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated.

All financial assets of the Fund as at June 30, 2020 are unsecured and are not impaired.

18 FAIR VALUE MEASUREMENT

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.

Notes to the Financial Statements

For The Year Ended June 30, 2020

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.

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

Fair value hierarchy

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 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 (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).

As at the reporting date, the Fund held the following financial instruments measured at fair values:

	2020			
	Level 1	Level 2	Level 3	Total
ASSETS	----- (Rupees) -----			
Financial assets at fair value through profit or loss				
- Term finance / Sukuk certificates	-	195,139,548	-	195,139,548
- Commercial papers*	-	60,024,081	-	60,024,081
	<u>-</u>	<u>255,163,629</u>	<u>-</u>	<u>255,163,629</u>

	2019			
	Level 1	Level 2	Level 3	Total
ASSETS	----- (Rupees) -----			
Financial assets at fair value through profit or loss				
- Term finance / Sukuk certificates	-	276,756,210	-	276,756,210

*The valuation of commercial papers has been done based on amortisation of commercial paper to its face value as per the guidelines given in Circular 33 of 2012 since the residual maturity of this investment is less than six months and they are placed with counterparties which have high credit rating.

During the year ended June 30, 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

Notes to the Financial Statements

For The Year Ended June 30, 2020

19 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends 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.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 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 historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 17, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short term borrowings, where necessary.

20 UNIT HOLDING PATTERN OF THE FUND

Category	2020		
	Number of unit holders	Units held	Percentage of total
Associated company	3	3,628,365	49.99%
Insurance company	1	864	0.01%
Retirement funds	13	2,251,592	31.02%
Individuals	404	684,167	9.43%
Other	24	692,980	9.55%
	<u>445</u>	<u>7,257,969</u>	<u>100.00%</u>

Category	2019		
	Number of unit holders	Units held	Percentage of total
Associated company	2	2,413,740	47.12%
Retirement funds	8	1,124,044	21.94%
Individuals	260	867,902	16.94%
Other	17	717,026	14.00%
	<u>287</u>	<u>5,122,712</u>	<u>100.00%</u>

Notes to the Financial Statements

For The Year Ended June 30, 2020

21 LIST OF BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2020
	Percentage of commission paid
Invest One Markets Limited	22.77%
C&M Management (Private) Limited	16.83%
Magenta Capital (Private) Limited	16.81%
Arif Habib Limited	15.76%
Next Capital Limited	9.46%
BMA Capital Management Limited	7.00%
Bright Capital (Private) Limited	5.86%
Vector Capital (Private) Limited	5.51%

Nil brokerage in prior year.

22 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Following are the details in respect of members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall Experience
Mr. Khaldoon Bin Latif	Chief Executive Officer	B.Sc. Economics	Over 16 years
Mr. Ayub Khuuro	Chief Investment Officer	B.Sc. Economics	Over 11 years
Mr. Faisal Ali Khan	CFO and Company Secretary	B.com, CA	Over 16 years
Syed Shahid Iqbal	Senior Fund Specialist - Fixed Income	B.com	Over 28 years
Mr. Mustajab Alam	Fund Manager	MBA Finance	Over 7 years
Mr. Muhammad Akbar Latif Khan	Head of Research	B.com	Over 5 years
Mr. Khurram Salman	Head of Compliance and Internal Audit	B.com, CA	Over 15 years
Mr. Mohammad Qasim	Head of Risk	B. S. (Actuarial Science & Risk Management) & MBA (Fin.)	Over 10 years

23 NAME AND QUALIFICATION OF THE FUND MANAGER

Name	Designation	Qualification	Other funds managed by the Fund manager
Mr. Syed Shahid Iqbal	Sr. Fund Specialist - Fixed Income	B.com	FSGF, FMMF, FFSOF, FMTSF, FFVF, FGSP

24 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Name of directors	Designation	Attended meeting held on					
		August 19, 2019	September 12, 2019	October 21, 2019	January 01, 2020	January 31, 2020	April 17, 2020
Mr. Salman Ahmed Usmani	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Osman Asghar Khan	Director	No	Yes	No	No	Yes	Yes
Mr. Farooq Hassan*	Director	Yes	Yes	No	No	No	No
Mr. Tahir Yaqoob Bhatti	Director	Yes	Yes	No	Yes	Yes	Yes
Mr. Syed Muhammad Fraz Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mian Salman Ali	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Nadir Rahman**	Director	No	No	Yes	Yes	Yes	Yes
Mr. Khaldoon Bin Latif	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes	Yes

*retired

**elected in September 2019

Notes to the Financial Statements

For The Year Ended June 30, 2020

25 GENERAL

25.1 Corresponding figures

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements except for the following:

Reclassification from the statement of assets and liabilities	Reclassification to the statement of assets and liabilities	June 30, 2019 Rupees
Accrued and other liabilities	Payable to the Securities and Exchange Commission of Pakistan	543,533

25.2 Rounding off

Figures have been rounded off to the nearest rupee.

25.3 Impacts of COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- The time period to regularise the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- Time period to ensure compliance with minimum fund size for open end schemes under Regulation 54(3)(b) of the NBFC regulations has been increased to 180 days for open end schemes; and
- Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

25.3.1 Operational risk management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its

Notes to the Financial Statements

For The Year Ended June 30, 2020

information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (VPN) connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of COVID-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 13, 2020 by the Board of Directors of the Management Company.

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

June 30, 2020 June 30, 2019 June 30, 2018
----- (Rupees) -----

(i) PERFORMANCE TABLE

Net assets	773,491,385	544,832,388	902,332,021
Net assets value per unit	106.57	106.36	111.31
Offer price per unit	108.71	108.49	113.54
Repurchase price per unit	106.57	106.36	111.31
Highest offer price per unit	120.43	116.51	113.54
Highest repurchase price per unit	118.06	114.22	111.31
Lowest offer price per unit	108.55	108.00	105.89
Lowest repurchase price per unit	106.42	105.88	105.89
Total return:	11.19%	7.81%	5.15%
- capital growth	0.19%	0.22%	0.53%
- income distribution	11.00%	7.59%	4.62%
Average annual return: (Launch date: October 10, 2005)			
- one year	11.19%	7.81%	5.15%
- two years	9.50%	6.48%	4.86%
- three years	8.05%	5.84%	6.37%
Distribution per unit:			
- Interim distribution (% per unit) *	11.00%	7.59%	0.00%
- Final distribution (% per unit)	-	0.00%	4.89%
	<u>11.00%</u>	<u>7.59%</u>	<u>4.89%</u>

* Announced on 25 June 2020

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

(i) MEETINGS OF THE AUDIT COMMITTEE

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

Name of Member	Meetings attended	Meeting held on				
		Aug 19, 2019	Sep 12, 2019	Oct 21, 2019	Jan 31, 2020	Apr 17, 2020
Mr. Osman Asghar Khan	4	-	1	1	1	1
Mr. Mian Salman Ali	5	1	1	1	1	1
Syed Muhammad Fraz Zaidi	5	1	1	1	1	1

(ii) MEETINGS OF THE HUMAN REOURSCE AND REMUNERATION COMMITTEE

Following is the analysis of the attendance in the meetings of the Human Resource and Remuneration Committee of the Management Company during the year:

Name of Member	Meetings attended	Meeting held on	
		Nov 29, 2019	Apr 17, 2020
Mr. Osman Asghar Khan	2	1	1
Mr.Salman Ahmed Usmani	2	1	1
Mr.Nadir Rehman	2	1	1

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

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