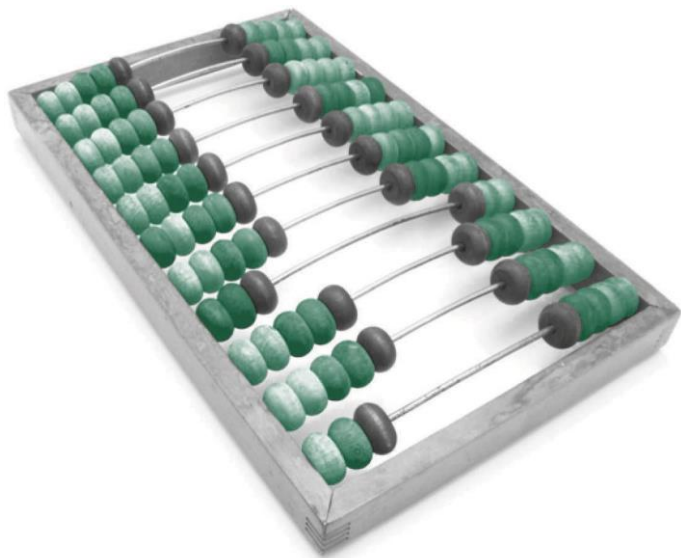


Faysal Asset Management

Faysal Government Securities Fund

Financial Statements

For The Period From March 16, 2020 To 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 Shahr-e-Faisal, Karachi.

Bankers to the Fund

Faysal Bank Limited

Allied 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 Shahr-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

The objective of the Scheme is to provide competitive returns by investing primarily in Government Securities.

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

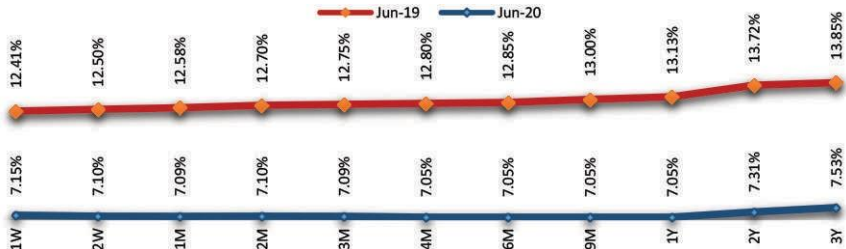
During FY20, Government borrowed 1) PKR 14.75tn in Treasury Bills and 2) PKR 2.07tn in Pakistan Investment Bonds. The weighted average yields declined as Central bank, in a series of meetings, reduced policy rate by 625bps to 7.0%. TTM fiscal deficit for March 2020 has clocked in at 7.2% vs. 5.0% of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

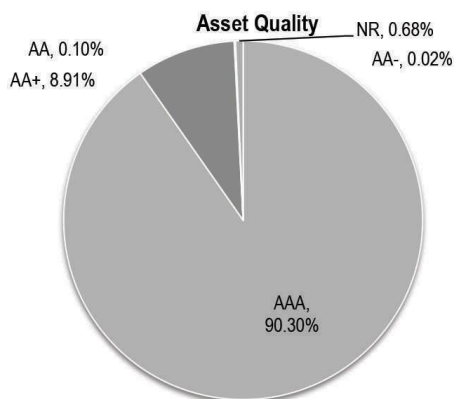
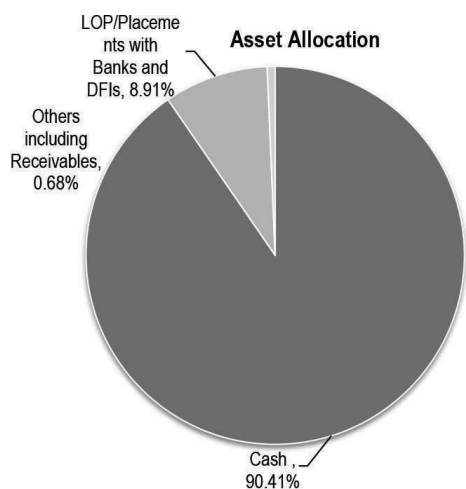
During the year, the entire yield curve shifted downward in 2HFY20 as Central bank undertook rounds of monetary easing. It remained inverted at shorter end because of expectations of subdued inflation due to COVID-19.



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 Details	
Fund Type	Open Ended
Category	Income Scheme
Stability Rating	
Risk Profile	Low
Launch Date	March 16, 2020
Custodian/Trustee	CDC
Auditor	A.F. Ferguson & Co.
Management Fee	Upto 1% of Average Annual N.A. (Actual Rate of Management Fee Charged is 0.10%)
Front/Back end Load	Nil
Min Subscription	PKR 5000
Benchmark	Six Month PKRV Rate
Pricing Mechanism	Backward
Dealing Days	Monday-Friday
Cut-Off Timing	9:00 am - 5:00 pm
AMC Rating	AM2 (VIS)
NAV per Unit (PKR)	100.13
Net Assets (PKR mn)	2,914.37
Net Assets Excluding FoF (PKR mn)	2,753.26
Leverage	Nil

Fund Return (% p.a.)	FY20	FY19
YTD	10.90	
Benchmark (YTD)	8.73	



FUND PERFORMANCE

Faysal Government Securities Fund (FGSF) yielded an annualized return of 10.90% during FY20 relative to its benchmark of 8.73%. At the end of the period, placements stood at 8.91% whereas cash stood at 90.41%. Going forward, the fund will continue to build exposure in approved 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 Shahra-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 GOVERNMENT SECURITIES 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 Government Securities 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 period from March 16, 2020 to 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.

For the purpose of information, we would like to draw the attention of the Unit Holders towards the clause 2.2.1 of the Offering Document wherein the Fund is required to maintain the minimum exposure of 70% of net asset in government securities on monthly average basis calculated at the end of each month. In this regard, the Fund was non-complied as at June 30, 2020 and has subsequently complied from August, 2020. The matter has also been reported to the Commission.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 28, 2020



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT**To the Unit Holders of Faysal Government Securities Fund****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Faysal Government Securities Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the period from March 16, 2020 to June 30, 2020, 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 period from March 16, 2020 to June 30, 2020 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	Net Asset Value (Refer notes 4 and 5 to the financial statements)	
	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 266.133 million and balances with banks aggregated to Rs 2,650.578 million. 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.	Our audit procedures included the following: - Tested the design and operating effectiveness of the key controls for valuation of investments; - Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2020 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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 Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD



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S.No.	Key Audit Matter	How the matter was addressed in our audit
		- Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and - Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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.



A.F. FERGUSON & CO.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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. F. Ferguson & Co.

Chartered Accountants

Karachi

Date: September 28, 2020

Statement of Assets and Liabilities

As at June 30, 2020

	Note	2020 (Rupees)
Assets		
Balances with banks	4	2,650,578,216
Investments	5	266,133,166
Profit receivable	6	324,062
Preliminary expenses and floatation costs	7	943,437
Total assets		2,917,978,881
Liabilities		
Payable to Faysal Asset Management Limited - the Management Company	8	1,292,481
Payable to Central Depository Company of Pakistan Limited - the Trustee	9	176,122
Payable to the Securities and Exchange Commission of Pakistan	10	131,508
Accrued expenses and other liabilities	11	2,004,491
Total liabilities		3,604,602
Net assets		2,914,374,279
Unit holders' fund (as per the statement attached)		2,914,374,279
Contingencies and commitments	12	(Number of units)
Number of unit in issue	13	29,105,321
		(Rupees)
Net assets value per unit		100.13

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

Income Statement

For The Period From March 16, 2020 To June 30, 2020

		For the period from March 16, 2020 to June 30, 2020 (Rupees)
	Note	
Income		
Profit on balances with banks		20,577,201
Profit on government securities		33,916,993
Profit on money market placements		10,855,906
Capital gain on disposal of investments - net		7,391,720
Total income		72,741,820
Operating expenses		
Remuneration of Faysal Asset Management Limited - the Management Company	8.1	657,538
Sindh sales tax on remuneration of the Management Company	8.2	85,480
Remuneration of Central Depository Company of Pakistan Limited - the Trustee	9.1	427,400
Sindh sales tax on remuneration of the Trustee	9.2	55,562
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	131,508
Auditors' remuneration	14	312,088
Fee and subscription		102,184
Amortisation of preliminary expenses and floatation cost	7	58,088
Bank charges		4,139
Transaction charges		126,364
Printing expense		6,572
Total operating expenses		1,966,923
Net profit from operating activities		70,774,897
Provision for Sindh workers' welfare fund (SWWF)	11.1	(1,415,498)
Net profit for the period before taxation		69,359,399
Taxation	15	-
Net profit for the period after taxation		69,359,399
Earnings per unit	3.15	
Allocation of net profit for the period		
Net profit for the period after taxation		69,359,399
Income already paid on units redeemed		(1,975,529)
Accounting income available for distribution		67,383,870
- Relating to capital gains		7,391,720
- Excluding capital gains		59,992,150
		67,383,870

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 Period From March 16, 2020 To June 30, 2020

	For the period from March 16, 2020 to June 30, 2020 (Rupees)
Net profit for the period after taxation	69,359,399
Other comprehensive income for the period	-
Total comprehensive income for the period	<u><u>69,359,399</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

Cash Flows Statement

For The Period From March 16, 2020 To June 30, 2020

	Note	For the period from March 16, 2020 to June 30, 2020 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period before taxation		69,359,399
Increase in assets		
Investments		(266,133,166)
Profit receivable		(324,062)
Preliminary expenses and floatation costs		(943,437)
		(267,400,665)
Increase in liabilities		
Payable to Faysal Asset Management Limited - the Management Company		1,292,481
Payable to Central Depository Company of Pakistan Limited - the Trustee		176,122
Payable to the Securities and Exchange Commission of Pakistan		131,508
Accrued expenses and other liabilities		2,004,491
Net cash used in operating activities		<u>3,604,602</u>
		(194,436,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance and conversion of units - net of refund of element		3,097,368,058
Payment against redemption and conversion of units		(168,925,803)
Dividends paid		(83,427,375)
Net cash generated from financing activities		<u>2,845,014,880</u>
Cash and cash equivalents at the end of the period	4	<u><u>2,650,578,216</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 Period From March 16, 2020 To June 30, 2020

For the period from March 16, 2020 to June 30, 2020		
Capital value	Undistributed income	Total
----- (Rupees) -----		
Issuance of 30,774,170 units		
- Capital value (at net asset value per unit at the beginning of the period)	3,077,417,000	3,077,417,000
- Element of income	19,951,058	19,951,058
Total proceeds on issuance of units	3,097,368,058	3,097,368,058
Redemption of 1,668,849 units		
- Capital value (at net asset value per unit at the beginning of the period)	(166,884,900)	(166,884,900)
- Element of loss	(65,374)	(2,040,903)
Total payments on redemption of units	(166,950,274)	(168,925,803)
Dividends paid	(19,880,077)	(83,427,375)
Total comprehensive income for the period	-	69,359,399
Net assets at the end of the period	2,910,537,707	3,836,572 2,914,374,279
Accounting income available for distribution		
- Relating to capital gains	7,391,720	
- Excluding capital gains	59,992,150	
	67,383,870	
Dividends paid		
Cash distribution @ Re 0.1 per unit (date of declaration: March 20, 2020)	(319,465)	
Cash distribution @ Rs 2.93 per unit (date of declaration: June 25, 2020)	(63,227,833)	
	(63,547,298)	
Undistributed income carried forward	3,836,572	
Undistributed income carried forward		
- Realised income	3,836,572	
- Unrealised income	-	
	3,836,572	
	(Rupees)	
Net assets value per unit at the end of the period		100.13

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 Period From March 16, 2020 To June 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Faysal Government Securities Fund (the Fund) is an open end mutual fund constituted under a trust deed entered into on July 31, 2019 between Faysal Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The investment activities and administration of the Fund are managed by the Management Company.

The Management Company of the Fund has been licensed to act as an asset management company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, West Wing, Faysal House, Shahrah-e-Faisal, Karachi. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).

The Fund has been categorised as an open end income scheme by the Board of Directors of the Management Company pursuant to the provisions contained in circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs.100 per unit. Thereafter, the units were being offered for public subscription on a continuous basis from March 16, 2020 and are transferable and redeemable by surrendering them to the Fund.

- 1.2** The objective of the Fund is to provide competitive returns by investing primarily in government securities.
- 1.3** The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.
- 1.4** VIS Credit Rating Company Limited has assigned the asset manager rating of AM2 to the Management Company as at February 18, 2020. The Fund has not been rated.
- 1.5** These are the first audited financial statements of the Fund for the period from March 16, 2020 to June 30, 2020 therefore, comparative figures have not been included into these financial statements.

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

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

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

2.2.1 There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after March 16, 2020 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 the accounting and reporting standards that are not yet effective:

2.3.1 The following amendments to the accounting and reporting standards would be effective from the dates mentioned below against the respective amendment:

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

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

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

2.4 Critical accounting estimates and judgments

The preparation of these 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

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

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

The estimates and judgments that have a significant effect on these financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.2, 3.14, 5 and 15).

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 Pakistan Rupee, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

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.

3.2 Financial assets

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

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

based on the business model of the entity.

However, IFRS 9 also provides an option whereby securities managed as a portfolio or 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 Period From March 16, 2020 To June 30, 2020

3.2.2 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.

3.2.3 Impairment loss on debt securities

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

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

3.2.4 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.

3.2.5 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.

3.2.6 Subsequent measurement

a) At amortised cost:

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

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

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

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

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

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

3.2.7 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the income statement.

3.2.8 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.

3.3 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.

3.4 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.

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

3.5 Provisions

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

3.6 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 period end.

3.7 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 application during business hours of that day. The redemption price is equal to the 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.

3.8 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 period also includes portion of income already paid on units redeemed during the period.

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

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

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. 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 will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified the methodology of determination of income

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

paid on units redeemed during the period under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the period.

3.10 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 these arise.
- Profit on balances with banks is recognised on time proportion basis using the effective yield method.
- Dividend income is recognised when the right to receive the dividend is established.
- Income on sukuk certificates, term deposit receipts, commercial paper and government securities is recognised on a time proportionate basis using the effective yield method.

3.11 Expenses

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

3.12 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of 5 years in accordance with the requirements set out in the trust deed of the Fund.

3.13 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistan 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 period end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3.14 Taxation

Current

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

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Provided that, for the purpose of determining distribution of at least 90% of the accounting income, the income distributed through bonus units shall not be taken into account.

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

Deferred

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

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

3.15 Earnings / (loss) per unit

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

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.

		2020 (Rupees)
4	BALANCES WITH BANKS	Note
	PLS saving accounts	4.1 <u>2,650,578,216</u>

4.1 These carry mark-up ranging between 6.50% to 8.8% per annum, and includes a balance of Rs. 2.832 million maintained with Faysal Bank Limited, a related party.

4.2 Balances with banks - non-compliance

As per the offering document, the total exposure of the Fund's net assets in cash in bank accounts shall not exceed 30% as long as minimum investment limit of 70% in government securities are maintained on monthly average basis calculated at the end of each month. In lieu of above, the Fund held an average exposure of 63% in bank accounts during the period from March 16, 2020 to June 30, 2020. The above exposure is in non-compliance of the limit prescribed by the offering document and disclosure for breach of exposure limit is made as required by Circular No. 16 of 2010 dated July 07, 2010 issued by the SECP.

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

5	INVESTMENTS	Note	2020 (Rupees)
	Investments at fair value through profit or loss		
	Money market placements	5.1	<u>266,133,166</u>

5.1 Money market placements

Name of investee company	Date of maturity	Rate of return per annum	Face value			Balance as at June 30, 2020			Market value as percentage of total net assets	Market value as a percentage of total investment
			Purchased during the period from March 16, 2020 to June 30, 2020	Matured / sold during the period from March 16, 2020 to June 30, 2020	As at June 30, 2020	Carrying value	Market value	Unrealised gain / (loss)		
			(Rupees)							
Pak Oman Investment Company Limited (VIS: AA)	July 09, 2020	10.50%	260,000,000	-	260,000,000	266,133,166	266,133,166	-	9.13%	100%
PAIR Investment Company Limited (PACRA: AA)	-	11.05%	260,000,000	260,000,000	-	-	-	-	-	-
June 30, 2020						266,133,166	266,133,166	-		

5.2 Investments - non-compliance

As per the offering document, at least 70% of the net assets shall remain invested in government securities on monthly average basis calculated at the end of each month. In lieu of above, the Fund held an average exposure of 24% in government securities during the period from March 16, 2020 to June 30, 2020. The above exposure is in deficit of the limit prescribed by the offering document and disclosure for breach of exposure limit is made as required by Circular No. 16 of 2010 dated July 07, 2010 issued by the SECP.

6	PROFIT RECEIVABLE	Note	2020 (Rupees)
	Profit accrued on balances with banks		<u>324,062</u>
7	PRELIMINARY EXPENSES AND FLOATATION COSTS		
	Preliminary expenses and floatation costs incurred during the period from March 16, 2020 to June 30, 2020		1,001,525
	Less: amortisation during the period from March 16, 2020 to June 30, 2020	7.1	<u>(58,088)</u>
	At the end of the period		<u>943,437</u>
7.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These are being amortised over five years commencing from March 16, 2020 in accordance with the trust deed of the Fund and the NBFC Regulations.		

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

8	PAYABLE TO FAYSAL ASSET MANAGEMENT LIMITED - THE MANAGEMENT COMPANY	Note	2020 (Rupees)
	Management fee payable	8.1	239,784
	Sindh sales tax on management fee	8.2	31,172
	Preliminary expenses and floatation costs payable	7	1,001,525
	Other payable		20,000
			<u>1,292,481</u>

- 8.1** 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.

During the period from March 16, 2020 to June 30, 2020, through a resolution of the Board of Directors dated April 17, 2020 the Management Company has changed its remuneration structure from the fixed fee 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% of net assets. The Trustee has consented this revision via its letter CDC/T&C-S II/DH/0005/2020 dated January 01, 2020. The Board of the Management Company has also defined a minimum threshold of 0.1% of net assets through the aforementioned 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 and the minimum percentages approved by the Board and subject to the total expense ratio of the Fund as defined under the NBFC Regulations.

The Management Company charged management fee at 0.1% of net assets for the period from March 16, 2020 to June 30, 2020.

The remuneration is payable to the Management Company monthly in arrears.

- 8.2** During the period from March 16, 2020 to June 30, 2020, an amount of Rs. 0.085 million was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - THE TRUSTEE	Note	2020 (Rupees)
	Trustee fee payable	9.1	155,860
	Sindh sales tax payable on the Trustee fee	9.2	20,262
			<u>176,122</u>

- 9.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed at the rate 0.065% per annum of net assets. Accordingly, the Fund has charged Trustee fee at the rate 0.065% per annum during the period from March 16, 2020 to June 30, 2020.

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

- 9.2** During the period from March 16, 2020 to June 30, 2020, an amount of Rs 0.056 million was charged on account of sales tax on remuneration of the Trustee levied through the Sindh sales tax on Services Act, 2011.

	Note	2020 (Rupees)
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual fee	10.1	<u>131,508</u>

- 10.1** 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 to income fund was 0.075%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the period from March 16, 2020 to June 30, 2020.

	Note	2020 (Rupees)
11 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		312,088
Payable to rating agency		58,936
Annual listing fee payable		43,248
Withholding and capital gain tax payable		41,784
Printing charges payable		6,572
Transaction charges payable		126,365
Provision for Sindh workers' welfare fund	11.1	<u>1,415,498</u>
		<u>2,004,491</u>

- 11.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their 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

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

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 these financial statements of the Fund for the period from March 16, 2020 to June 30, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.0486 per unit.

12 CONTINGENCIES AND COMMITMENTS

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

13 NUMBER OF UNITS IN ISSUE	2020 Number of units
Units issued during the period from March 16, 2020 to June 30, 2020	30,774,170
Less: units redeemed during the period from March 16, 2020 to June 30, 2020	1,668,849
Total units in issue at the end of the period	<u>29,105,321</u>

14 AUDITORS' REMUNERATION	For the period from March 16, 2020 to June 30, 2020 (Rupees)
Annual audit fee	250,000
Fee for other certifications	50,000
Out of pocket expenses	12,088
	<u>312,088</u>

15 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 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 period derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the period from March 16, 2020 to June 30, 2020 to the unit holders in cash and subsequent to the period ended, no provision for taxation has been made in these financial statements during the period from March 16, 2020 to June 30, 2020.

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

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.

16 EXPENSE RATIO

The total expense ratio (TER) of the Fund for the period from March 16, 2020 to June 30, 2020 is 0.51% which includes 0.26% representing government levies on the Fund such as sales taxes, provision for Sindh workers' welfare fund and annual fee payable to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a income scheme.

17 TRANSACTIONS WITH CONNECTED PERSONS AND RELATED PARTIES

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

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

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

	For the period from March 16, 2020 to June 30, 2020 (Rupees)
17.4 Transactions during the period	
Faysal Asset Management Limited (the Management Company)	
Remuneration of the Management Company	657,538
Sales tax on remuneration of the Management Company	85,480
Issuance of 1,195,673 units	119,573,427
Redemptions of 1,195,673 units	120,408,612
Faysal Bank Limited (group company)	
Return on balances with bank	2,788,043
Bank charges	1,533

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

CDC - Trustee Faysal Active Principal Preservation Plan

(fund managed by the Management Company)

Issuance of 2,047,804 units	204,780,396
Redemption of 438,725 units	45,000,000
Dividend Paid	4,580,376

Central Depository Company of Pakistan Limited (the Trustee)

Remuneration of the Trustee	427,400
Sindh sales tax on remuneration of the Trustee	55,562

Unit holders with more than 10% holding

Issuance of 25,485,690 units	2,564,220,411
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2020

17.5 Balances

(Rupees)

Faysal Asset Management Limited (the Management Company)

Remuneration payable to the Management Company	239,784
Sales tax on remuneration payable to the Management Company	31,172
Preliminary expenses and flotation costs	1,001,525
Other payable	20,000

Faysal Bank Limited (group company)

Balance with bank	2,832,797
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CDC - Trustee Faysal Active Principal Preservation Plan

(fund managed by the management company)

Outstanding 1,609,079 units	161,117,080
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Central Depository Company of Pakistan Limited (the Trustee)

Remuneration to the Trustee	155,860
Sindh sales tax on remuneration of the Trustee	20,262

Unit holders with more than 10% holding

Outstanding 25,485,690 units	2,551,882,155
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Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

18 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	----- 2020 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees -----		
Balances with banks	2,650,578,216	-	2,650,578,216
Investments	-	266,133,166	266,133,166
Profit receivable	324,062	-	324,062
	<u>2,650,902,278</u>	<u>266,133,166</u>	<u>2,917,035,444</u>

Financial liabilities

	----- 2020 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees -----		
Payable to Faysal Asset Management Limited - the Management Company	1,292,481	-	1,292,481
Payable to Central Depository Company of Pakistan - the Trustee	176,122	-	176,122
Payable to the Securities and Exchange Commission of Pakistan	131,508	-	131,508
Accrued expenses and other liabilities	547,209	-	547,209
	<u>2,147,320</u>	<u>-</u>	<u>2,147,320</u>

19 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, the Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

19.1 Market risk

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

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

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

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks 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 for the period and net assets of the Fund would have been higher / lower by Rs. 29.167 million.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund holds fixed profit rate money market placements that may expose the Fund to fair value profit rate risk. However, the same is insignificant due to short term nature of the money market placement so invested.

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

2020					
Effective profit rate (%)	Exposed to interest 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	6.5 % - 8.8 %	2,650,578,216	-	-	2,650,578,216
Investments	10.50%	266,133,166	-	-	266,133,166
Profit receivable					
		2,916,711,382	-	324,062	324,062
				324,062	2,917,035,444
Financial liabilities					
Payable to Faysal Asset Management Limited - the Management Company		-	-	1,292,481	1,292,481
Payable to Central Depository Company of Pakistan - the Trustee		-	-	176,122	176,122
Payable to the Securities and Exchange Commission of Pakistan		-	-	131,508	131,508
Accrued expenses and other liabilities		-	-	547,209	547,209
				2,147,320	2,147,320
On-balance sheet gap (a)		2,916,711,382	-	(1,823,258)	2,914,888,124
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap (b)		-	-	-	-
Total profit rate sensitivity gap (a+b)		2,916,711,382	-	-	
Cumulative profit rate sensitivity gap		2,916,711,382	2,916,711,382	2,916,711,382	

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

(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.

Equity price risk is a risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities at of June 30, 2020.

19.2 Liquidity risk

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

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations 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 period.

For maturity profile of the Fund's financial instruments, refer note 19 to these financial statements.

19.3 Credit risk

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

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

2020	
Balance as per statement of assets and liabilities	Maximum exposure to credit risk

----- Rupees -----

Balances with banks	2,650,578,216	2,650,578,216
Investments	266,133,166	266,133,166
Profit receivable	324,062	324,062
	<u>2,917,035,444</u>	<u>2,917,035,444</u>

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

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

19.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

Rating

	% of financial assets exposed to credit risk
	2020
AAA	99.78
AA+	0.11
AA	0.11
	<u>100.00</u>

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

19.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

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.

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Units of open-end mutual funds are revalued using the net asset value (NAV) as announced by the MUFAP. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

	----- 2020 -----			
	Level 1	Level 2	Level 3	Total
ASSETS	----- Rupees -----			
Financial assets at fair value through profit or loss				
Money market placements*	-	266,133,166	-	266,133,166

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

*The carrying value of these securities approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.

21 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 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 19, 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.

22 UNIT HOLDING PATTERN OF THE FUND

Category	----- 2020 -----		
	Number of unit holders	Investment amount	Percentage of total
Associated companies / Directors	2	161,120,314	6%
Retirement funds	1	201,320,612	7%
Others	2	2,551,933,353	88%
	5	2,914,374,279	100%

23 LIST OF BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2020
	Percentage of commission paid
Bright Capital (Private) Limited	42.85
Magenta Capital (Private) Limited	17.41
Arif Habib Limited	17.33
Invest One Markets Limited	15.40
C&M Management (Private) Limited	3.89
BIPL Securities Limited	3.13
	100.00

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

24 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience	
Mr. Khaldoon Bin Latif	Chief Executive Officer	B.Sc. Economics	Over 16 years	Chief Executive Officer
Mr. Ayub Khuwro	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	Head of Fixed Income
Mr. Mustajab Alam	Fund Manager	MBA Finance	Over 7 years	
Mr. Muhammad Akbar Latif Khan	Head of Research	B.com	Over 5 years	CFA level II / MBA
Mr. Khurram Salman	Head of Compliance and Internal Audit	B.com, CA	Over 15 years	CFA / MBA
Mr. Mohammad Qasim	Head of Risk	B. S. (Actuarial Science & Risk Management) & MBA (Fin.)	Over 10 years	Thirty years

25 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	FMMF, FFSOF, FMTSF, FSGF, FIGF, FFVF

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The dates of the meetings of the Board of Directors of the Management Company of the Fund and the attendance of its members are given below:

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

*retired

**elected in September 2019

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

27 GENERAL

27.1 Rounding off

Figures are rounded off to the nearest Rupee.

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.

Notes to the Financial Statements

For The Period From March 16, 2020 To June 30, 2020

28 DATE OF AUTHORISATION FOR ISSUE

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

For Faysal Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS SUB CLAUSE (I)
AND CLAUSE 11 - PERFORMANCE TABLE OF THE 5TH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

**June 30, 2020
(Rupees)**

(i) PERFORMANCE TABLE

Net assets	2,914,374,279
Net assets value per unit	100.13
Offer price per unit	102.14
Repurchase price per unit	100.13
Highest offer price per unit	104.99
Highest repurchase price per unit	102.93
Lowest offer price per unit	102.03
Lowest repurchase price per unit	100.02
Total return:	10.90%
- capital growth	7.87%
- income distribution	3.03%
Average annual return:	
(Launch date: March 16, 2020)	
- one year	10.90%
- two years	N/A
- three years	N/A
Distribution per unit:	
- Interim distribution (% per unit) *	3.03%
- Final distribution (% per unit)	<u>3.03%</u>

* Announced on 20 March 2020 and 25 June 2020

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

(ii) MEETINGS OF THE AUDIT COMMITTEE

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

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

(iii) MEETINGS OF THE HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

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

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