

### **Faysal Islamic Saving Growth Fund**

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



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## FUND INFORMATION

### Management Company

Faysal Asset Management Limited

### Board of Directors of the Management Company

Mr. Mohammad Abdul Aleem, Chairman  
Mr. Enamullah Khan, Chief Executive Officer  
Mr. Razi-ur-Rahman Khan, Director  
Mr. Feroz Rizvi, Director  
Syed Majid Ali, Director  
Mr. Zafar Ahmed Siddiqui, Director  
Mr. Ibad-ur-Rehman Chishti, Director

### CFO and Company Secretary of the Management Company

Mr. Najm-ul-Hassan

### Audit Committee

Mr. Feroz Rizvi, Chairman  
Syed Maid Ali Esq., Member  
Mr. Zafar Ahmed Siddiqui, Member

### Trustee

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

### Bankers to the fund

National Bank of Pakistan  
Bank Alfalah Limited  
Dubai Islamic Bank  
Standard & Chartered Bank  
Al-Baraka (Pakistan) Limited  
UBL Amen - Islamic Branches

### Auditors

Ford Rhodes Sidat Hyder & Co., Chartered Accountants

### Legal Advisor

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

### Registrar

JWAFFS Registrar Service (Pvt) Limited  
Room # 505, 5<sup>th</sup> Floor, Kashif Centre,  
Near Hotel Mehran, Main Shahra-e-Faisal,  
Karachi.

### Distributors

Faysal Asset Management Limited

## **MISSION STATEMENT**

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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of **Faysal Islamic Savings Growth Fund (FISGF)**, are pleased to present the 3rd Annual Report on the operations of FISGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the year ended June 30, 2012.

### SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 845.783 million were issued and units with a value of Rupees 639.324 million were redeemed.

### UNIT HOLDERS

As of June 30, 2012, total unit outstanding were, 5,209,001 units with a value of Rs. 537 million were outstanding (period ended June 30, 2011: 2,853,803 units with a value of Rs. 295 million)

### UNIT PRICES

Unit prices are being announced on a daily basis based on the NAV of the underlying portfolio. The highest and lowest offer/redemption prices during the year as well as the prices prevailing as of June 30, 2012 were as below:

	<u>Offer Price</u>	<u>Redemption Price</u>
Highest	105.18	105.18
Lowest	100.93	100.93
As of June 30, 2012	103.00	103.00

### ECONOMIC OUTLOOK

FY12 remained a challenging year for the economy as GDP growth slowed down and fiscal deficit widened amidst increase in trade deficit and current account deficit. GDP expanded by 3.7%, less than the target of 4.2%. This growth was primarily driven by the agricultural and services sectors as growth across the manufacturing sector remained subdued due to severe shortage of electricity and fuel. Pak Rupee depreciated by 9% during the year as the country's foreign exchange reserves depleted by USD 3bn to USD 15.2bn.

The headline Consumer Price Index (CPI) during FY12 consolidated at 11% Y/Y compared to 13.31%Y/Y in FY11. This met the market consensus and SBP target of 11%Y/Y. Descending international commodity prices excluding oil, and relatively better domestic crop production data helped ease up food price pressure, while high base effect from the previous year lend added support to price softening. Resultantly, the SBP slashed the policy rate by 200 bps to 12% over the course of the year.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

Country's external side continued to face headwinds on the back of unfavorable trade terms. Prevailing uncertainty in European countries, non-materialization of 3G auction proceeds and Coalition Support Fund (CSF) - due to uneasy relation with US - resulted in lack of external funding. This along with country's foreign debt repayments - including USD ~900mn made to IMF during the FY12 - resulted in overall depletion in Foreign exchange reserve by USD 3.0bn. This exerted considerable pressure on Pakistani rupee, forcing it to breach the PKR 94 mark by June-end against the Greenback. In order to make up for external funding squeeze and fiscal deficit financing, the government's budgetary borrowing requirement stepped up substantially. In order to cover the widening deficit, Ministry of finance devised GoP Ijara sukuk so that Islamic banks can deploy excess cash in a better yielding investment instrument and securitise infrastructure related assets including motorways, airports and power plants. Since FY11 SBP has accepted PKR 233bn in the GoP Ijara Sukuk auction against the target amount of PKR 195bn. With the passage of time the size of global Islamic financial market has grown to USD 1.35 trillion at an annual growth rate of more than 20 percent, the Islamic financial industry now comprises 430 Islamic banks and financial institutions. The Sukuk market now offers strong potential for raising funds required for infrastructure development in Pakistan.

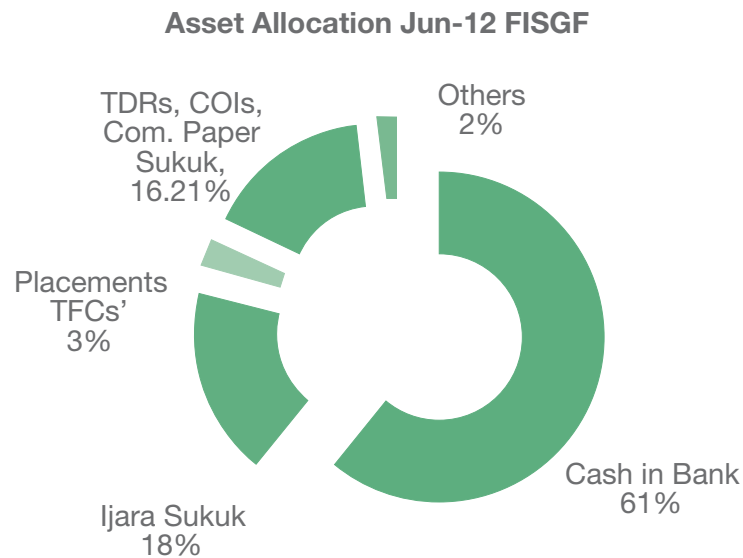
On the positive front, remittances registered a hefty increase of 17% Y/Y to reach USD ~13bn, primarily driven by channelized inflows through the banking sector under the Pakistan Remittance Initiative (PRI). Over the upcoming year, remittances are once again expected to bolster balance of payment in conjunction with a lower oil import bill on account of reduced crude oil prices. Support to the balance of payments is also expected to emanate from recommencement of Coalition Support Fund (CSF) after resumption of NATO ground lines of communication. In this regard, the US has also agreed to arrange another USD2.0bn to support Pakistan's balance of payment situation.

### PERFORMANCE

Your fund ended the year with a return of 11.24%, beating the yearly benchmark by a massive 254bps and cementing its position as one of the top performing funds in the Islamic Funds category. During the year, exposure in Ijarah Sukuks was reduced considerably and timely entry was made in high yielding corporate sukuks and Commercial Papers to boost returns. Furthermore, other funds in the industry have now started booking provisions for WWF, which FAML had been accounting for since the first week of October 2010. This will further narrow down the difference among the competitors. Going forward, the fund will continue to take a proactive approach in exploiting trading opportunities with the perfect blend of different asset classes.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### ASSET ALLOCATION AS ON JUNE 30, 2012



### INCOME DISTRIBUTION

The Board of directors has approved fund distribution at the rate of 10.35% (Interim 8.35% and final 2.00%) (i.e Rs. 10.35 per unit of par value of Rs.100 each).

### MUTUAL FUND RATING

JCR-VIS has awarded the fund stability rating of "A+(f)" for Faysal Islamic Savings Growth Fund (FISGF). This rating denotes Moderate degree of stability in Net Asset Value. The credit rating also signifies the strength of the credit quality of financial instruments in the portfolio. It also denotes low portfolio risk, duration risk and interest rate risk.

### CORPORATE GOVERNANCE

A prescribed under clause xli of the Code of Corporate Governance 2012 **Statement of Compliance with the Code of Corporate Governance** along with the auditors' report thereon for the year ended June 30, 2012 forms part of this annual report.



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### 1. Statements under clause xvi of the Code:

- a. The financial statements, prepared by the management of the listed company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- b. Proper books of account of the listed company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- e. The system of internal control is sound in design and has been effectively implemented and monitored;
- f. There are no significant doubts upon the listed company's ability to continue as a going concern;
- g. The details of taxes, duties, levies and charges outstanding, are disclosed in the financial statements;
- h. The number of board and committees' meetings held during the year and attendance by each director forms part of this Annual Report; and
- i. The prescribed pattern of shareholding is given as part of this Annual Report.

The sale and repurchase of units of the Fund carried out by the directors, CEO, COO, CFO, Head of Internal Audit, Company Secretary, their spouses and minor children, and the Management Company are as under:

<b>Trades By:</b>	<b>Investment</b>	<b>Redemption</b>
	------(No. of Units)-----	
Mr. Asif Mehdi Rizvi (Head of Compliance)	1,704	Nil

### PATTERN OF HOLDING

The Pattern of Holding of FISGF as at June 30, 2012 is given as part of this Annual Report.

### AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Board endorses the recommendation of the Audit Committee for re-appointment of Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the year ending June 30, 2013.

### ACKNOWLEDGEMENT

The Board of Directors of the Management Company is thankful to unit holders for their confidence on the Management, the Securities and Exchange Commission of Pakistan and the management of Karachi Stock Exchange for their valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee for their dedication and hard work.

For and on behalf of the Board

Karachi: August 16, 2012

**Enamullah Khan**  
Chief Executive Officer

## FUND MANAGER'S REPORT

### Economic Review

FY12 remained a challenging year for the economy as GDP growth slowed down and fiscal deficit widened amidst increase in trade deficit and current account deficit. GDP expanded by 3.7%, less than the target of 4.2%. This growth was primarily driven by the agricultural and services sectors as growth across the manufacturing sector remained subdued due to severe shortage of electricity and fuel. Pak Rupee depreciated by 9% during the year as the country's foreign exchange reserves depleted by USD 3bn to USD 15.2bn.

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Country's external side continued to face headwinds on the back of unfavorable trade terms. Prevailing uncertainty in European countries, non-materialization of 3G auction proceeds and Coalition Support Fund (CSF) - due to uneasy relation with US - resulted in lack of external funding. This along with country's foreign debt repayments - including USD ~900mn made to IMF during the FY12 - resulted in overall depletion in Foreign exchange reserve by USD 3.0bn. This exerted considerable pressure on Pakistani rupee, forcing it to breach the PKR 94 mark by June-end against the Greenback. In order to make up for external funding squeeze and fiscal deficit financing, the government's budgetary borrowing requirement stepped up substantially. In order to cover the widening deficit, Ministry of finance devised GoP Ijara sukuk so that Islamic banks can deploy excess cash in a better yielding investment instrument and securitise infrastructure related assets including motorways, airports and power plants. Since FY11 SBP has accepted PKR 233bn in the GoP Ijara Sukuk auction against the target amount of PKR 195bn. With the passage of time the size of Islamic financial market has grown to USD 1.35 trillion at an annual growth rate of more than 20 percent, the Islamic financial industry now comprises 430 Islamic banks and financial institutions. The Sukuk market now offers strong potential for raising funds required for infrastructure development in Pakistan.

On the positive front, remittances registered a hefty increase of 17% Y/Y to reach USD ~13bn, primarily driven by channelized inflows through the banking sector under the Pakistan Remittance Initiative (PRI). Over the upcoming year, remittances are once again expected to bolster balance of payment in conjunction with a lower oil import bill on account of reduced crude oil prices. Support to the balance of payments is also expected to emanate from recommencement of Coalition Support Fund (CSF) after resumption of NATO ground lines of communication. In this regard, the US has also agreed to arrange another USD2.0bn to support Pakistan's balance of payment situation.

### Money Market Review

Since July 2011, burgeoning fiscal deficit has kept the money market more volatile than what the Central Bank would have preferred. In the absence of external financial support, the money market was the only platform for the government to fill the widening gap between revenues and expenditure. Due to the heightened demand for funds by the government, yields across all the tenors remained at historically high levels – deviating significantly from its normality of fifty to sixty basis points above the discount rate. Throughout the outgoing fiscal year, State Bank intervened to stabilize money market yields through open market operation but gradually reduced the quantum of injections. Furthermore, downward surprises in the monthly inflation drove the yields on longer tenor down during preceding fiscal year. Considering the interest rate volatility and constant fluctuations in the yields, institutional investors remained inclined towards short-tenor instruments to enjoy liquidity, ward-off interest rate risk and time the entry and exit as per economic indicators. Going forward, relatively disciplined inflationary pressure may push yields down while increased reliance on domestic borrowing is expected to keep yields elevated till successful realization of external financial flows.

## FUND MANAGER'S REPORT

### Equity Review

Pakistan's equity market proved to be one of the most dynamic and lucrative investment avenues across the global frontier markets over FY-2012, shaped primarily by noteworthy political and geopolitical proceedings. The key benchmark index, KSE-100, recorded a return of 10.45% YoY, succeeded only by Thailand's SET with a return of 12.54% YoY.

Although the first half of the fiscal year proved to be a dismal one as the benchmark index receded by 9.2%, the index still managed to outpace the MSCI Frontier Index that contracted by 14.3% over the same period. This contraction was primarily based on the growing bitterness between United States and its non-NATO ally Pakistan that had emanated from the incarceration of the alleged US operative Raymond Davis, the Salala-post airstrike incident which claimed the lives of 26 Pakistani soldiers and the subsequent blockade of the NATO ground lines of communication.

The second half remained significantly more robust, as the relaxation and incentives introduced under the Capital Gain Tax regime helped the market gain 21.6%. Comparatively, the MSCI Frontier Market Index contracted by 4.7% over January-June 2012. Foreign investment trend also fared relatively better over the second half, as FIPI recorded an outflow of USD 31.7mn against outflow of USD 157.4mn in the previous half.

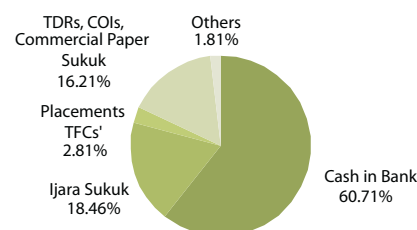
Over the quarter ending June 2012, the equity market displayed mixed trends as certain political and geopolitical factors played their part in creating an oscillating momentum that saw the market form a peak and trough of +6.2% and -2.9%, respectively, and close the period with an insignificant +0.3%. The benchmark index gained support on account of Capital Gain Tax incentives over the better part of the quarter with the market gaining 6.2% till first week of May 2012. The MAY FACTOR soon assumed control of the benchmark and the market, true to expectations, corrected itself, erasing all gains by the end of the historically notorious month of May.

Going forward, the market is expected to remain buoyed by expected inflows from the US-funded Coalition Support Fund, especially in light of recommencement of NATO ground lines of communication in June. That said, under present circumstances, the equity market is exposed more to threats on the economic side as high import bill, IMF repayments and downgraded sovereign rating all pose considerable risk to the macroeconomic and company-specific valuations at the bourse.

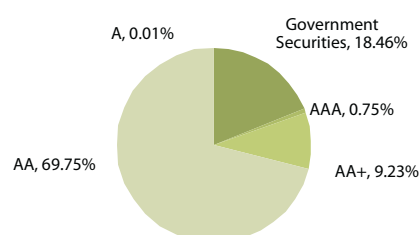
### FUND INFORMATION

Fund Type	Open Ended
Category	Islamic Income Scheme
Risk Profile	Low
Net Assets (PKR mn)	536.52
NAV 30-Jun-2012	103
Pricing Mechanism	Forward
Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Management Fee	1.5%
Front End Load	Nil
Back End Load	Nil
Launch Date	14-Jun-10
Benchmark	Average 6M deposit rate of 3 Islamic Banks
Fund Rating	A+(f) (JVR- VIS)
Asset Manager Rating	AM3 + (JCRVIS)

#### Asset Allocation



#### Asset Quality (as % of Total Assets)



## FUND MANAGER'S REPORT

### FUND RETURNS

	FY12	FY11
Annual Return	11.24	10.33
Since Inception	10.03	10.51
Benchmark	8.70	8.85

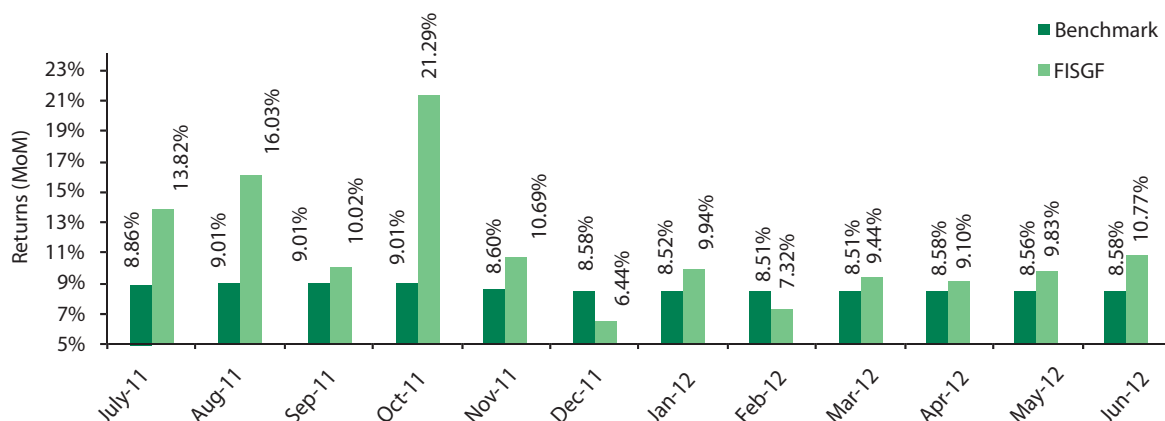
### FISGF Performance

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### Distributions

### FY12

	PKR Per Unit
1st Interim Distribution	2.75
NAV Before Distribution	105.18
Nav After Distribution	102.43
Distribution Date	October 28, 2011
2nd Interim Distribution	4.00
NAV Before Distribution	104.95
Nav After Distribution	100.95
Distribution Date	February 11, 2012
3rd Interim Distribution	1.60
NAV Before Distribution	102.64
Nav After Distribution	101.04
Distribution Date	April 21, 2012
Final Interim Distribution	2.00
NAV Before Distribution	103.00
Nav After Distribution	101.00
Distribution Date	July 5, 2012



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ  
 الْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ، وَالصَّلَاةُ وَالسَّلَامُ عَلٰی كَاتِمِ النَّبِیِّیْنَ وَسَیِّدِ الْمُرْسَلِیْنَ،  
 وَعَلٰی آلِهِ وَاصْحَابِهِ اَجْمَعِیْنَ، اَمَّا بَعْدُ

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

Karachi  
 July 03, 2012

By the blessing of ALLAH, the year ended June 30, 2012 under analysis is the third year of operations of Faysal Islamic Savings Growth Fund (FISGF). We, as the Shariah Advisors of fund are issuing the report in accordance with clause 7.2.4 of the trust deed of the fund. The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

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

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

In the light of above, we hereby certify that:

- “ We have reviewed and approved the modes of investment of FISGF in light of the Shariah guidelines.
- “ All the provisions of the scheme and investment made on account of FISGF by FAML Fund Managers are Shariah compliant and in accordance with the criteria established.
- “ On the basis of information provided by the management, all operations of FISGF for year ended June 30, 2012 have been in compliance with the Shariah Principles.

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

وَصَلَّى اللّٰهُ عَلٰی حَبِیْبِهِ مُحَمَّدٍ صَلَّى اللّٰهُ عَلَيْهِ وَسَلَّمَ



Mufti Muhammad Abubaker  
 Shariah Advisor  
 Faysal Asset Management Limited



Abdul Zahid Farooqi  
 Shariah Advisor  
 Faysal Asset Management Limited

**ERNST & YOUNG**

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530, Pakistan  
Tel: +9221 3565 0007  
Fax: +9221 3568 1965  
www.ey.com

## **Independent assurance report to the unit holders of the Fund in respect of the Fund's compliance with the Shariah rules and principles**

We have performed an independent assurance engagement of **Faysal Islamic Savings Growth Fund** (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Board of the Fund during the year ended 30 June 2012, in accordance with clause 7.4 of the Trust Deed of the Fund.

### **2. Management's responsibility for Shariah compliance**

It is the responsibility of the management of the Fund to ensure that the financial arrangements, contracts and transactions entered into by the Fund are, in substance and in their legal form, in compliance with the requirements of the Shariah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

### **3. Our responsibility**

**3.1.** We planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Board.

**3.2.** The "Assurance Procedures" selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

**3.3.** Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions having Shariah implications, on a test basis whether such financial arrangements, contracts and transactions, having Shariah implications, are in line with the Shariah rules and principles as prescribed by Shariah Board of the Fund.

### **4. Our opinion**

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Board of the Fund during the year ended 30 June 2012.

**Karachi:** 16 August 2012

*Ernst & Young Ford Rhodes Sidat Hyder*  
**Chartered Accountants**

**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) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



ISO 27001 Certified

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

We Central Depository Company of Pakistan Limited, being the Trustee of Faysal Islamic Savings Growth Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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.

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 27, 2012

## **REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Faysal Asset Management Limited (the management Company) of **Faysal Islamic Saving Growth Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Further, Sub-Regulation (x) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transaction carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended June 30, 2012.

Chartered Accountants

Dated: 16 August 2012

Karachi



## STATEMENT OF COMPLIANCE BY FAYSAL ISLAMIC SAVINGS GROWTH FUND WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No 35 of the Listing Regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of Faysal Asset Management Limited (the Management Company), an unlisted public company, manages the affairs of **Faysal Islamic Savings Growth Fund** (the Fund). The Fund being a unit trust open end scheme does not have its own Board of Directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Exchange, in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Independent Directors	Mr. Mohammad Abdul Aleem Mr. Feroz Rizvi Mr. Zafar Ahmed Siddiqui
Executive Director	Mr. Enamullah Khan (CEO)
Non-Executive Directors	Mr. Syed Majid Ali Mr. Syed Ibadur Rehman Chishti Mr. Razi-Ur-Rehman Khan

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. During the year under review one casual vacancy occurred on the Board on June 19, 2012, which was filled within 30 days thereof.
5. The company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, the company has a policy to conduct formal orientations for directors. The Board did not arrange director training / education program required under the Code as all the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.

## **STATEMENT OF COMPLIANCE BY FAYSAL ISLAMIC SAVINGS GROWTH FUND WITH THE CODE OF CORPORATE GOVERNANCE**

10. The Board approved the appointments of Chief Financial Officer (CFO) and Company Secretary including the remuneration and terms and conditions of employment.
11. The Directors' report relating to the Fund for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and acting CFO of the Management Company before approval of the Board.
13. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in the Directors' Report.
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee who is an independent non-executive director.
16. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. The Board has formed an HR and Compensation Committee. It comprises of three members, of whom two are non-executive directors including the chairman of the Committee.
18. The Management Company has outsourced its internal audit function to KPMG Taseer Hadi & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the the Code have been complied with.

For and on behalf of the Board

Karachi, August 16, 2012

**Enamullah Khan**  
Chief Executive Officer

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Faysal Islamic Saving Growth Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2012, the related statements of income, distribution statement, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting 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.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: **Shabbir Yunus**  
Dated: 16 August 2012  
Karachi

## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
<b>Assets</b>			
Bank balances	7	329,086,319	108,118,782
Prepayments, deposits and other receivables	8	4,186,494	4,116,997
Preliminary expenses and floatation costs	9	1,630,680	2,183,340
Investments	10	207,249,346	185,419,750
<b>Total assets</b>		<u>542,152,839</u>	<u>299,838,869</u>
<b>Liabilities</b>			
Payable to the Management Company	11	2,936,216	3,115,965
Remuneration payable to the Trustee	12	73,538	49,315
Accrued and other liabilities	13	2,622,145	1,271,354
<b>Total liabilities</b>		<u>5,631,899</u>	<u>4,436,634</u>
<b>Net assets</b>		<u>536,520,940</u>	<u>295,402,235</u>
Unit holders' fund (as per the statement attached)		<u>536,520,940</u>	<u>295,402,235</u>
		----- (Number of units) -----	
Number of units in issue		<u>5,209,001</u>	<u>2,853,803</u>
		----- (Rupees) -----	
<b>Net asset value per unit</b>		<u>103.00</u>	<u>103.51</u>
Contingencies and commitments	14		

The annexed notes from 1 to 24 form an integral part of these financial statements.

**For Faysal Asset Management Limited**  
(Management Company)

*Chief Executive Officer*

*Director*

*Director*

## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	June 30, 2012	June 30, 2011
<b>Income</b>	-----	(Rupees) -----	
Profit earned on government securities and sukuk certificates		35,695,044	9,398,651
Return on certificates of musharika		-	1,354,429
Return on bank balances		26,357,377	17,560,193
Net (loss) / gain on investments 'at fair value through profit or loss'			
- Net capital gain on sale of investments		51,542	130,261
- Net unrealised (loss) / gain on revaluation of investments	10.4	(177,065)	279,494
		(125,523)	409,755
<b>Total income</b>		<b>61,926,898</b>	<b>28,723,028</b>
<b>Expenses</b>			
Remuneration of the Management Company		7,482,625	3,444,926
Sales tax on management fee	15	1,197,251	-
Remuneration of the Trustee		866,684	650,411
Brokerage charges		53,500	10,325
Bank charges		28,055	18,345
Auditors' remuneration	16	430,101	382,779
SECP annual fee		374,059	172,246
Legal and professional charges		60,163	127,813
Fees and subscription		69,985	150,015
Settlement charges, federal excise duty and capital value tax		6,004	8,000
Amortisation of preliminary expenses and floatation costs		552,660	552,494
Printing charges and other expenses		251,691	366,948
Provision for Workers' Welfare Fund		1,110,916	476,161
<b>Total expenses</b>		<b>12,483,694</b>	<b>6,360,463</b>
<b>Net income from operating activities</b>		<b>49,443,204</b>	<b>22,362,565</b>
<b>Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed</b>		<b>4,991,654</b>	<b>(262,325)</b>
<b>Net income for the year before taxation</b>		<b>54,434,858</b>	<b>22,100,240</b>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<b>54,434,858</b>	<b>22,100,240</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>54,434,858</b>	<b>22,100,240</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

**For Faysal Asset Management Limited**  
(Management Company)

*Chief Executive Officer*

*Director*

*Director*

## DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
<b>Undistributed income brought forward</b> [includes unrealised gain on investments of Rs.279,494]	10,022,025	1,256,781
Final bonus distribution for the year ended June 30, 2011 @ Rs.3.10 per unit (2010: Rs.0.35 per unit declared for distribution on July 07, 2010) declared for distribution on July 09, 2011	(5,147,637)	(778,128)
Final cash dividend for the year ended June 30, 2011 @ Rs.3.10 per unit (2010: Rs.0.35 per unit declared for distribution on July 07, 2010) declared for distribution on July 09, 2011	(3,699,149)	(385,000)
Interim bonus distribution for the quarter ended September 30, 2011 @ Rs.2.75 per unit (2010: Rs.Nil per unit) declared for distribution on October 28, 2011	(7,098,064)	-
Interim cash dividend for the quarter ended September 30, 2011 @ Rs.2.75 per unit (2010: Rs.Nil per unit) declared for distribution on October 28, 2011	(3,281,504)	-
Interim bonus distribution for the quarter ended December 31, 2011 @ Rs.4.00 per unit (2011: Rs.4.00 per unit declared for distribution on February 19, 2011) declared for distribution on February 11, 2012	(16,305,465)	(3,165,130)
Interim cash dividend for the quarter ended December 31, 2011 @ Rs.4.00 per unit (2011: Rs.4.00 per unit declared for distribution on February 19, 2011) declared for distribution on February 11, 2012	(4,773,096)	(4,400,000)
Interim bonus distribution for the quarter ended March 31, 2012 @ Rs.1.60 per unit (2011: Rs.2.65 per unit declared for distribution on April 23, 2011) declared for distribution on April 21, 2012	(6,466,724)	(1,956,738)
Interim cash dividend for the quarter ended March 31, 2012 @ Rs.1.60 per unit (2011: Rs.2.65 per unit declared for distribution on April 23, 2011) declared for distribution on April 21, 2012	(3,029,910)	(2,650,000)
<b>Net income for the year after taxation</b>	<b>54,434,858</b>	22,100,240
<b>Undistributed income carried forward</b> [includes unrealised gain on investments of Rs.72,935 (2011: unrealised gain of Rs.279,494)]	<b>14,655,334</b>	10,022,025

The annexed notes from 1 to 24 form an integral part of these financial statements.

**For Faysal Asset Management Limited**  
(Management Company)

*Chief Executive Officer*

*Director*

*Director*

## STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2012**

	June 30, 2012	June 30, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Note	(Rupees)
Net income for the year before taxation		54,434,858
<b>Adjustments for non-cash and other items:</b>		
Net capital gain on sale of investments at fair value through profit or loss'		(51,542)
Net unrealised loss / (gain) on revaluation of investments 'at fair value through profit or loss'		177,065
Profit earned on government securities and sukuk certificates		(35,695,044)
Return on certificates of musharika		-
Return on bank balances		(26,357,377)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed		(4,991,654)
Amortisation of preliminary expenses and floatation costs		552,660
		<u>(11,931,034)</u>
<b>Increase in assets</b>		
Prepayments, deposits and other receivables		(120,000)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company		(179,749)
Remuneration payable to the Trustee		24,223
Accrued and other liabilities		1,350,791
		<u>1,195,265</u>
		<u>(10,855,769)</u>
Proceed from sale / redemption of investments		553,631,889
Payment against purchase of investments		(569,113,691)
Profit received on government securities and sukuk certificates		31,395,771
Profit received on certificates of musharika		-
Return received on bank balances		24,233,836
<b>Net cash generated from / (used in) operating activities</b>		<u>29,292,036</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issue of units		845,783,466
Payments made against redemption of units		(639,324,306)
Dividend paid		(14,783,659)
<b>Net cash generated from / (used in) financing activities</b>		<u>191,675,501</u>
Net increase / (decrease) in cash and cash equivalents during the year		220,967,537
Cash and cash equivalents at the beginning of the year		108,118,782
<b>Cash and cash equivalents at the end of the year</b>	7	<u>329,086,319</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

**For Faysal Asset Management Limited**  
(Management Company)

*Chief Executive Officer*

*Director*

*Director*

## STATEMENT OF MOVEMENT IN UNIT HOLDERS FUND

FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	<u>103.51</u>	<u>100.38</u>
Net asset value per unit at the end of the year	<u>103.00</u>	<u>103.51</u>
<b>Net assets at the beginning of the year</b>	<b>295,402,235</b>	<b>333,579,227</b>
Amounts received on issue of units *	<b>845,783,466</b>	<b>257,081,155</b>
Amounts paid on redemption of units **	<b>(639,324,306)</b>	<b>(310,185,712)</b>
	<b>206,459,160</b>	<b>(53,104,557)</b>
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	<b>(4,991,654)</b>	<b>262,325</b>
Final cash dividend for the year ended June 30, 2011 @ Rs.3.10 per unit (2010: Rs.0.35 per unit declared for distribution on July 07, 2010) declared for distribution on July 09, 2011	<b>(3,699,149)</b>	<b>(385,000)</b>
Interim cash dividend for the quarter ended September 30, 2011 @ Rs.2.75 per unit (2010: Nil) declared for distribution on October 28, 2011	<b>(3,281,504)</b>	<b>-</b>
Interim cash dividend for the quarter ended December 31, 2011 @ Rs.4.00 per unit (2010: Rs.4.00 per unit declared for distribution on February 19, 2011) declared for distribution on February 11, 2012	<b>(4,773,096)</b>	<b>(4,400,000)</b>
Interim cash dividend for the quarter ended March 31, 2012 @ Rs.1.60 per unit (2011: Rs.2.65 per unit declared for distribution on April 23, 2011) declared for distribution on April 21, 2012	<b>(3,029,910)</b>	<b>(2,650,000)</b>
Net capital gain on sale of investments	<b>51,542</b>	<b>130,261</b>
Net unrealised (loss) / gain on revaluation of investments	<b>(177,065)</b>	<b>279,494</b>
Net income for the year	<b>54,560,381</b>	<b>21,690,485</b>
Other comprehensive income for the year	<b>-</b>	<b>-</b>
Total comprehensive income for the year	<b>54,434,858</b>	<b>22,100,240</b>
<b>Net assets as at the end of the year</b>	<b>536,520,940</b>	<b>295,402,235</b>
	----- (Number of units) -----	
* Number of units issued (including 346,084 bonus units issued during the year ended June 30, 2012 and 57,960 bonus units issued during the year ended June 30, 2011)	<b>8,578,274</b>	<b>2,534,118</b>
** Number of units redeemed	<b>6,223,076</b>	<b>3,003,540</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

**For Faysal Asset Management Limited**  
(Management Company)

*Chief Executive Officer*

*Director*

*Director*



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Islamic Savings Growth Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 04, 2009. It has been constituted under a Trust Deed, dated April 22, 2009, between Faysal Asset Management Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is a Shariah Compliant open ended Islamic income fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Karachi Stock Exchange (Guarantee) Limited (KSE). The Fund was launched on June 14, 2010.

The principal activity of the Fund is to invest in Shariah Compliant money market and debt securities having good credit quality rating and liquidity.

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

### 3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are accounted for as stated in notes 4.3 and 4.4 below.

3.2 These financial statements are presented in pak rupees, which is the Fund's functional and presentation currency.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in notes 4.1 and 4.2.

#### 4.1 New and amended standards and interpretations

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

## NOTES TO THE FINANCIAL STATEMENTS

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the Fund.

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

An equalisation account called the "Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed" (the Element) is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

During the year, the Fund has revised the method of computation of the Element. As per revised method, the Element is arrived at by comparing the unit prices with opening Ex - NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available for sale securities is included in distribution statement. Previously, the Fund used to calculate the Element by comparing unit prices with the face value of the units.

The revised methodology, in opinion of the management, would ensure that the continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Since the element is an equalisation account between income for the period and undistributed income, the change did not have any impact on Net Asset Value (NAV) of the Fund. Had the methodology not been changed, the net income for the year ended June 30, 2012 would have been higher by Rs.0.965 million.

### 4.3 Investments

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

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

All regular way purchases / sales of investments that require delivery within the time frame established by the regulation of market convention are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within the period generally established by the regulation or market convention such as "T+2".

## NOTES TO THE FINANCIAL STATEMENTS

### At fair value through profit or loss

This category has two sub-categories, namely; financial instruments held-for-trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading.
- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

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

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

### Held to maturity investments

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

### Available-for-sale investments

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

Fair value of investments is determined as follows:

#### Debt securities

These are valued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated January 06, 2009, read with Regulation 66(b) of the NBFC Regulations.

#### Government securities

These are valued by reference to the quotations obtained from the Reuters page. Ijarah Sukuks are valued using average of the rates quoted by brokers.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.4 Derivatives

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

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

### 4.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

### 4.6 Impairment of financial assets

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

Impairment is determined as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### 4.7 Provisions

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

### 4.8 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net asset value of units at the end of the day plus the allowable sales load. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

### 4.9 Cash and cash equivalents

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

### 4.10 Revenue recognition

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

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

Profit from Shariah Compliant debt securities, return on certificates of investment, profit on clean placements, return on bank balances and income from reverse repurchase agreements are recognised on a time proportion basis using effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.11 Taxation

The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

### 4.12 Offsetting of financial assets and liabilities

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

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

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

### 4.14 Distribution to unit holders

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

### 4.15 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred in connection with incorporation, registration, establishment and authorisation of the Fund till the close of the Initial Public Offering Period. These costs are to be amortised over a period not exceeding sixty months in accordance with the Trust deeds.

### 4.16 Financial assets and financial liabilities

All financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income statement currently.

Financial assets carried in the statement of assets and liabilities include bank balances, deposits and other receivables and investments.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

### 6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations and amendments:

<b>Standard, interpretation or amendment</b>	<b>Effective date (accounting periods beginning on or after)</b>
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

## NOTES TO THE FINANCIAL STATEMENTS

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
<b>7. BANK BALANCES</b>			
Cash at bank - PLS saving accounts	7.1	<u>329,086,319</u>	<u>108,118,782</u>
7.1 These carry mark-up ranging from 6% to 11.70% (June 30, 2011: 5% to 13.1%) per annum.			

	June 30, 2012	June 30, 2011
		----- (Rupees) -----
<b>8. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - considered good</b>		
Prepayments	120,000	-
Security deposit - Central Depository Company of Pakistan Limited	100,000	100,000
Profit receivable on government securities	359,732	3,179,520
Profit receivable on debt securities	645,744	-
Return receivable on bank balances	<u>2,961,018</u>	<u>837,477</u>
	<u>4,186,494</u>	<u>4,116,997</u>



## NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2012	June 30, 2011
----- (Rupees) -----			
<b>9. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs		<b>2,183,340</b>	2,735,834
Amortisation during the year	9.1	<b>(552,660)</b>	(552,494)
		<u><b>1,630,680</b></u>	<u>2,183,340</u>

9.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from June 17, 2010.

## 10. INVESTMENTS

### At fair value through profit or loss

#### Designated 'at fair value through profit or loss'

Government securities	10.1	<b>100,050,000</b>	185,419,750
Unlisted debt securities	10.2	<b>15,247,935</b>	-
		<u><b>115,297,935</b></u>	<u>185,419,750</u>

### Held to maturity

Commercial paper - sukuk certificates	10.3	<b>91,951,411</b>	-
		<u><b>207,249,346</b></u>	<u>185,419,750</u>

### 10.1 Government securities - designated 'at fair value through profit or loss'

Name of the security	----- Face Value -----						Balance as at June 30, 2012			Market value as percentage of total investments	Market value as percentage of net assets
	Yield per annum	As at July 01, 2011	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2012	Carrying value	Market value	Unrealised gain / (loss) on revaluation		
----- (Rupees) -----											
GOP Ijara											
Sukuk 3 years	11.94%	185,000,000	425,000,000	510,000,000	-	100,000,000	100,000,000	100,050,000	50,000	48.28%	18.65%
		<u>185,000,000</u>	<u>425,000,000</u>	<u>510,000,000</u>	<u>-</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,050,000</u>	<u>50,000</u>	<u>48.28%</u>	<u>18.65%</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 10.2 Unlisted debt securities - designated 'at fair value through profit or loss'

Name of the investee company	Rate of return per annum	Face Value				Balance as at June 30, 2012			Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2011	Purchased during the year	Fully redeemed / disposed off during the year	As at June 30, 2012	Carrying value	Market value	Unrealised gain / (loss) on revaluation		
(Rupees)										
Engro Fertilizers Limited - (06.09.2007)	13.43%	-	15,000,000	-	15,000,000	15,225,000	15,247,935	22,935	7.36%	2.84%
		-	15,000,000	-	15,000,000	15,225,000	15,247,935	22,935	7.36%	2.84%

### 10.3 Commercial papers - Sukuk certificates (secured) - held to maturity

Name of the investee company	Rate of return per annum	Face Value				Balance as at June 30, 2012			Face value as percentage of Total investments	Face value as percentage of net assets
		As at July 01, 2011	Purchased during the year	Matured during the year	As at June 30, 2012	Carrying value as at June 30, 2012 (Rupees)	Maturity	Rating		
(Rupees)										
Hub Power Company Limited	13.09%	-	70,000,000	20,000,000	50,000,000	52,671,868	August 03, 2012	AA+	24.13%	9.32%
Kot Addu Power Company Limited	-	-	20,000,000	20,000,000	-	-	-	-	-	-
Engro Fertilizers Limited	13.55%	-	37,860,000	-	37,860,000	39,279,543	September 22, 2012	AA-	18.27%	7.06%
		-	127,860,000	40,000,000	87,860,000	91,951,411			42.40%	16.38%

**Note**      **June 30, 2012**      **June 30, 2011**  
 ----- (Rupees) -----

### 10.4 Net unrealised gain on revaluation of investments - designated 'at fair value through profit or loss'

Market value of investments	<b>115,297,935</b>	185,419,750
Cost of investments	<b>(115,225,000)</b>	(185,140,256)
	<b>72,935</b>	279,494
Net unrealised loss on investments at the beginning of year	<b>(279,494)</b>	-
Realised on disposal during the year	<b>29,494</b>	-
	<b>(250,000)</b>	-
	<b>(177,065)</b>	279,494

## NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2012	June 30, 2011
		(Rupees)	
<b>11. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee payable	11.1	649,031	330,335
Sales tax payable on management fee		103,845	-
Preliminary expenses and floatation costs		2,183,340	2,755,630
Others		-	30,000
		<b>2,936,216</b>	<b>3,115,965</b>

11.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets. The Management Company has charged its remuneration at the rate of 1.5% (June 30, 2011: 1.5%) per annum of the daily net asset value of the Fund.

### 12. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.

### 13. ACCRUED AND OTHER LIABILITIES

SECP annual fee payable	13.1	374,058	172,245
Accrued liabilities		661,010	622,948
Provision for Workers' Welfare Fund	13.2	1,587,077	476,161
		<b>2,622,145</b>	<b>1,271,354</b>

13.1 This represents annual fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.075% (June 30, 2011: 0.075%) per annum of the daily net asset value of the Fund.

13.2 Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

## NOTES TO THE FINANCIAL STATEMENTS

During the current year, in August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.1.587 million (June 30, 2011: Rs.0.476 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs.0.305 (0.30%) per unit (June 30, 2011: Rs.0.167 per unit).

### 14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

### 15. SALES TAX ON MANAGEMENT FEE

During the year, an amount of Rs.1.197 million (June 30, 2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

### 16. AUDITORS' REMUNERATION

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Audit fee	220,000	200,000
Review and other certifications	210,101	182,779
	<u>430,101</u>	<u>382,779</u>

### 17. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The Management Company intends to distribute not less than 90% of its annual accounting income, if any, to comply with the above clause at year end. Accordingly, no provision for current and deferred tax has been made in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

June 30,                      June 30,  
2012                              2011  
----- (Rupees) -----

### 18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

#### 18.1 Transactions during the year

##### **Faysal Asset Management Limited - (Management Company)**

Remuneration of the Management Company	7,482,625	3,444,926
Sales tax on management fee	1,197,251	-
Issue of Nil bonus units (2011: 5,248 units)	-	525,000
Redemption of Nil units (2011: 1,505,248 units)	-	153,131,021
Preliminary expenses and floatation costs		
- paid during the year	572,290	-
Other costs	30,000	-

##### **Faysal Bank Limited (Group / Associated Company)**

Issue of 3,142,479 units (2011: Nil units)	325,000,000	-
Redemption of 3,142,479 units (2011: Nil units)	327,100,638	-
Participation in non competitive bid of government securities	250,000,000	-
Cash dividend paid	11,450,000	7,000,000

##### **Central Depository Company of Pakistan Limited - (Trustee of the Fund)**

Remuneration of the Trustee	866,684	650,411
Settlement charges	6,004	8,000

##### **Meezan Bank Limited - (Common Directorship)**

Sale of government securities	100,382,712	-
Purchase of government securities	180,363,617	-

##### **Directors and Executives of the Management Company**

Issue of 6,478 units (2011: 16,155 units)	665,000	1,654,000
Redemption of 9,790 units (2011: 11,798 units)	996,881	1,223,468
Bonus issue of 642 units (2011: 114 units)	64,858	11,546

##### **Unit holders holding 10% or more units**

##### **Farnaz Mustafa Khalid**

Issue of Nil units (2011: 675,898 units)	-	68,738,810
Bonus issue of 79,702 units (2011: Nil units)	8,063,387	-

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
<b>The Bank of Khyber</b>		
Issue of 673,773 units (2011: 340,898 units)	<b>70,137,738</b>	35,000,000
Redemption of 700,420 units (2011: 340,898 units)	<b>71,421,812</b>	35,555,664
Cash dividend paid	<b>1,120,672</b>	-
Bonus issue of 26,647 units (2011: Nil units)	<b>2,690,051</b>	-

### 18.2 Outstanding balances

<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration payable to the Management Company	<b>649,031</b>	330,335
Sales tax payable on management fee	<b>103,845</b>	-
Preliminary expenses and floatation costs payable	<b>2,183,340</b>	2,755,630
Others	-	30,000
<b>Faysal Bank Limited (Group / Associated Company)</b>		
Units in issue 1,000,000 units (2011: 1,000,000 units)	<b>103,000,000</b>	103,510,000
<b>Directors and Executives of the Management Company</b>		
Units in issue 1,800 units (2011: 4,471 units)	<b>185,400</b>	462,793
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b>		
Remuneration payable to the Trustee	<b>73,538</b>	49,315
Security deposit	<b>100,000</b>	100,000
<b>Unit holders holding 10% or more of the units in issue</b>		
<b>Farnaz Mustafa Khalid</b>		
Units in issue 755,600 (2011: 675,898 units)	<b>77,826,800</b>	69,962,202

The transactions with connected persons / related parties are undertaken at contracted rates.

### 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, 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 (also refer Annexure I to these financial statements which describes the risk management structure of the Fund). The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

## NOTES TO THE FINANCIAL STATEMENTS

### 19.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

#### (i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As of June 30, 2012, the Fund's exposure to the risk of changes in market interest rates relates primarily to bank balances, debt securities and Ijarah sukuks. The bank balances are subject to interest rates as declared by the respective banks on periodic basis. The debt securities and Ijarah sukuks are subject to floating profit rates. The debt securities are valued at the rates quoted by MUFAP while Ijarah sukuks are valued at brokers average rate. As at June 30, 2012, approximately 98.12% (June 30, 2011: 97.76%) of the Fund's financial assets are subject to profit rates.

The Fund is not exposed to fixed rate financial assets. Therefore, a change in their interest rates at the reporting date would not have any impact on the income and net assets of the Fund.

Management of the Fund estimates that an increase of 100 basis points in the floating profit rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs.5.319 million (June 30, 2011: Rs.2.931 million) and a decrease of 100 basis points would result in a decrease the Fund's income and decrease the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

#### (ii) Foreign currency risk

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

#### (iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investment in equity securities. The Fund does not have any equity instrument and it is not exposed to such risk.

### 19.2 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holders' option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

## NOTES TO THE FINANCIAL STATEMENTS

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments.

June 30, 2012	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
---------------	----------------	---	--	--------------------	-------

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

### Financial liabilities

Payable to the Management Company	649,031	2,183,340	-	-	2,832,371
Remuneration payable to the Trustee	73,538	-	-	-	73,538
Accrued and other liabilities	661,010	-	-	-	661,010
	<u>1,383,579</u>	<u>2,183,340</u>	<u>-</u>	<u>-</u>	<u>3,566,919</u>

June 30, 2011	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
---------------	----------------	---	--	--------------------	-------

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

### Financial liabilities

Payable to the Management Company	330,335	-	-	2,755,630	3,085,965
Remuneration payable to the Trustee	49,315	-	-	-	49,315
Accrued and other liabilities	622,948	-	-	30,000	652,948
	<u>1,002,598</u>	<u>-</u>	<u>-</u>	<u>2,785,630</u>	<u>3,788,228</u>

### 19.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:



## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances	329,086,319	108,118,782
Security deposit	100,000	100,000
Profit receivable on debt securities	645,744	-
Return receivable on bank balances	2,961,018	837,477
Investment in commercial paper - sukuk certificates	91,951,411	-
Investment in unlisted debt securities	15,247,935	-
	<u>439,992,427</u>	<u>109,056,259</u>

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the credit quality of the Fund's exposure:

	June 30, 2012	June 30, 2011
Rating category	----- (%) -----	
AA, AA-, AA+, AAA	96.35	99.86
A, A-, A+	3.62	0.05
Unrated	0.02	0.09
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2012	June 30, 2011
	% of assets exposed to credit risk	
Banks	75.47	99.91
Chemicals	3.61	-
Electricity / energy	20.90	-
Others	0.02	0.09
	<u>100</u>	<u>100</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 19.4 Capital management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The capital structure depends on the issuance and redemption of units. The Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to seek maximum preservation of unit holders' fund and an optimum rate of return by investing in avenues having good credit rating and liquidity and to maintain a strong capital base to support the development of the investment activities of the Fund.

### 19.5 Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Fund held the following financial instruments which were measured at fair value:

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Investments designated 'at fair value through profit or loss'</b>				
Government securities				
- Ijara Sukuks	-	100,050,000	-	100,050,000
Unlisted debt securities	-	15,247,935	-	15,247,935
	<u>-</u>	<u>115,297,935</u>	<u>-</u>	<u>115,297,935</u>

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Investments designated 'at fair value through profit or loss'</b>				
Government securities				
- Ijara Sukuks	-	185,419,750	-	185,419,750

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

In accordance with Circular No. 1 of 2009 issued by SECP, all traded debt securities are valued on the basis of their volume weighted average price during the last 15 days while thinly traded and non traded debt securities are valued using a valuation methodology devised by MUFAP which includes variables including yields on government securities, Karachi Inter Bank Offer Rates and credit ratings. As the valuation techniques use inputs from observable market data, these securities are classified as Level 2. Rates for non-performing securities, however, are not quoted by MUFAP and are valued using the provisioning criteria prescribed by the abovementioned Circular and are hence classified as Level 3.

Hence, default on installment amounts by investee companies results in transfer into Level 3 while subsequent classification of a defaulting security as performing will result in transfer from Level 3 to Level 2.

### 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. 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 statement of assets and liabilities. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. SUBSEQUENT EVENT

21.1 The Board of Directors of the Management Company in their meeting held on July 05, 2012 have declared a payout at the rate of 2.00% i.e. Rs.2.00 per unit (2011: 3.10% i.e. Rs.3.10 per unit). The financial statements of the Fund for the year ended June 30, 2012 do not include the effect of the payout which will be accounted for in the financial statements of the Fund subsequent to the year end.

21.2 Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani shareholders are subject to Zakat @ 2.5% of the par value of the unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### 22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, top brokers, members of the Investment Committee, performance table, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

### 23. GENERAL

Figures are rounded off to the nearest rupee.

### 24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 16, 2012 by the Board of Directors of the Management Company.

**For Faysal Asset Management Limited**  
(Management Company)

*Chief Executive Officer*

*Director*

*Director*

**SUPPLEMENTARY NON FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
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**(i) PATTERN OF UNIT HOLDING**

Category	No. of investors	Units held	%
1 Individuals	336	2,916,746	55.99%
2 Associated companies and directors	1	1,000,000	19.20%
4 Banks and DFIs	1	193,274	3.71%
6 Retirement funds	4	498,640	9.57%
8 Other Corporates	5	600,340	11.53%
	347	5,209,001	100.00%

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

Name	%
Invest Capital Securities (Pvt) Ltd	51.40%
KASB Securities Ltd	14.95%
Invest One Market Limited.	9.35%
Invest & Financial Securities Ltd.	9.35%
JS Global Capital Limited	5.61%
Elixir Securities (Pvt) Ltd	9.35%

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

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

Name	Qualification	Experience
Mr. Enam Ullah Khan	B. Eco , FSA, Accreditations	Over 20 years.
Mr. Mansoor Khalil	MBA	19 years.
Mr. Najam Ul Hassan	MBA, ACMA, CFA I	Over 17 years.
Mr. Vasseh Ahmed	Master in Science	Over 4 years.
Mr. Ayub Khuhro	BSC Economics, CFA I	over 4 years.
Mr. Syed Shahid Iqbal	B. COM	Over 22 years.
Mr. Imran Altaf	MBA, CFA II	over 4 years.

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**(iv) PARTICULARS OF FUND MANAGERS**

Name	Qualification	Experience	Other Collective Investment Schemes
Imran Altaf	MBA, CFA Level II	Over 4 Years	Faysal Income & Growth Fund

**June 30, 2012    June 30, 2011    June 30, 2010**  
----- (Rupees) -----

**(v) PERFORMANCE TABLE**

Net assets	536,520,940	295,402,235	333,579,227
Net asset value per unit	<u>103.00</u>	<u>103.51</u>	<u>100.38</u>
Offer price	<u>103.00</u>	<u>103.51</u>	<u>100.38</u>
Repurchase price per unit	<u>103.00</u>	<u>103.51</u>	<u>100.38</u>
Highest offer price per unit	<u>105.18</u>	<u>106.35</u>	<u>100.38</u>
Highest repurchase price per unit	<u>105.18</u>	<u>106.35</u>	<u>100.38</u>
Lowest offer price	<u>100.93</u>	<u>100.22</u>	<u>100.00</u>
Lowest repurchase price per unit	<u>100.93</u>	<u>100.22</u>	<u>100.00</u>
Total return:	10.90%	10.13%	9.90%
- capital growth	0.55%	0.38%	0.79%
- income distribution	10.35%	9.75%	9.11%
Average annual return: (Launch date: June 16, 2010)			
- one year	10.90%	10.13%	9.90%
- two years	10.51%	10.02%	0.00%
- three years	10.31%	0.00%	0.00%
Distribution per unit:			
- Interim distribution per unit	8.35%	6.65%	0.00%
- Final distribution per unit	<u>2.00%</u>	<u>3.10%</u>	<u>0.35%</u>
	<u>10.35%</u>	<u>9.75%</u>	<u>0.35%</u>

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.

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**(vi) MEETINGS OF THE BOARD OF DIRECTORS**

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

Name of Directors	Meetings Attended	Meetings held on						
		Jul 09 2011	Sep 24 2011	Oct 28 2011	Jan 17 2012	Feb 11 2012	Apr 21 2012	Jun 19 2012
Mr. Mohammad Abdul Aleem, Chairman	7	1	1	1	1	1	1	1
Mr. Feroz Rizvi, Director	6	0	1	1	1	1	1	1
Syed Majid Ali, Director	7	1	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	5	1	1	0	1	1	1	0
Mr Syed Ibadur Rahman Chishti, Director	6	1	1	0	1	1	1	1
Mr. Aliuddin Ansari, Director	2	0	1	1	0	0	0	0
Mr. Enamullah Khan, Chief Executive Officer (appointed - January 2012)	4	0	0	0	1	1	1	1
Mr. Salman Haider Sheikh, Ex-Chief Executive Officer (resigned - January 2012)	3	1	1	1	0	0	0	0

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**(vii) 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 Directors	Meetings Attended	Meetings held on							
		July 09, 2011	Sept 23, 2011	Oct 21, 2011	Jan 17, 2012	Feb 10, 2012	April 3, 2012	April 21, 2012	May 16, 2012
Mr. Feroz Rizvi, Director	7	0	1	1	1	1	1	1	1
Syed Majid Ali, Director	8	1	1	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	7	1	1	1	1	1	0	1	1

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

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

Name of Directors	Meetings Attended	Meetings held on	
		Jul 08 2011	Feb 11 2012
Mr. Zafar Ahmed Siddiqui, Chairman	2	1	1
Syed Majid Ali, Member	2	1	1
Mr. Enamullah Khan, Chief Executive Officer (appointed - January 2012)	1	0	1
Mr. Salman Haider Sheikh, Ex-Chief Executive Officer (resigned - January 2012)	1	1	0

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

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a " A+(f) " fund rating to Faysal Islamic Savings Growth Fund.

JCR - VIS has awarded an " AM3+ " asset manager rating to the Management Company.