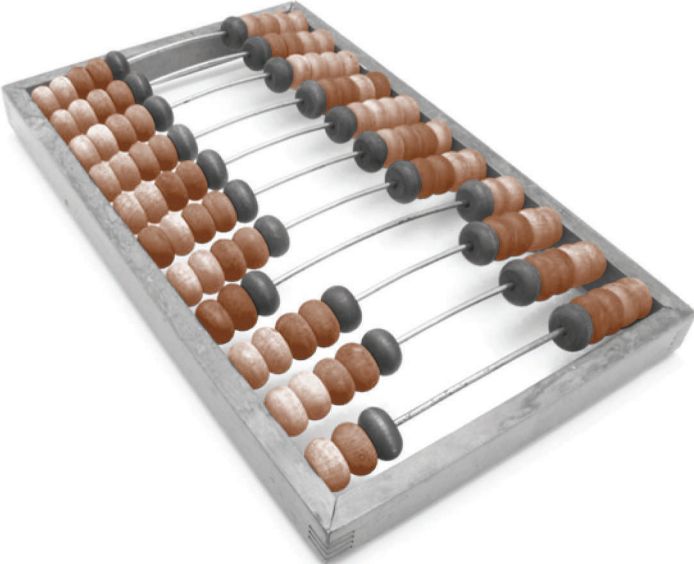


# Faysal Asset Management

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

### 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.

## **MISSION AND VISION**

To provide world class investment management and advisory services for the benefit of clientele looking to maximize their financial returns while minimizing risk.

To amplify our client-centricity by inspiring innovation, championing customer service, generating competitive returns, and honoring the utmost ethical and professional standards.

## **MISSION STATEMENT**

Faysal Savings Growth Fund seeks to provide investors a consistent income stream with maximum preservative of capital.

## 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.

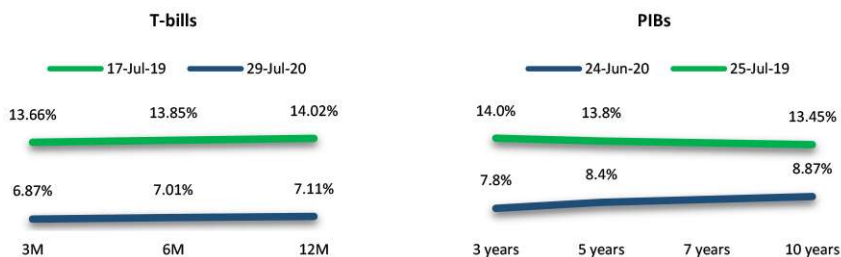
Furthermore, the Current Account Deficit for June 2020 has reduced to USD 96mn compared to USD 981mn in June 2019. The external accounts continue to benefit from lower imports and resilient remittances. Overall, during FY20, CAD has clocked in at USD 2.97bn/1.1% of GDP vs. USD 13.43bn in FY19. We expect 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

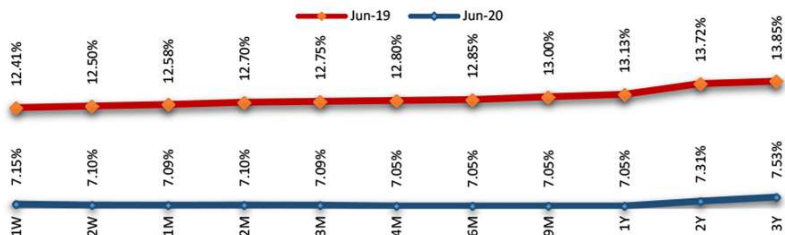
During FY20, Government borrowed 1) PKR 14.75tn in Treasury Bills and 2) PKR 2.07tn in Pakistan Investment Bonds. The weighted average yields declined as Central bank, in a series of meetings, reduced policy rate by 625bps to 7.0%. TTM fiscal deficit for March 2020 has clocked in at 7.2% vs. 5.0% of 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.

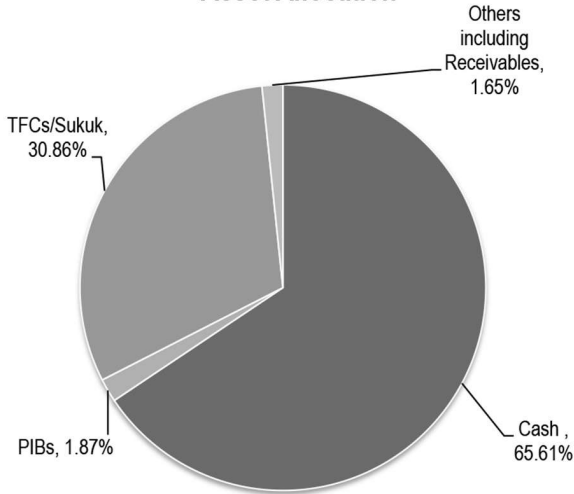


As of March 2020, Pakistan total debt stands at PKR 40.5trn or 93% of GDP. The domestic/external debt ratio is 38%/62% of GDP respectively. Central bank is making proactive approach to promote growth and employment by conducting monetary easing. The current macro-environment is expected to continue until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

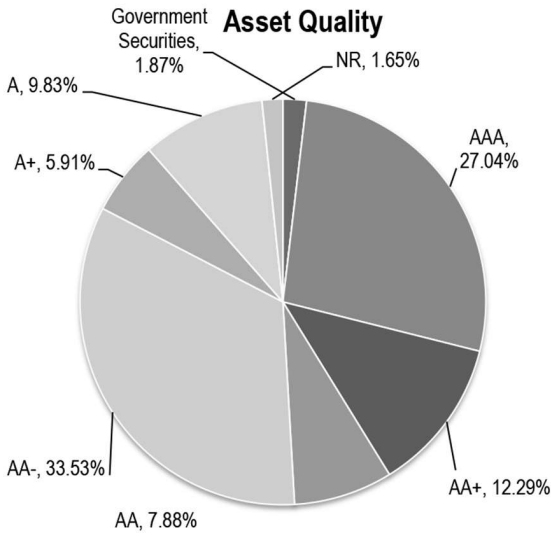
Fund Information	
Fund Type	Open Ended
Category	Income scheme
Stability Rating	AA- (f) (PACRA)
Risk Profile	Low
Launch Date	May 12, 2007
Custodian/Trustee	CDC
Auditor	A.F. Ferguson & Co.
Management Fee	Upto 1.5% of Average Annual N.A. (Actual Rate of Management Fee Charged is 0.79%)
Selling and Marketing Expense	0.69%
Front/Back end Load	FEL up to 2% of NAV & BEL 0%
Min Subscription	PKR. 5,000
Benchmark	Six months KIBOR rates
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM2 (VIS)
NAV per Unit (PKR)	102.52
Net Assets(PKR mn)	2,610.85
Leverage	Nil

Fund Returns (% p.a)		
	FY20	FY19
YTD	11.67%	7.59
Benchmark (YTD)	12.22%	10.21

**Asset Allocation**



**Asset Quality**



**FUND PERFORMANCE**

Faysal Savings Growth Fund (FSGF) yielded an annualized return of 11.67% during FY20 relative to its benchmark of 12.22%. As a measure of our consolidation strategy, cash exposure maintained at 65.61%, while exposure in TFC reduced to 30.86%. Going forward, the fund will continue to build exposure in lucrative investment avenues and enhance yields with a proactive investment strategy.

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

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

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

We Central Depository Company of Pakistan Limited, being the Trustee of Faysal Savings Growth Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 23, 2020



A.F. FERGUSON & Co.

## INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of Faysal Savings Growth Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Faysal Savings 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	<b>Net Asset Value</b> (Refer notes 4 and 5 to the financial statements)	
	<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 869,004 million and balances with banks aggregated to Rs 1,741,884 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"> <li>Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>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;</li> <li>Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

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>



#### 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 &amp; 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', is written over a faint, light blue watermark of the company name 'A.F. Ferguson &amp; Co.'.

A. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: September 28, 2020

## Statement of Assets and Liabilities

As at June 30, 2020

	Note	2020 ----- (Rupees) -----	2019
<b>Assets</b>			
Balances with banks	4	1,741,884,414	708,408,906
Investments	5	869,004,303	921,394,589
Deposits, prepayments and other receivables	6	43,864,870	35,307,845
<b>Total assets</b>		<u>2,654,753,587</u>	<u>1,665,111,340</u>
<b>Liabilities</b>			
Payable to Faysal Asset Management Limited - Management Company	7	7,607,826	3,147,716
Payable to Central Depository Company of Pakistan Limited - Trustee	8	151,943	206,855
Payable to the Securities and Exchange Commission of Pakistan	9	330,485	1,432,699
Accrued expenses and other liabilities	10	35,815,857	40,858,833
Dividend payable		-	49,482,332
<b>Total liabilities</b>		<u>43,906,111</u>	<u>95,128,435</u>
<b>Net assets</b>		<u>2,610,847,476</u>	<u>1,569,982,905</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>2,610,847,476</u>	<u>1,569,982,905</u>
<b>Contingencies and commitments</b>	11		
		----- (Number of units) -----	
<b>Number of units in issue</b>		<u>25,467,827</u>	<u>15,333,783</u>
		----- (Rupees) -----	
<b>Net asset value per unit</b>		<u>102.52</u>	<u>102.39</u>

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



## Statement of Comprehensive Income

For The Year Ended June 30, 2020

	2020 ----- (Rupees) -----	2019 -----
<b>Net income for the year after taxation</b>	184,465,922	135,919,988
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>184,465,922</u>	<u>135,919,988</u>

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

## Cash Flows Statement

For The Year Ended June 30, 2020

	Note	2020	2019
		----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		184,465,922	135,919,988
<b>Adjustments for:</b>			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		4,954,362	13,179,633
Other income		-	(5,000)
		<u>189,420,284</u>	<u>149,094,621</u>
<b>(Increase) / decrease in assets</b>			
Investments		47,435,924	519,209,976
Deposits, prepayments and other receivables		(8,557,025)	(11,108,574)
		38,878,899	508,101,402
<b>(Decrease) / increase in liabilities</b>			
Payable to Faysal Asset Management Limited - Management Company		4,460,110	(2,625,657)
Payable to Central Depository Company of Pakistan Limited - Trustee		(54,912)	(46,624)
Payable to the Securities and Exchange Commission of Pakistan		(1,102,214)	(587,987)
Accrued expenses and other liabilities		(5,042,976)	9,940,785
		(1,739,992)	6,680,517
<b>Net cash generated from operating activities</b>		<u>226,559,191</u>	<u>663,876,540</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt against issuance of units net of refund of element		1,715,873,103	283,608,247
Payment against redemption of units		(687,422,922)	(759,937,338)
Dividend paid		(221,533,864)	(117,262,387)
<b>Net cash generated from / (used in) financing activities</b>		806,916,317	(593,591,478)
Net increase in cash and cash equivalents during the year		<u>1,033,475,508</u>	<u>70,285,062</u>
Cash and cash equivalents at beginning of the year		708,408,906	638,123,844
<b>Cash and cash equivalents at end of the year</b>	4	<u><u>1,741,884,414</u></u>	<u><u>708,408,906</u></u>

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

## Statement of Movement in Unit Holders' Fund

For The Year Ended June 30, 2020

	2020			2019		
	Capital value	Undistribut ed income	Total	Capital value	Undistribut ed income	Total
	(Rupees)			(Rupees)		
<b>Net assets at beginning of the year</b>	1,513,676,683	56,306,222	1,569,982,905	2,077,905,908	109,427,042	2,187,332,950
Issuance of 16,364,784 units (2019: 1,779,429 units)						
- Capital value (at ex-net assets value per unit at beginning of the year)	1,675,544,412	-	1,675,544,412	185,616,866	-	185,616,866
- Element of income / (loss)	93,936,353	-	93,936,353	(2,658,788)	-	(2,658,788)
Total proceeds on issuance of units	1,769,480,765	-	1,769,480,765	182,958,078	-	182,958,078
Redemption of 6,230,740 units (2019: 6,885,604 units)						
- Capital value (at ex-net assets value per unit at beginning of the year)	(637,948,023)	-	(637,948,023)	(704,121,865)	-	(704,121,865)
- Element of (income) / loss	(39,788,688)	(9,686,211)	(49,474,899)	69,151	(22,307,335)	(22,238,184)
Total payments on redemption of units	(677,736,711)	(9,686,211)	(687,422,922)	(704,052,714)	(22,307,335)	(726,360,049)
Total comprehensive income for the year	-	184,465,922	184,465,922	-	135,919,988	135,919,988
Final cash distribution for the year ended June 30, 2018 @ Rs. 2.70 per unit (declared on July 6, 2018)	-	-	-	(42,087,958)	(55,001,869)	(97,089,827)
Final cash distribution for the year ended June 30, 2019 @ Rs. 7.62 per unit (declared June 26, 2019)	-	-	-	(1,046,631)	(111,731,604)	(112,778,235)
Final cash distribution for the year ended June 30, 2020 @ Rs. 11.84 per unit (declared June 24, 2020)	(53,607,662)	(172,051,532)	(225,659,194)	-	-	-
Net income / (loss) for the year less distribution	(53,607,662)	12,414,390	(41,193,272)	(43,134,589)	(30,813,485)	(73,948,074)
<b>Net assets at end of the year</b>	<b>2,551,813,075</b>	<b>59,034,401</b>	<b>2,610,847,476</b>	<b>1,513,676,683</b>	<b>56,306,222</b>	<b>1,569,982,905</b>
<b>Undistributed income brought forward</b>						
- Realised income		69,485,855			104,247,524	
- Unrealised (loss) / income		(13,179,633)			5,179,518	
		56,306,222			109,427,042	
Final cash distribution for the year ended June 30, 2018 @ Rs. 2.70 per unit (declared on July 6, 2018)		-			(55,001,869)	
Final cash distribution for the year ended June 30, 2019 @ Rs. 7.62 per unit (declared June 26, 2019)		-			(111,731,604)	
Final cash distribution for the year ended June 30, 2020 @ Rs. 11.84 per unit (declared June 24, 2020)		(172,051,532)			-	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		174,779,711			113,612,653	
		174,779,711			113,612,653	
Undistributed income carried forward		59,034,401			56,306,222	
<b>Undistributed income carried forward</b>						
- Realised income		63,988,763			69,485,855	
- Unrealised loss		(4,954,362)			(13,179,633)	
		59,034,401			56,306,222	
			(Rupees)			(Rupees)
Net asset value per unit at the beginning of the year			102.39			107.01
Net asset value per unit at the end of the year			102.52			102.39

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 Savings Growth Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation), Rules 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on February 27, 2007. It has been constituted under a trust deed, dated December 28, 2006 between Faysal Asset Management Limited being the Management Company and Central Depository Company of Pakistan Limited (CDC) being the Trustee. The Management Company has been licensed by Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (the NBFC Rules) through a certificate of registration issued by SECP. The registered office of the Management Company of the Fund is situated at West Wing, 7th Floor, Faysal House, ST-02, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2** The Fund is an open-end income fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis and the units are transferable and can be redeemed by surrendering them to the Fund. Title to the assets of the fund are held in the name of the Trustee of the Fund. The Fund was launched on May 07, 2007.
- 1.3** The objective of the Fund is to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in money market and debt securities having good credit rating and liquidity.
- 1.4** The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned a "AA-(f)" stability rating to Faysal Savings Growth Fund as of April 17, 2020.
- 1.6** The Management Company has been assigned a quality rating of AM2 by VIS dated February 18, 2020 (2019: AM3+ dated 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.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

### 2.2 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

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

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

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

There are certain other standards, 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 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.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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 (note 3.3 and 5) and provision for taxation (note 3.13 and 14).

### 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 policies have been applied consistently 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:

- 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 group of assets and whose performance is measured on a fair value basis, to be recognised at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' 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.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 3.3.1.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the Statement of Assets and Liabilities at fair value, with gains and losses recognised in the Income Statement, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The management considers its investment in equity securities as a group of assets and assesses them on a fair value basis and hence has classified them as FVTPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVTPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVTPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

The Fund can only invest in equity securities for the purpose of spread transactions.

### 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 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.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 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 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.

### 3.3.7 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.

## 3.4 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

## 3.5 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.

## 3.6 Provisions

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

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 3.7 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.

### 3.8 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.

### 3.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on 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.

### 3.10 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 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.

### 3.11 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 and government securities is recognised on a time proportion basis using the effective yield method.
- Income on commercial papers, sukuk certificates and term finance certificates is recognised on a time proportionate basis using the effective yield method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.

### 3.12 Expenses

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

### 3.13 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 unit holders. 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 utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on substantively enacted tax rates.

### 3.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / 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.

### 3.15 Margin Trading System

Transactions of purchase under Margin Trading System (MTS) of marketable securities are entered into contracted rates for specified periods of time. Securities purchased under MTS are not recognised in the Statement of Assets and Liabilities. The amount paid under such agreements is recognised as receivable in respect of MTS. Profit is recognised on an accrual basis using the effective interest method. Cash releases are adjusted against the receivable as a reduction in the amount of receivable. The maximum maturity of an MTS contract is 60 calendar days out of which 25 percent exposure is automatically released at expiry of every 15th day from the date of contract.

### 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.

	Note	2020	2019
		----- (Rupees) -----	
<b>4</b>	<b>BANK BALANCES</b>		
	Balances with banks in saving accounts	4.1 <u>1,741,884,414</u>	<u>708,408,906</u>
<b>4.1</b>	These carry mark-up ranging from 6.50% to 10.75% (2019: 5.00% to 13.60%) per annum and include balance of Rs. 12.193 million (2019: Rs. 51.895 million) held with Faysal Bank Limited, a related party.		
	Note	2020	2019
		----- (Rupees) -----	
<b>5</b>	<b>INVESTMENTS</b>		
	<b>At fair value through profit or loss</b>		
	Term Finance Certificates (TFCs)	5.1 484,799,237	557,588,639
	Sukuk certificates	5.2 334,495,066	244,849,030
	Commercial papers	5.3 -	69,526,902
	Government securities - Pakistan Investment Bonds	5.4 <u>49,710,000</u>	<u>49,430,018</u>
		<u>869,004,303</u>	<u>921,394,589</u>

## Notes to the Financial Statements

### For The Year Ended June 30, 2020

#### 5.1 Term Finance Certificates (TFCs)

Name of the security	Maturity date	Profit rate	As at	Purchases	Sales /	As at	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (diminution) as at June 30, 2020	Percentage in relation to	
			July 1, 2019	during the year	redemptions during the year	June 30, 2020				Net assets of the Fund	Total market value of investment
			(Number of certificates)			(Rupees)			----- % -----		
<b>BANKS</b>											
Askari Bank Limited TFC V (AA, PACRA, Non-Traded) (note 5.1.1)	September 30, 2024	6 months KIBOR plus base rate of 1.2%	8,598	-	-	8,598	41,928,349	40,328,988	(1,599,361)	1.54	4.64
JS Bank Limited TFC (A+, PACRA, Traded) (note 5.1.1)	December 14, 2023	6 months KIBOR plus base rate of 1.4%	32,000	-	-	32,000	160,468,267	156,795,539	(3,672,728)	6.01	18.04
The Bank of Punjab TFC (AA-, PACRA, Non-Traded) (note 5.1.1)	December 23, 2026	6 months KIBOR plus base rate of 1%	1,300	-	-	1,300	128,551,768	127,378,460	(1,173,308)	4.88	14.66
<b>INVESTMENT BANKS / INVESTMENT COMPANIES</b>											
Jahangir Siddiqui & Co. Limited TFC XI (AA+, PACRA, Non-Traded) (note 5.1.1)	March 06, 2023	6 months KIBOR plus base rate of 1.4%	20,000	-	-	20,000	99,350,000	99,200,000	(150,000)	3.80	11.42
TPL Corporation Limited	December 19, 2019	3 months KIBOR plus base rate of 1.5%	1,200	-	1,200	-	-	-	-	-	-
Jahangir Siddiqui & Co. Limited TFC X (AA+, PACRA, Non-Traded) (note 5.1.1)	July 18, 2022	6 months KIBOR plus base rate of 1.4%	20,000	-	-	20,000	62,312,500	61,096,250	(1,216,250)	2.34	7.03
<b>Total - June 30, 2020</b>							<b>492,610,884</b>	<b>484,799,237</b>	<b>(7,811,647)</b>	<b>18.57</b>	<b>55.79</b>
<b>Total - June 30, 2019</b>							<b>566,447,320</b>	<b>557,588,639</b>	<b>(8,858,681)</b>		

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5.1.1 The face value of these term finance certificates is Rs 5,000 each except for The Bank of Punjab TFC having value of Rs 100,000 each.

#### 5.2 Sukuk certificates

Name of the security	Date of Maturity	Rate of return per annum	Number of certificates				Carrying value as at June 30, 2020	Market Value as at June 30, 2020	Unrealised appreciation / (diminution) June 30, 2020	Percentage in relation to	
			Opening	Purchased during the period	Matured / sold during the period	As at June 30, 2020				Net assets of the Fund	Total market value of investment
									----- % -----		
International Brands Limited (AA, PACRA, Non-traded) (note 5.2.1)	November 15, 2022	3 months KIBOR plus base rate of 0.5%	1,750	-	-	1,750	122,877,614	123,835,756	958,142	4.74	14.25
Dawood Hercules Corporation Limited (AA, PACRA, Non-traded) (note 5.2.1)	March 1, 2023	3 months KIBOR plus base rate of 1%	610	-	-	610	48,702,400	49,689,331	986,931	1.90	5.72
Dawood Hercules Corporation Limited (AA, PACRA, Traded) (note 5.2.1)	November 16, 2022	3 months KIBOR plus base rate of 1%	140	-	-	140	9,767,767	9,897,579	129,812	0.38	1.14
The Hub Power Company Limited (Non-rated, Traded) (note 5.2.1)	August 22, 2023	3 months KIBOR plus base rate of 1.9%	-	500	-	500	50,000,000	51,072,400	1,072,400	1.96	5.88
The Hub Power Company Limited (AA+, PACRA, Non-traded) (note 5.2.1)	March 19, 2024	12 months KIBOR plus base rate of 1.9%	-	1,000	-	1,000	100,000,000	100,000,000	-	3.83	11.51
<b>Total - June 30, 2020</b>							<b>331,347,781</b>	<b>334,495,066</b>	<b>3,147,285</b>		
<b>Total - June 30, 2019</b>							<b>248,600,000</b>	<b>244,849,030</b>	<b>(3,750,970)</b>		

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### Commercial paper at fair value through profit or loss

Name of the security	Date of Maturity	Rate of return per annum	Face value				Carrying value as at June 30, 2020	Market Value as at June 30, 2020	Unrealised appreciation / (diminution) June 30, 2020	Percentage in relation to	
			Opening	Purchased during the year	Matured / sold during the year	As at June 30, 2020				Net assets of the Fund	Total market value of investment
The Hub Power Company Limited	July 22, 2019	3 months KIBOR plus base rate of 1%	70,000,000	-	70,000,000	-	-	-	-	-	-
										----- % -----	-

5.2.1 The face value of these sukuk certificates is Rs 100,000 each.

### 5.3 Commercial papers

Name of the security	Date of Maturity	Rate of return per annum	Face value				Carrying value as at June 30, 2020	Market Value as at June 30, 2020	Unrealised appreciation / (diminution) June 30, 2020	Percentage in relation to		
			Opening	Purchased during the year	Matured / sold during the year	As at June 30, 2020				Net assets of the Fund	Total market value of investment	
The Hub Power Company Limited	July 22, 2019	3 months KIBOR plus base rate of 1%	70,000,000	-	70,000,000	-	-	-	-	-	-	
K-Electric Limited ICP 6 (A-1+, VIS, Non-traded)	August 26, 2020	6 months KIBOR plus base rate of 1.15%	-	121,000,000	121,000,000	-	-	-	-	-	-	
<b>Total - June 30, 2020</b>										-	-	-
<b>Total - June 30, 2019</b>										69,526,902	69,526,902	-

### 5.4 Government securities - Pakistan Investment Bonds

Name of security	Issue Date	Face value					Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised (gain) / loss on revaluation	Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2019	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2020					
<b>Pakistan Investment Bonds</b>											
Pakistan Investment Bonds - 10 years	June 28, 2018	50,000,000	-	-	-	50,000,000	50,000,000	49,710,000	(290,000)	5.72%	1.90%
Pakistan Investment Bonds - 10 years	September 19, 2019	-	75,000,000	75,000,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 05 years	September 19, 2019	-	975,000,000	975,000,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 03 years	July 12, 2018	-	225,000,000	225,000,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 03 years	September 19, 2019	-	450,000,000	450,000,000	-	-	-	-	-	-	-
<b>June 30, 2020</b>							50,000,000	49,710,000	(290,000)	5.72%	1.90%
<b>June 30, 2019</b>							50,000,000	49,430,018	(569,982)		

5.4.1 The Fund holds investment in Floating rate Pakistan Investment Bonds which currently carries mark-up at the rate of 7.9876% per annum.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 5.5 Government securities - Market Treasury Bills

Name of security	Face value					Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised (gain) / loss on revaluation	Market value as percentage of total investments	Market value as percentage of net assets
	As at July 01, 2019	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2020					
<b>Market treasury bills</b>										
Market treasury bills - 3 months	-	1,445,000,000	1,445,000,000	-	-	-	-	-	-	-
Market treasury bills - 6 months	-	250,000,000	250,000,000	-	-	-	-	-	-	-
Market treasury bills - 12 months	-	1,750,000,000	1,750,000,000	-	-	-	-	-	-	-
June 30, 2020						<u>-</u>	<u>-</u>	<u>-</u>		
June 30, 2019						<u>-</u>	<u>-</u>	<u>-</u>		

### 5.6 Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

Note	2020	2019
	----- Rupees -----	
Market value of investments	869,004,303	921,394,589
Less: Carrying value of investments	873,958,665	934,574,222
	<u>(4,954,362)</u>	<u>(13,179,633)</u>

### 6 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits with		
- National Clearing Company of Pakistan Limited	2,750,000	2,750,000
- Central Depository Company of Pakistan Limited	100,000	100,000
	2,850,000	2,850,000
Income receivable on Margin Trading System (MTS)	-	99,337
Prepaid expenses	169,922	-
Profit receivable on sukuk certificates	5,843,193	12,961,863
Profit receivable on term finance certificates	11,206,454	11,708,951
Profit receivable on Pakistan Investment Bonds	32,548	42,383
Receivable against sale of units	13,550,000	-
Profit receivable on balances with banks	6.1 9,203,602	7,498,288
Advance tax	6.2 1,009,151	147,023
	<u>43,864,870</u>	<u>35,307,845</u>

6.1 This includes profit receivable amounting to Rs. 55,459 (2019: Rs. 994,541) on balances 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 150 and 151. However, withholding tax on profit on debt paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt amounts to Rs 1.009 million (2019: Rs 0.147 million).

## Notes to the Financial Statements

For The Year Ended June 30, 2020

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

7	PAYABLE TO FAYSAL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
			----- (Rupees) -----	-----
	Management fee payable	7.1	1,434,273	1,995,569
	Sindh Sales tax payable on management fee	7.2	186,455	259,425
	Sales load payable		22,557	14,176
	Selling and marketing expenses payable	7.4	3,250,536	-
	Allocated expenses payable	7.3	2,714,005	878,546
			<u>7,607,826</u>	<u>3,147,716</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, through 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 to this revision via their letters CDC/T&C-S II/DH/0561/2019 dated December 27, 2020. The Board of the Management Company has also defined a minimum threshold of 0.60% 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 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

Accordingly, the Management Company has now charged remuneration at the rate of 0.80% of net assets from January 13, 2020 to June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.

**7.2** During the year, an amount of Rs. 2,494,790 (2019: Rs 3,725,082) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011.

**7.3** 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%.

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 Management Company, the discretion for charging allocated expenses directly on the Fund as it may decide. 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 summary of rates of allocated expenses charged by the Management Company from January 13, 2020 to June 30, 2020 is as follows:

Date		% of net assets
From	To	
13-Jan-20	27-Apr-20	0.10%
28-Apr-20	30-Jun-20	0.15%

**7.4** 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 shall be 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 discretion to the Management Company for charging selling and marketing expenses directly on the Fund as it may decide. 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.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

Accordingly, the Management Company has charged selling and marketing expenses at the rate of 0.70% per annum of average annual net assets from January 13, 2020 to June 30, 2020

	Note	2020	2019
		----- (Rupees) -----	
<b>8 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee payable	8.1	134,463	183,057
Sindh Sales Tax payable on trustee fee	8.2	17,480	23,798
		<u>151,943</u>	<u>206,855</u>

- 8.1** 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:

Net Assets (Rs.)	Fee
up to Rs 1 billion	0.17% per annum of net assets.
from Rs 1 billion to 5 billion	Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1 billion.
Over 5 billion	Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5 billion.

- 8.2** During the year, an amount of Rs 161,523 (2019: Rs. 321,598) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011.

	Note	2020	2019
		----- (Rupees) -----	
<b>9 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee to SECP	9.1	<u>330,485</u>	<u>1,432,699</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(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable was 0.075%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

	Note	2020	2019
		----- (Rupees) -----	
<b>10 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Brokerage payable		984,834	956,956
Auditors' remuneration payable		578,449	429,933
Printing charges payable		157,200	160,740
Zakat payable		33,331	33,331
Withholding tax payable		754,851	8,752,119
Provision for Sindh Workers Welfare Fund	10.1	14,791,652	11,027,088
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	10.2	18,281,365	18,281,365
Other liabilities		234,175	1,217,301
		<u>35,815,857</u>	<u>40,858,833</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 of the Fund as at June 30, 2020 would have been higher by Re. 0.58 per unit (2019: Re 0.72 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 the Management Company together with various other 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 provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 18.281 million is 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 of the Fund would have been higher by Re 0.72 (2019: Re 1.19) per unit.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 11 CONTINGENCIES AND COMMITMENTS

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

12 AUDITORS' REMUNERATION	2020	2019
	----- (Rupees) -----	
Audit fee	410,025	390,500
Review and other certifications	171,275	115,000
Out of pocket	30,000	62,780
	<u>611,300</u>	<u>568,280</u>
Sales tax	28,130	40,440
	<u>639,430</u>	<u>608,720</u>

### 13 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 2.23% (2019: 2.40%) which includes 0.41% (2019: 0.45%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an 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 Fund has made the required minimum distribution in the manner as explained above, therefore, 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 EARNINGS PER UNIT

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

### 16 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

**16.1** Connected persons include Faysal Asset Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, other collective investment

## Notes to the Financial Statements

For The Year Ended June 30, 2020

schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.

- 16.2** Transactions with connected persons essentially comprise of 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. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 16.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 16.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 16.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

Transactions during the year	2020	2019
	----- (Rupees) -----	-----
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of Faysal Asset Management Limited - Management Company	19,190,695	28,654,477
Sindh sales tax on remuneration of the Management Company	2,494,790	3,725,082
Allocated expenses	1,835,459	1,912,484
Selling and marketing expenses	5,658,998	-
<b>Faysal Bank Limited (Group / Parent Company)</b>		
Profit on balances with banks	1,027,187	1,735,913
Issuance of Nil units as refund of capital (2019: 300,346 units)	-	-
Redemption of Nil units (2019: 300,346 units)	-	30,698,397
Cash dividend	5,852,157	49,369,522
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b>		
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,242,485	2,473,830
Sindh sales tax on remuneration of the Trustee	161,523	321,598
Settlement charges	370,260	566,008
<b>CDC - Trustee Faysal Halal Amdani Fund</b>		
Sale of investment	117,879,076	-
<b>Unitholders holding 10% or more units</b>		
Issuance of Nil units (2019: 326,210 units)	-	33,358,219

**Notes to the Financial Statements**

For The Year Ended June 30, 2020

<b>Outstanding balances</b>	<b>2020</b>	<b>2019</b>
	----- (Rupees) -----	
<b>Faysal Asset Management Limited (Management Company)</b>		
Management fee payable	1,434,273	1,995,569
Sindh Sales tax payable on management fee	186,455	259,425
Sales load payable	22,557	14,176
Selling and marketing expense payable	3,250,536	-
Allocated expenses payable	2,714,005	878,546
<b>*Faysal Bank Limited (Group / Parent Company)</b>		
Balance with banks	12,192,681	51,895,190
Profit receivable on balance with banks	55,459	994,541
Outstanding 6,478,940 units (2019: 6,478,940 units)	664,220,929	663,360,525
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b>		
Trustee fee payable	134,463	183,057
Sindh Sales Tax payable on trustee fee	17,480	23,798
Security deposit	100,000	100,000
<b>Unitholders holding 10% or more units</b>		
Outstanding 3,423,470 units (2019: 3,423,470 units)	350,974,144	350,519,508

\* Faysal Bank Limited also holds more than 10% units in the Fund.

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

----- 2020 -----		
At amortised cost	At fair value through profit or loss	Total
----- Rupees -----		
Balances with banks	-	1,741,884,414
Investments	869,004,303	869,004,303
Deposits, prepayments and other receivables	42,685,797	42,685,797
<u>1,784,570,211</u>	<u>869,004,303</u>	<u>2,653,574,514</u>

**Financial assets**

Balances with banks	1,741,884,414	-	1,741,884,414
Investments	-	869,004,303	869,004,303
Deposits, prepayments and other receivables	42,685,797	-	42,685,797
<u>1,784,570,211</u>	<u>869,004,303</u>	<u>2,653,574,514</u>	

----- 2020 -----			
At amortised cost	At fair value through profit or loss	Total	
----- Rupees -----			
Payable to Faysal Asset Management Limited - Management Company	7,607,826	-	7,607,826
Payable to Central Depository Company of Pakistan Limited - Trustee	151,943	-	151,943
Accrued expenses and other liabilities	1,954,658	-	1,954,658
<u>9,714,427</u>	<u>-</u>	<u>9,714,427</u>	

**Financial liabilities**

Payable to Faysal Asset Management Limited - Management Company	7,607,826	-	7,607,826
Payable to Central Depository Company of Pakistan Limited - Trustee	151,943	-	151,943
Accrued expenses and other liabilities	1,954,658	-	1,954,658
<u>9,714,427</u>	<u>-</u>	<u>9,714,427</u>	

## Notes to the Financial Statements

For The Year Ended June 30, 2020

----- 2019 -----		
At amortised cost	At fair value through profit or loss	Total

----- Rupees -----

### Financial liabilities

Payable to Faysal Asset Management Limited - Management Company	3,147,716	-	3,147,716
Payable to Central Depository Company of Pakistan Limited - Trustee	206,855	-	206,855
Accrued expenses and other liabilities	2,764,930	-	2,764,930
Dividend payable	49,482,332	-	49,482,332
	<u>55,601,833</u>	<u>-</u>	<u>55,601,833</u>

----- 2019 -----		
At amortised cost	At fair value through profit or loss	Total

----- Rupees -----

### Financial assets

Balances with banks	708,408,906	-	708,408,906
Investments	-	921,394,589	921,394,589
Deposits, prepayments and other receivables	35,160,822	-	35,160,822
	<u>743,569,728</u>	<u>921,394,589</u>	<u>1,664,964,317</u>

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 18.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate 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: yield / profit rate risk, currency risk, and price risk.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### (i) Yield / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks and investment in commercial papers, sukuk certificates and Pakistan Investment Bonds. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds balances with banks as well as investment in Pakistan Investment Bonds, term finance certificates and sukuk certificates which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs.26.1 million (2019: Rs. 16.3 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Yield / profit rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

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

Effective profit rate (%)	----- 2020 -----				
	Exposed to yield / profit rate risk			Not exposed to yield / profit 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	6.50% - 10.75%	1,741,884,414	-	-	1,741,884,414
Investments	7.95% - 13.49%	374,024,054	494,980,249	-	869,004,303
Deposits, prepayments and other receivables		-	-	42,685,797	42,685,797
		2,115,908,468	494,980,249	-	2,653,574,514
Financial liabilities					
Payable to Faysal Asset Management Limited - Management Company		-	-	7,607,826	7,607,826
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	151,943	151,943
Accrued expenses and other liabilities		-	-	1,954,658	1,954,658
		-	-	9,714,427	9,714,427
<b>On-balance sheet gap (a)</b>		<b>2,115,908,468</b>	<b>494,980,249</b>	<b>-</b>	<b>2,643,860,087</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total profit rate sensitivity gap (a+b)</b>		<b>2,115,908,468</b>	<b>494,980,249</b>	<b>-</b>	
<b>Cumulative profit rate sensitivity gap</b>		<b>2,115,908,468</b>	<b>2,610,888,717</b>	<b>2,610,888,717</b>	

## Notes to the Financial Statements

For The Year Ended June 30, 2020

----- 2019 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit 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	5.00% to 13.60%	708,408,906	-	-	-	708,408,906
Investments	10.76% - 13.06%	411,416,257	509,978,332	-	-	921,394,589
Deposits, Prepayments and other receivables		-	-	-	35,160,822	35,160,822
		1,119,825,163	509,978,332	-	35,160,822	1,664,964,317

### Financial liabilities

Payable to Faysal Asset Management Limited - Management Company		-	-	-	3,147,716	3,147,716
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	206,855	206,855
Dividend payable		-	-	-	49,482,332	49,482,332
Accrued expenses and other liabilities		-	-	-	2,764,930	2,764,930
		-	-	-	55,601,833	55,601,833

### On-balance sheet gap (a)

1,119,825,163	509,978,332	-	(20,441,011)	1,609,362,484
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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)

1,119,825,163	509,978,332	-		
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### Cumulative profit rate sensitivity gap

1,119,825,163	1,629,803,495	1,629,803,495		
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## (ii) 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.

The Fund does not have any investment that is exposed to price risk as of June 30, 2020.

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 18.2 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 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.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

	2020						Total
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	
	----- Rupees -----						
<b>Financial assets</b>							
Balances with banks	1,741,884,414	-	-	-	-	-	1,741,884,414
Investments	-	-	-	691,915,843	177,088,460	-	869,004,303
Deposits, prepayments and other receivables	-	-	-	-	-	42,685,797	42,685,797
	1,741,884,414	-	-	691,915,843	177,088,460	42,685,797	2,653,574,514
<b>Financial liabilities</b>							
Payable to Faysal Asset Management Limited - Management Company	7,607,826	-	-	-	-	-	7,607,826
Payable to Central Depository Company Limited - Trustee	151,943	-	-	-	-	-	151,943
Accrued expenses and other liabilities	1,219,009	735,649	-	-	-	-	1,954,658
	8,978,778	735,649	-	-	-	-	9,714,427
<b>Net financial assets / (liabilities)</b>	<b>1,732,905,636</b>	<b>(735,649)</b>	<b>-</b>	<b>691,915,843</b>	<b>177,088,460</b>	<b>42,685,797</b>	<b>2,643,860,087</b>

## Notes to the Financial Statements

For The Year Ended June 30, 2020

	2019						Total
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	
Rupees							
<b>Financial assets</b>							
Balances with banks	708,408,906	-	-	-	-	-	708,408,906
Investments	69,526,902	-	39,919,681	591,968,567	219,979,439	-	921,394,589
Deposits, Prepayments and other receivables	-	-	-	-	-	35,160,822	35,160,822
	777,935,808	-	39,919,681	591,968,567	219,979,439	35,160,822	1,664,964,317
<b>Financial liabilities</b>							
Payable to Faysal Asset Management Limited - Management Company	3,147,716	-	-	-	-	-	3,147,716
Payable to Central Depository Company Limited - Trustee	206,855	-	-	-	-	-	206,855
Dividend payable	49,482,332	-	-	-	-	-	49,482,332
Accrued expenses and other liabilities	2,174,257	590,673	-	-	-	-	2,764,930
	55,011,160	590,673	-	-	-	-	55,601,833
<b>Net financial assets / (liabilities)</b>	722,924,648	(590,673)	39,919,681	591,968,567	219,979,439	35,160,822	1,609,362,484

### 18.3 Credit risk

**18.3.1** 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 deposits with banks and financial instruments, profit receivable on balances with banks and credit exposure arising on investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund minimises the credit risk. 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.

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

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
Rupees				
Balances with banks	1,741,884,414	1,741,884,414	708,408,906	708,408,906
Investments	869,004,303	819,294,303	921,394,589	871,964,571
Deposits, prepayments and other receivables	42,685,797	42,685,797	35,160,822	35,160,822
	<u>2,653,574,514</u>	<u>2,603,864,514</u>	<u>1,664,964,317</u>	<u>1,615,534,299</u>

## Notes to the Financial Statements

For The Year Ended June 30, 2020

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets. The difference is due to investment in government securities which are not exposed to credit risk as they are government backed.

### 18.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks, investments (other than in government backed securities) and mark-up accrued thereon. The credit rating profile of balances with banks is as follows:

Rating category	2020	2019
	-----%-----	
AAA	41.21	83.32
AA+	0.85	0.76
AA	0.70	7.33
AA-	42.25	8.54
A	14.99	0.05
	<u>100.00</u>	<u>100.00</u>

Ratings of term finance certificates and sukuk certificates have been disclosed in related notes to the financial statements.

## 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 18, 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 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 statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

### 20.1 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 June 30, 2020 and June 30, 2019, the Fund held the following financial instruments measured at fair values:

----- 2020 -----		
Level 1	Level 2	Level 3
----- Rupees -----		

#### Financial assets

At fair value through profit or loss

-	869,004,303	-
-	869,004,303	-

----- 2019 -----		
Level 1	Level 2	Level 3
----- Rupees -----		

#### Financial assets

At fair value through profit or loss

-	921,394,589	-
-	921,394,589	-

**Notes to the Financial Statements**

For The Year Ended June 30, 2020

**21 UNIT HOLDING PATTERN OF THE FUND**

Category	----- 2020 -----			----- 2019 -----		
	Number of unit holders	Number of unit held	Percentage of total	Number of unit holders	Number of unit held	Percentage of total
Associated company	2	6,478,939	25.44%	2	6,480,413	42.26%
Insurance company	1	1	0.00%	-	-	-
Retirement funds	17	8,111,900	31.85%	14	275,529	1.80%
Individuals	1,020	6,784,445	26.64%	681	4,771,944	31.12%
Banks and DFIs	-	-	-	-	-	-
NBFCs	-	-	-	-	-	-
Other	55	4,092,542	16.07%	26	3,805,897	24.82%
	<u>1,095</u>	<u>25,467,827</u>	<u>100%</u>	<u>723</u>	<u>15,333,783</u>	<u>100%</u>

**22 LIST OF BROKERS BY PERCENTAGE OF COMMISSION PAID**

Name of broker	2020	2020
	Percentage of commission paid	Percentage of commission paid
Invest One Markets Limited	27.72%	16.11%
Arif Habib Limited	17.94%	-
Bright Capital (Pvt.) Limited	14.23%	2.77%
BMA Capital Management Limited	11.33%	-
Magenta Capital (Pvt.) Limited	9.64%	2.28%
C&M Management (Pvt.) Limited	9.39%	47.90%
Vector Capital (Pvt.) Limited	5.12%	-
Next Capital Limited	4.21%	-
BIPL Securities Limited	0.43%	-
Khadim Ali Shah Bukhari Securities (Pvt.) Limited	-	30.94%
	<u>100%</u>	<u>100%</u>

**Notes to the Financial Statements**

For The Year Ended June 30, 2020

**23 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE**

Name	Designation	Qualification	Overall experience
Mr. Khaldoon Bin Latif	Chief Executive Officer	B.Sc. Economics	Over 16 years
Mr. Ayub Khuhro	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	Sr. 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

**24 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	FIGF, FMMF, FFSOF, FMTSF, FFVF, FGSG

**25 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

**26 CORRESPONDING FIGURES**

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

**27 GENERAL****27.1 Figures are rounded off to the nearest Rupee.**

## Notes to the Financial Statements

For The Year Ended June 30, 2020

### 27.2 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:

a) 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;

b) Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;

c) 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;

d) 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

e) 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.

#### 27.2.1 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 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.

### 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on \_\_\_\_\_ by the Board of Directors of the Management Company.

For Faysal Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

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






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